

ARAFURA APPLIES FOR NOLANS PROJECT WATER EXTRACTION LICENCE

- **Nolans Project water supply defined from a significant aquifer system**
- **Licensing process underway to secure life-of-operation water rights**

Australian rare earths company **Arafura Resources Limited (ASX: ARU)** (“**Arafura**” or the “**Company**”) is pleased to announce that it has applied for a groundwater extraction licence to support the development of the Company’s 100 per cent-owned Nolans Rare Earths Project in the Northern Territory.

The application, which was lodged with the Northern Territory Government’s Department of Land Resource Management last week, follows a successful exploration and investigation program in a previously unexplored basin area approximately 20 kilometres southwest of the Nolans Site (“Southern basins” – Figure 1). The groundwater aquifer system covers a large area, is high yielding and is of a quality that is suitable to supply the Nolans Project with both process and potable water over its planned life. The works program in the Southern basins is ongoing with additional definitive pump testing commencing shortly.

There are limited competing users in the area that are reliant on the water resources that Arafura has outlined. Importantly, the Company considers that the Southern basins offer a viable sustainable alternative and preferred water supply to the highly valued Ti Tree Water Control District located northeast of the Nolans Site (Figure 1). This represents a very positive advancement as it mitigates a major operational risk for the Project and supports the Company’s plan to locate intermediate chemical processing at the Nolans Site.

Arafura’s Managing Director, Gavin Lockyer, said, “Arafura understands that water is a precious resource, particularly in Central Australia, and we take our responsibility to sustainably manage the water resources we’ve outlined very seriously. Re-configuring our process flow sheet has already achieved a 40% reduction in the Project’s water requirements, and we are examining ways of reducing it further. The water program has cost A\$1.5 million to date and the Company has completed in excess of 2,500 metres of drilling which includes the establishment of monitoring bores for the ongoing collection of baseline data. This is integral to the completion of the Nolans Environmental Impact Statement.

“A further phase of investigative work has commenced to provide additional data and further improve our understanding of the basin system. Key components of this work include the construction of up to three production bores, 30 investigation and monitoring bores, and the installation of additional in-stream sampling stations at and around the Nolans Mine Site and Processing Site.

“Arafura is keen to play an important role in supporting the region, and we have shared the data from our work to help the local communities at Alyuen and Aileron secure access to a reliable water supply. This has been a major problem for these communities for as long as Arafura has been active in the region, and we are very pleased to be able to assist.



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“We look forward to working with the Northern Territory Government in its assessment of our application.”

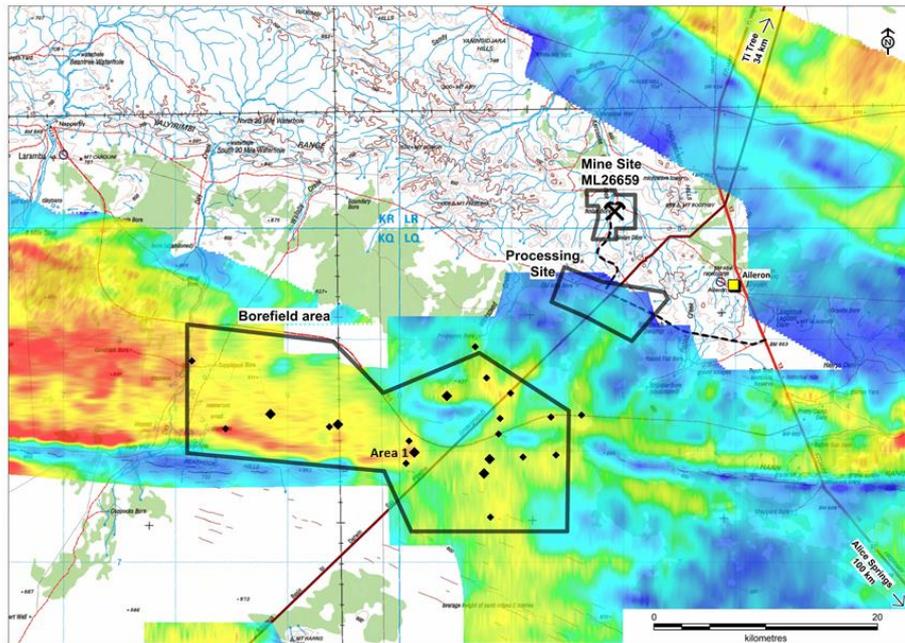


Figure 1: Location of Nolans Site and Area 1 (Figure 2 photo) within proposed borefield. Individual water bores are shown. Airborne geophysical colour image indicates high potential areas for buried aquifers in warmer colours.



Figure 2: Production bore at Area 1

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