



**AN EMERGING
RARE EARTHS
PRODUCER
FOR USERS
WORLDWIDE**

DRILLING SET TO COMMENCE AT ARAFURA'S NOLANS BORE RARE EARTHS DEPOSIT

Australian rare earths company **Arafura Resources Limited** (ASX: ARU) (**Arafura** or **the Company**) today announced it had executed an agreement with Drillwest, a Western Australian drilling contractor, to undertake a major drilling program at its Nolans Bore rare earths resource in the Northern Territory. This is a planned and key component of the overall Nolans work program for 2011.

The drilling campaign will commence later this week, and is scheduled to be completed within six months using four drilling rigs operating, for the most part, on a continuous basis. It will involve a team of around 40 personnel, and represents the single most comprehensive drilling program to be commissioned by the Company: at 30,000 metres of RC (Reverse Circulation) drilling and 16,500 metres of Core drilling, it will more than double the total amount of drilling completed at Nolans Bore since the prospect was first drilled by Arafura in 2001.

Total JORC-compliant Mineral Resources of 30.3 million tonnes (Measured, Indicated and Inferred) have been outlined at Nolans Bore down to a depth of 150 metres below surface (ASX: ARU 11/11/08). The purpose of the 2011 drilling program is twofold:

1. To upgrade currently identified lower confidence Inferred Resources into higher confidence Indicated Resources as part of the Nolans Bankable Feasibility Study (higher confidence Mineral Resources can then be converted to JORC-compliant Ore Reserves by applying additional technical and economic parameters); and
2. To establish the potential for additional Mineral Resources down to a depth of 250 metres below surface across the full lateral extent of the deposit.

Arafura Managing Director and CEO Dr Steve Ward said, "This is another major step forward for Arafura. Nolans Bore is already a world class resource but has, as yet, unknown upside expansion potential. In our recent \$90 million capital raising, we had identified a priority to test the extents of Nolans Bore as the foundation for longer term production expansion over and above our planned nameplate 20,000 tonnes of REO per annum from the Whyalla Rare Earths

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Complex. Arafura has already successfully developed the processing technology to exploit the Nolans Bore resource, so no further work of this kind would be required to increase production if the resource proves to be bigger and can sustain higher output. The drilling program will also enable us to complete the process of converting some of the resource to higher confidence levels required for the Bankable Feasibility Study.”

“The outlook for rare earths remains extremely positive. Recent commentary relating to China stockpiling rare earths for their own use further reinforces the view that the overall global market will remain very tight well into the future. Nolans represents one of the very few rare earth projects sufficiently advanced to be able to come into production in the short- to medium-term. We believe, therefore, that it is even more important for Arafura to establish our capacity to increase supply of rare earths for users worldwide far into the future,” Dr Ward added.

“I am excited that we are on the cusp of executing a major drill out of Nolans Bore, and I look forward to reporting progress and results as they come to hand.”

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Visit www.arafuraresources.com.au for information on the Nolans Bore resource.

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