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ARAFURA RESOURCES LIMITED (ASX: ARU)

Nolans Project

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Arafura advises that it is expecting the valuation of the Nolans project and the pre-feasibility estimates of capital and operating costs for the phosphate hosted, rare earths deposit will be completed by the end of September for release in the 4th quarter of 2007. This is later than originally planned due to a number of developments.

1. Significant changes to the plant size due to positive outcomes from the beneficiation process (ASX release 18 July 2007) and further positive implications of this process on recoverable mineral resources (ASX release 19 July & 25 July 2007).
2. The results of high rare earth recoveries (ASX release 23 July 2007) that will reduce the required mining rate which then has implications on downstream transport and processing facilities.
3. Delays in finalising the engineering design because of industry wide constraints on human resources and cost estimations.
4. Difficulty in ascertaining cost escalation factors due to strong global growth in the mining sector.

As a consequence, the valuation of the Nolans project from the pre-feasibility estimation process is not expected to be announced until the 4th quarter of 2007.

The Nolans deposit is rich in the rare earth minerals that have important strategic use in the automotive and electronic industry. The rapid growth and demand for these rare earths makes the Nolans project important to the security of supply in the value chain. Its potential to co-produce other products significantly reduces its commercial risk.

Arafura has undertaken a number of sensitivities that clearly show that Nolans represents a high rate of return on investment. While capital costs are likely to increase, the unique value proposition that Nolans presents through multiple revenue streams (from rare earths, phosphoric acid, uranium and calcium chloride) and the lack of alternate rare earths sources outside China ensures that the Company will deliver positive outcomes from the project.

The market for rare earths is growing strongly in products that have significant benefits to lifestyle, energy efficiency and the environment. This maintains a robust forecast for the market and the development of the Nolans Project.

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