



ABN 22 080 933 456

14 September 2009
Ms Kerri Papamihail
Assistant Manager, Issuers
Australian Securities Exchange
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000

RE: Response to ASX Price & Volume Query

Dear Kerri,

Recent media releases in the New York Times and other international press have further highlighted the strategic importance of Rare Earths which lie at the core of modern technologies such as energy efficient lighting, hybrid vehicle manufacture, magnets for wind turbines and plasma panels.

Governments globally are promoting carbon emission reduction strategies and on Tuesday 1st September, restrictions on the sale of incandescent light bulbs began effect across most of Europe. Rare Earths are critical in the manufacture of energy efficient light bulbs

China currently produces approximately 95% of Rare Earths and consumes about 60% of global production. Export of critical Rare Earth materials from China is subject to a tariff and quota system which has progressively restricted world supply over the past few years. Recent draft reports have indicated an even further tightening of exports.

Arafura represents one of the few commercially viable Australian sources of Rare Earths which can commence production in the next few years.

Arafura also recently announced updated recoveries of Rare Earths and Phosphate from its Pilot Plant facilities at the Australian Nuclear Science and Technology Organisation (ANSTO). Arafura has proved the recovery of high grade Technical Grade Phosphoric Acid which will reduce Australia's dependence on foreign sources.

Arafura aims to be a strategic supplier of rare earth resources and the company has been investigating a number of potential alternate sources of rare earth material. These development activities and potential growth opportunities result in raising the profile of the Company and drawing attention to our assets and investment value.

In February 2009, Arafura signed a letter of intent with a strategic partner, the Jiangsu East China Mineral Exploration & Development Bureau (JEC), for the provision of technical and financial assistance. Following 30 day FIRB approval, Shareholders will vote on the transaction at an EGM on Thursday 17th September. Arafura and JEC representatives have recently completed a series of shareholder and media presentations in Germany and Australia and response from participants to the transaction has thus far been positive. This presentation was lodged with ASX on 7th September 2009.

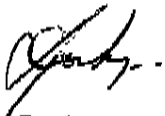
Arafura Resources Ltd

Further to your letter today and our subsequent telephone conversation we respond as follows:

1. The Company is not aware of any information that has not been announced which could be an explanation for recent trading in the securities of the Company.
2. The answer to question 1 is "No", therefore question 2 is "Not Applicable"
3. Other than stated above, the Company does not have any other explanation for the price change and volume increase.
4. The Company confirms that it is in compliance with the Listing Rules and in particular Listing Rule 3.1

Should you require further information, please contact me.

Yours sincerely



Gavin Lockyer
Company Secretary
Arafura Resources Limited.
Date 14 SEPTEMBER 2009



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14 September 2009

Mr Gavin Lockyer
 Company Secretary
 Arafura Resources Limited
 Level 5, 16 St Georges Terrace
 PERTH WA 6000

Dear Gavin

Arafura Resources Limited (the "Company")

PRICE AND VOLUME QUERY

We have noted a change in the price of the Company's securities from a low of 78 cents on 8 September 2009 to an intra day high of \$1.04 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price and volume change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price and volume change in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by facsimile to facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 11:00 am (W.S.T) today.**

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure; listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,



Kerrie Papamihail
Assistant Manager, Issuers (Perth)