ASX Announcement

28 April 2006

Arafura (ASX : ARU) to offer shareholders the opportunity to participate in a new uranium company

The Board of Arafura Resources NL has decided to restructure the company so that the company's Northern Territory uranium projects will be the basis for the formation of a new uranium exploration and investment company. The restructure will be subject to regulatory and shareholder approval.

Benefits to Shareholders

Arafura's Board considers existing Arafura shareholders will benefit from the separate listing of the company's uranium assets now that they have sufficient potential to warrant the creation of a new company to explore and develop the assets.

The separate listing will enable the new company to provide both current shareholders and new investors with greater flexibility to invest in a specialist uranium stock. One listing option being considered by the Board is offering current eligible shareholders an in-specie distribution of shares into the new entity with Arafura Resources NL retaining a shareholding. However no decision will be made on the terms and conditions of the restructure without appropriate corporate advice.

Background to Arafura Resources NL

Arafura Resources currently has extensive rare earths & phosphate, gold and uranium projects. The uranium projects cover over 7,500 km^2 entirely within the Northern Territory and over 90% of the properties are granted exploration licenses within pastoral leases. In addition, Arafura has a constructive relationship with both Aboriginal land councils and traditional owners and intends to strengthen this relationship.

Arafura's properties are highly prospective for the exploration, discovery and development of uranium. The Northern Territory is host to significant resources of uranium and contains extensive areas of uranium mineralisation that has been under-explored. Arafura has several uranium projects with low to high grade uranium mineralisation (Lagoon Creek and Lucy Creek) and other leases in that have encouraging indicators for uranium mineralisation.

On 22 November 2005, Arafura Resources NL released a resource statement to the ASX which defined a major resource of phosphate, rare earths and uranium at the Nolans Bore project near Alice Springs. The project has a resource of 18.6 million tonnes that contains 577,000 tonnes of rare earths (REO), 8.7 million pounds of uranium (U_3O_8) and 2.6 million tonnes of phosphate pentoxide

(P_2O_5). The recovery test work for Nolans Bore will determine the nature of the relationship between Nolans Bore products and the new uranium company.

In the international markets, there has been a substantial increase in the recognition of the importance of rare earth (Lanthanide) compounds that are used in applications for fuel-efficient hybrid car technology and the burgeoning electronics industry.

The major size and long life of the Nolans Bore project and successful indicators from initial metallurgical test work, has increased the Boards confidence that Nolans Bore will be a producer of rare earth products, phosphate and uranium.

The company also has a gold resource near the Pine Creek district that is in close proximity to a processing facility and a gold project with significant potential at Kurinelli near Tennant Creek. Arafura has rights to iron royalties from its interest in the Pine Creek iron project operated by Territory Iron Ltd which will shortly go into production.

Financial and Management Resources

Arafura Resources recently raised \$5.5 million in a shareholder share purchase plan and has a cash balance of about \$7.0m. It is well funded to continue exploration and metallurgical test work programs.

Arafura has an experienced and talented exploration team with a track record of success located in Darwin and the company has well developed procedures and processes to satisfy the regulatory requirements of uranium exploration. These management and knowledge based resources will be made available to the new company and will ensure the new entity continues to capture the benefits for its shareholders that have to date been provided by Arafura.

Process Forward

Management are currently in the process of seeking legal and corporate advice to create a timetable for the de-merger process. Details will be announced in the June quarter of 2006.

All further enquiries can be made to;

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