

NOLANS BORE RESOURCE UPDATE

Highlights

- **Widespread nature of mineralisation encountered in 2011 Nolans Bore drilling program has resulted in more work than originally planned to assess the resource;**
- **Revised estimate of JORC resources for Nolans Bore now anticipated by the end of February 2012 to enable full assessment of potential opportunities.**



Australian Rare Earths company **Arafura Resources Limited (ASX:ARU) (Arafura or the Company)** is pleased to provide an update on its program to finalise and issue an updated resource estimate for Nolans Bore following the significant and successful 2011 drilling campaign.

Background

The Nolans Bore resource is located in the Northern Territory, approximately 130 km north of Alice Springs, 10 km west of the Stuart Highway, and 60 km west of the Darwin to Adelaide rail line. It is on a flat, sparsely vegetated part of the Aileron pastoral lease. It is remote in that there are no major competing land uses, but it is not isolated as it is easily accessible and near to main transport routes and other infrastructure such as gas supplies. These features make it an excellent location for a proposed mining operation.

The Nolans Bore resource is located on a granted exploration licence wholly owned by Arafura.

Surface outcrops of Rare Earths were first discovered at Nolans Bore in 1995. Arafura commenced systematic exploration of the site in 2000. The current JORC-compliant resource estimate of 30.3 million tonnes reported in November 2008 (ASX: ARU 11/11/2008) highlights the world-scale nature of the deposit. By this time about 40 kilometres of drilling had been completed at Nolans Bore.

RESOURCES	TONNES (million)	RARE EARTHS REO %	PHOSPHATE P ₂ O ₅ %	URANIUM U ₃ O ₈ lb/t
Measured	5.1	3.2	13.5	0.57
Indicated	12.3	2.8	13.4	0.43
Inferred	12.8	2.6	12.2	0.40
TOTAL	30.3	2.8	12.9	0.44

Using a 1% REE cut off grade

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YEAR	COSTEANS	RC drilling	CORE drilling	WIDE DIAMETER drilling	TOTAL metres
	metres	metres	metres	metres	
2000	890				890
2001		856			856
2004		1,525	518		2,043
2005		7,532	1,040		8,572
2006		4,363	2,255		5,491
2007		19,949			
2008	333			792	
2010				1,656	1,656
2011		29,904	22,265		52,169
TOTAL	1,223	64,129	26,870	1,656	93,878

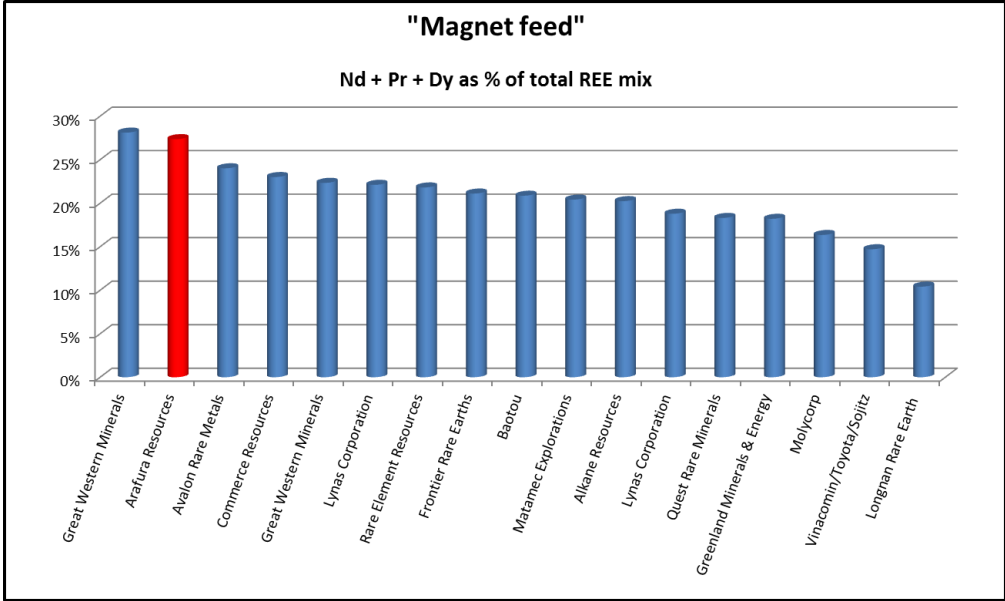
Exploration and resource definition drilling history at Nolans Bore, 2000-2011

By 2004, the Company had sufficient confidence in the scale and considerable value creating potential of Nolans Bore to begin its program to develop technology to extract Rare Earths and other valuable products from the resource. This culminated in the successful piloting of technology in 2009 and has led to the current demonstration program (ASX: ARU 22/12/2011).

The Rare Earths mix at Nolans Bore is relatively rich in Neodymium, Praseodymium and Dysprosium compared to other Rare Earth projects. These are high value Rare Earths which are used to make magnets for wind turbines, hybrid cars and other high technology applications. This is one of the key drivers for the Rare Earths industry and one of the fastest growing end uses.

Rare Earth Element	% REO Contained	Volume (tonnes p.a.)	REO Price (US\$/kg) 12 Jan 2012	Projected Revenue (US\$ millions) p.a.	% Revenue
Lanthanum	19.74%	3,948	\$51.00	\$201	9.4%
Cerium	47.53%	9,506	\$42.50	\$404	18.8%
Praseodymium	5.82%	1,164	\$165.00	\$192	8.9%
Neodymium	21.20%	4,240	\$195.00	\$827	38.5%
Samarium	2.37%	474	\$78.50	\$37	1.7%
Europium	0.40%	80	\$3,790.00	\$303	14.1%
Gadolinium	1.00%	200	\$102.50	\$21	1.0%
Dysprosium	0.33%	66	\$1,410.00	\$93	4.3%
Terbium	0.08%	16	\$2,810.00	\$45	2.1%
Yttrium	1.32%	264	\$90.50	\$24	1.1%
Others	0.21%	42	-	-	-
Total	100.00%	20,000	\$107.35	\$2,147	100.0%

*Prices noted above are China US\$ FOB quoted in Metal Pages on 12 January 2012
Arafura's five REO product groups are highlighted*



"Magnet feed" Rare Earth endowment of a number of Rare Earth projects

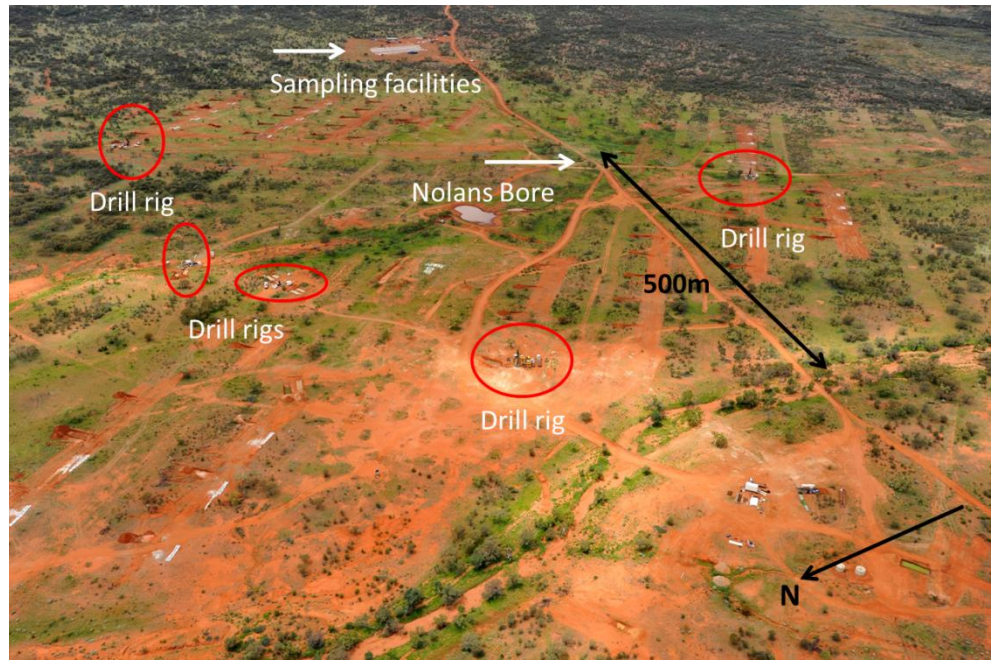
At the completion of drilling in 2008, the Nolans Bore resource was still open at depth and along strike. It was not possible to continue with substantive resource definition drilling in 2009 and 2010 to assess the expansion potential of the resource due to lack of funds during the Global Financial Crisis.

Arafura's 2011 Resource Drilling Campaign

Arafura executed a major drilling campaign at Nolans Bore in 2011. This had the following objectives:

- To upgrade JORC resource confidence levels for future mine planning purposes required for the Nolans Bankable Feasibility Study (BFS) – essentially infill drilling within the existing resource;
- To identify the extent of additional resources beyond the 2008 resource estimate in order to gauge future expansion potential and assess further value creation opportunities; and
- To provide samples for metallurgical variability testing and beneficiation flow sheet design and optimization.

This was a major undertaking for the Company, involving up to four drilling rigs in continuous operation for approximately six months. At times up to 50 staff and contract personnel were engaged in support of the program. The campaign involved both RC and diamond core drilling. A number of notable new intercepts of mineralisation have been made at depth, along strike and in a new area which is close to the existing resource (ASX: ARU 28/07/2011, 22/08/2011, 10/10/2011, 13/10/2011, 21/11/2011).



Drilling activities at Nolans Bore, March 2011

Arafura reported that additional drilling would be undertaken to investigate a substantial north-south zone of strong mineralisation in the central part of the deposit (ASX: ARU 22/08/2011). Approximately 4,720 metres of (resource definition and metallurgical) diamond core drilling was completed, which added about six weeks to the duration of the program.

Due to the widespread nature of mineralisation encountered during 2011, a larger number of assays and associated technical work streams have been required to fully assess the resource and examine potential opportunities. Consequently, a revised estimate of JORC resources for Nolans Bore is now anticipated by the end of February 2012. Potential flow through benefits to the Nolans Project and impact on overall schedule will be assessed shortly thereafter as part of the Company's ongoing review of all matters relating to the Nolans Project.

Dr Steve Ward, Arafura's Managing Director and CEO, commented, "The 2011 drilling campaign has underscored the world-scale nature of the Nolans Bore resource and will provide some key data for the Nolans Project BFS. We look forward to finalizing the results in the coming weeks. We will then also be in a position to assess more thoroughly potential additional opportunities for Nolans including optimization of mine planning and beneficiation and possible future expansion opportunities."

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