



Arafura Resources Ltd

Quarterly Report Activity Summary

For the period ending 30 September 2007

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Arafura

Resources for the future

Nolans Valuation

- Nolans PFS estimated at post tax NPV of \$1.1 billion
- Total sales revenue of \$8.25b over 20 years (in 2007 dollar value)
- Exchange rate of AUD\$1.00 = USD\$0.90
- Demand for rare earths growing at 11.5% pa

Nolans pre-feasibility assumptions – conservative approach used

Opportunities for project enhancement identified

Exploration update

- Drilling at Nolans, Kurinelli soils, Mithril identify Nickel targets at Hammer Hill, Jervois drilling delayed till next year

Nolans - Facts Sheet

1. A significant resource of rare earths
2. Exposed at surface – a small, long life, low cost, safe, open pit
3. A specific process flow sheet to separate products streams
 - Rare earths to separated product (99% grade)
 - Phosphoric acid
 - With additional by-products of calcium chloride and uranium
4. Rare earths enriched in high value RE's Nd (21%), Pr (6%)
 - Major materials in high growth markets
 - Hybrid cars (electric motors & rechargeable batteries) , plasma screens
 - Electric motors for just about everything

Nolans - Valuation

1. NPV of AUD \$1.1 Billion (post tax)
2. Revenue of AUD \$8.25 billion (in 2007 dollars @ USD:AUD 0.90)
3. Operating life of 20 years
4. Revenue from 4 product streams
 - Rare earths (65%), phosphoric acid (16%), calcium chloride (11%), uranium (8%)
5. Exchange rate of AUD\$1 = USD\$0.90 over life of operation
6. Conservatism used in capex, opex, revenue and exchange rate

Nolans – PFS assumptions

1. Capital costs estimated at AUD\$750m

- A base of AUD\$450m for plant
- Includes AUD\$120m for contingency – scope change
- Includes AUD\$180 for first fill chemicals etc
- Assumes Australian built & manufactured plant

2. Operating costs estimated at AUD\$350m per annum

- Assumes imported chemicals (70% of opex costs)
- Chemical consumption based on laboratory bench scale test work

3. Production rates

- Conservative ramp up rates from 50% to 75% to 100% over 3 years
- Assumes start-up on imported chemicals

Nolans Valuation Assumptions

1. Conservative exchange rate

- AUD\$1 = USD \$0.90

2. Conservative Pricing

- | | | | |
|--------------------|----------------|---|-----------------|
| • Rare earths | 20,000 tonnes | @ | US\$ 11,600 / t |
| • Phosphoric acid | 150,000 tonnes | @ | US\$ 400 / t |
| • Calcium Chloride | 400,000 tonnes | @ | US\$ 100 / t |
| • Uranium Oxide | 150 tonnes | @ | US\$ 100/lb |

3. Hurdle rate of 10%

4. Escalation factors used in both operating & revenue

Nolans Project Opportunities

1. Resources grade

- Assumes the average resource grade – conservative
- Optimum feed grade analysis in progress

2. Capital costs

- Savings expected with components manufactured overseas
- Capital requirements under review

3. Operating costs

- On-site chemical manufacture will save +AUD\$60m per year
- Reduction in consumption rates expected during pilot plant optimisation

4. Production rates

- Faster ramp up possible with on-site chemical manufacture

Nolans Project Opportunities

6. Exchange rate

- The long term forecast USD : AUD is 0.75
- At AUD\$1=USD 0.75 has a +\$600m impact = a post tax NPV of \$1.7b

7. Pricing

	PFS	Current prices
• Rare earths	US\$ 11,600/t*	US\$ 13,900/t*
• Phosphoric acid	US\$ 400/t	US\$ 500 – 600/t
• Calcium chloride	US\$ 100/t	US\$ 200/t**
• Uranium oxide	US\$ 100/lb	US\$ 80/lb
• Revenue pa at Forex 0.90	AUD\$410m	AUD\$520m
• Revenue pa at Forex 0.75	AUD\$485m	AUD\$625m

*Assumes 99% grade separated rare earths on the mix of rare earths in the Nolans mineralisation. **FOB basis

Development Timeline

Development Plans – Nolans

2008	Pilot plant & Detailed engineering design
2009	Approvals process
2010	Construction & Commissioning
2011	Production at 50% rates = 10,000 tpa REO
2012	Production at 75% utilisation = 15,000 tpa REO
2013	Production at 100% utilisation = 20,000 tpa REO

1. Nolans drilling - purpose

- Improved classification of current resources
- Define extensions to resource
- Identify higher grade zones

2. Kurinelli sols sampling results pending

3. Jervios drilling postponed until 2008

4. Mithril Resources identify high priority nickel targets on Arafura's Hammer Hill project (Mithril farm-in)

End