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DRILLING UNDERWAY AT MULGA RARE EARTHS PROSPECT

- **Drilling of extensive rare earths target near Nolans Bore deposit**
- **Program to be completed within three weeks**

Australian rare earths company **Arafura Resources Limited (ASX: ARU)** ("**Arafura**" or the "**Company**") is pleased to announce that drilling has commenced at the Mulga rare earths prospect – a new exploration target located approximately 500 metres north-east of the Nolans Bore deposit in the Northern Territory.

The Mulga drilling program is part of Arafura's strategy to test rare earth exploration targets on its cornerstone Aileron-Reynolds land package, commencing with those in closest proximity to the Company's planned Nolans Bore Mine development.

A 24-hole reverse circulation (RC) drilling program is designed to test for shallow mineralisation on the Company's EL 28473, close to where wide intervals of rare earths mineralisation were identified in RC drilling during 2011 (ASX: ARU 10/10/11). Two notable adjacent intersections were:

- Hole NBRC1050: **28m @ 2.6% REO**, 2.6% P₂O₅ and 0.36 lb/t U₃O₈ from 92m; and
- Hole NBRC1049: **23m @ 1.8% REO**, 2.7% P₂O₅ and 0.19 lb/t U₃O₈ from 39m.

Field work has demonstrated that these drill intercepts occur at the southern end of an extensive coincident airborne geophysical-biogeochemical anomaly, which trends for at least 1.8 kilometres in a northerly direction (see Figure 1). The area is completely covered by transported alluvium.

About 1,500 metres of RC drilling is planned along several 200 metre-spaced traverses. The program is expected to be completed within the next three weeks, with assay results to be communicated once received.

- ENDS -

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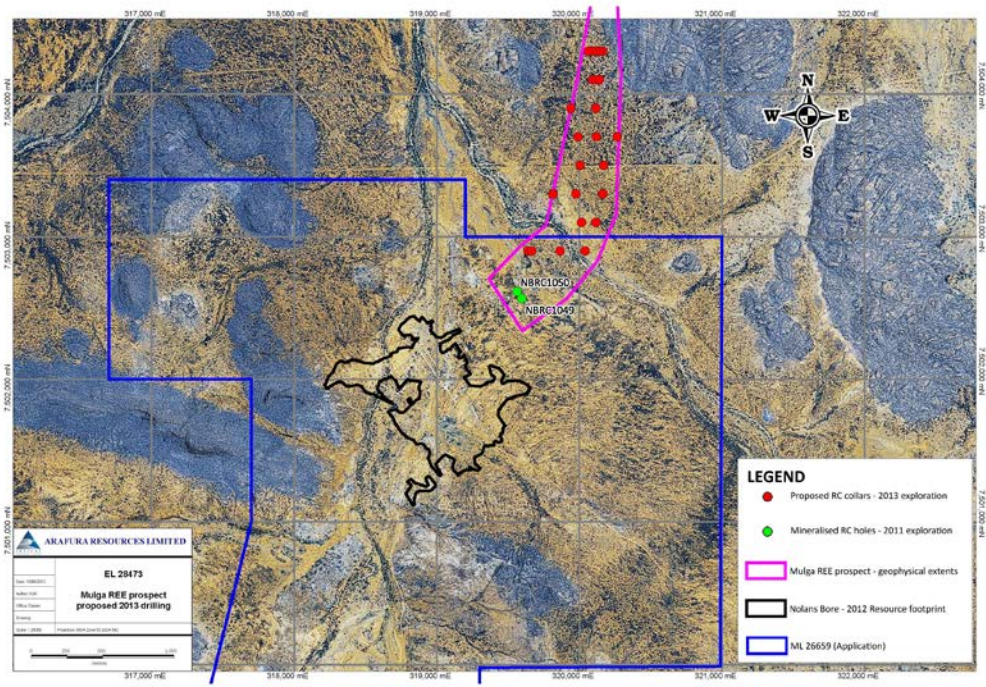


Figure 1: Mulga rare earths target and proposed drilling on EL 28473, Northern Territory

Competent Person's Statement

The information in this report relating to Exploration Results and geological interpretation was compiled by Mr Kelvin Hussey who is a Member of the Australian Institute of Geoscientists. Mr Hussey is a full time employee of Arafura Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the JORC Code). Mr Hussey consents to the inclusion of this information in the form and context in which it appears.