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**ARAFURA RESOURCES LIMITED (ASX: ARU)  
NOLANS RARE EARTHS DEPOSIT, NORTHERN TERRITORY  
(ARU 100%)**

**OUTSTANDING RESULTS RECORDED FROM  
BENEFICIATION DEMONSTRATION PLANT**

- Extensive studies confirm significant separation and flotation results
- Excellent processing plant feed grades of more than 6% REO
- Overall recoveries of better than 85% REO
- Plant achieves 40% rejection of waste material at the mine site

Arafura Resources Limited (Arafura) is pleased to announce that following extensive demonstration plant studies on a representative bulk sample of the Company's Nolans rare earths deposit that the mineralisation is receptive to heavy media separation (HMS) for upgrading prior to transport.

This is a critical and very pleasing result that indicates potential for significant operating cost and capital reductions. The final demonstration plant beneficiation report supports indicative data previously reported on 25 March 2008.

Arafura can also confirm that previously reported (28 April 2008) indicative results of the potential for flotation of the low-grade fines fraction have been confirmed by extensive laboratory trials. The fines are a fraction of the mineralisation that is not treated by heavy media separation due to fine particle size. Arafura has commenced work at the demonstration plant scale to obtain design data for the commercial plant.

The combined heavy media and flotation work demonstrates waste rejection (~40% of feed tonnage) that will result in a significantly higher grade final product (>6% REO) and reduce transport costs by an estimated third. This is also expected to lead to as yet unquantified capital implications which will be refined through the Bankable Feasibility Study.

The mineralised concentrate (a combination of heavy media separated product, upgraded fines and untreated slimes) from the demonstration plant has a rare earth grade of greater than 6% REO. This compares to a feed grade of 4.2% and waste rejection rates of 30% used in Arafura's pre-feasibility study.

Arafura's Managing Director Alistair Stephens said, "These demonstration plant scale results are significant for two reasons. Firstly they have successfully demonstrated that mineralisation can be simply and effectively upgraded by rejecting waste with low cost processes, and secondly, that the higher processing plant grades will allow us to lower downstream costs by reducing transport and capital costs of the processing plant.

The Advanced Technologies division of Bateman has given excellent results that support the phosphoric acid development from the Chemical Technologies group.”

**For more information:**

Fact sheets on Arafura can be found on the Arafura Resources website at [www.arafuraresources.com.au](http://www.arafuraresources.com.au)

Alistair Stephens on +61 8 9221 7666  
Managing Director

**PROJECT UPDATE**

The Nolans project located 135km from Alice Springs in the Northern Territory hosts 18.6 million tonnes of rare earth resources with a proposed mine life of at least 20 years.

A representative bulk sample was excavated from the Nolans rare earths – phosphate deposit in late 2007. The sample was prepared on site before transport to a beneficiation laboratory for test work.

In the first quarter of 2008 this bulk sample was assessed for crushing and screening before HMS trials. Half the sample was tested to generate material for the demonstration plant at the Australian Nuclear and Science Technology Organisation (ANSTO). The remaining half was optimised for crushing and heavy media separation to provide detailed design criteria for the project’s definitive feasibility study. Detailed laboratory-scale flotation tests were conducted during the heavy media pilot plant trials.

The process design currently involves crushing before screening.

Further demonstration plant scale work has commenced on the detail of flotation potential that could improve the ore concentrate grade, and improve project returns. These demonstration trials are planned for July 2008.

ANSTO and Bateman have progressed the pre-leaching and phosphoric acid components of the demonstration plant. Final runs are scheduled for late this month, concluding at the end of July. A detailed report is expected at the end of August. Planning and development for the acid bake component of the pilot plant is well progressed with a final report scheduled for the end of August.

As the preliminary results of the 2007/08 20,000 metre drilling campaign are progressing through the laboratory process, Arafura has engaged Hellman & Schofield to continue their previous work on the Nolans deposit to sufficiently develop the resource model in order to convert a significant portion of the resource to a JORC-defined “measured” “indicated” and “inferred” resource status. This redefinition of the Nolans resource will then support the Bankable Feasibility Study mining design and optimisation process.

Arafura is also pleased to announce that GHD have been commissioned to perform the transport and infrastructure component of the Bankable Feasibility Study.

“The Nolans Project is moving into the conventional processes of reserve definition, long term mine optimisation, planning, and transport and infrastructure design to provide data for the Bankable Feasibility Study,” says Mr. Stephens. “The process of BFS development is on schedule for conclusion at the end of 2009. We will keep the market informed of the BFS progress.”

## What are Rare Earths?

Rare earth metals are essential components to products with significant growth potential in the markets associated with the electronics and technology industries, energy efficiency and greenhouse gas reduction.

They are a key component in re-chargeable batteries and the magnets in electric motors, and play a fundamental role in hybrid motor vehicles. These cars are fuel efficient and major contributors to reducing greenhouse gas emissions.

The diverse nuclear, chemical, metallurgical, catalytic, electrical, magnetic, and optical properties of the Rare Earth Elements (REE) have led to an ever increasing variety of applications and demands. REE are critical and strategic components in many high-technology developments.

REE are also key products in the electronics market, including mobile phones, personal organizers and laptop computers, and in plasma, LCD and CRT display screens.

These new technologies are being rapidly adopted across the globe as electronic media becomes an essential part of personal apparel and business environments.

## Arafura Resources

Arafura Resources is a Perth-based specialty metals explorer and developing producer which has operated in the Northern Territory for the past 20 years. It listed on the Australian Stock Exchange in 2003 and has diversified its asset portfolio by targeting projects that will deliver long-term and sustainable value and growth. These include:

- Gold            Mt Porter deposit near Pine Creek ARU 100%
- Gold            Kurinelli gold project ARU 100%
- Nickel          A farm-in by Mithril Resources at Hammer Hill
- Vanadium      Jervois magnetite-vanadium project ARU 100%