



ARAFURA RESOURCES LTD

QUARTERLY REPORT

FOR THE PERIOD ENDED 30th September 2008 (ASX:ARU)

Highlights

NOLANS PROJECT (100% Arafura)

- ▲ Nolans project continues to demonstrate technical and commercial excellence
 - ✓ Updated project valuation of A\$1.8 billion as at October 2008
 - ✓ Demonstration plant highly successful
 - ✓ Nolans flotation has achieved a grade of better than 6% REO and 25% P₂O₅
 - ✓ Demonstration plant recoveries for phosphoric acid range from 80% to 90%
 - ✓ Acid baking of rare earths is complete and proven to be technically feasible
 - ✓ Rare earth carbonate demonstration plant underway
 - ✓ Further extensive intervals of strong REO, phosphate and uranium drill assay results
 - ✓ Revised resource statement due in November 2008
- ▲ A line-of-equity facility for A\$20m signed with YA Global.
- ▲ Heads of Agreement signed with Incitec Pivot
- ▲ Arafura has reviewed its cost position and reduced outlays
- ▲ The Company remains committed on the Nolans development plan



Nolans Project Valuation

1. Positioning statement

Arafura has completed a thorough review of the Nolans Project (100% ARU) at October 2008 in light of current information relating to resource drilling, metallurgical programs, commodity market conditions for chemical supply and product markets and sales.

Detailed engineering studies and design programs were completed in October 2007 along with the release of the pre-feasibility study. Arafura is currently undertaking a demonstration pilot plant program. On completion of this program and the bankable feasibility study a more comprehensive review will be undertaken.

To date the demonstration pilot plant program has identified capital items that can be eliminated and some that may need to be added with the net effect being a reduction of capital equipment. This review excludes significant reductions in raw material costs such as steel and options for overseas manufacture.

Consequently the Company has decided to update a financial and commercial statement for the project using recent metallurgical information and moderately modified capital and operating cost information.

Current global market conditions for the Nolans product mix and the cost structure utilised in the pre feasibility study indicates the Nolans Project continues to return a positive commercial value, even if the project was to produce a rare earth carbonate rather than a separated product.

Arafura remains focused on delivering the Nolans Project with high returns, significant shareholder value and materials that will enable products with major community and environmental benefits.



2. Resources

The total resource base for the Nolans Project has been calculated using a 1% REO cutoff. The resource meets the guidelines and standards for JORC (Joint Ore Reserves Committee) and the AUSIMM (Australian Institute of Mining & Metallurgy). The resources statement is;

	mT	REO%	P ₂ O ₅ %	U ₃ O ₈ lb/t
Indicated	10.5	3.1	13.8	0.50
Inferred	8.1	3.0	14.3	0.43
Total Indicated & Inferred	18.6	3.1	14.0	0.47

A revised resource statement will be available before the Company's Annual General Meeting in November 2008. Based on the experience that Arafura geologists have acquired with the Nolans resource over the last 9 years, combined with geological and reported assay data from drill-hole mineralisation, there is an expectation that the resource will increase in size and in confidence with this new update.

3. Mining

A preliminary mine design undertaken in the October 2007 pre-feasibility study supports the observation that the Nolans resource can sustain an operation for at least 20 years at a production rate of 20,000 tonne per annum of rare earth oxides.

4. Metallurgical Recoveries

The demonstration pilot plant program has validated that the recoveries for all products from our test work programs used in the October 2007 pre-feasibility study will be achieved as a minimum.

The current project valuation study will use a recovery of rare earths and phosphate of 80% as a conservative approach. The following metallurgical recoveries have been used to determine the total recovered product;

Rare Earths	80%
Phosphate	80%
Uranium	80%

The volume of calcium chloride is calculated as a mass balance from residue.



5. Metallurgical Processes

Arafura has now successfully validated at demonstration plant scale the metallurgical processes for the recovery of phosphoric acid.

In addition, materials at all stages of the demonstration process have been measured for radiation and meet the criteria for the safe transportation of materials in all States and Territories in Australia. The demonstration plant exercise can now confirm that product streams from the rare earth circuit can be safely handled, processed, disposed and transported under current regulations.

Arafura has completed the demonstration plant to produce phosphoric acid and a significant proportion of the process to produce a rare earth carbonate. The last stage of the rare earth carbonate demonstration plant will be undertaken in November 2008. Rare earths separation is planned for early 2009 and engineering design works are well advanced.

6. Chemical Supply

Arafura has entered into a Heads-of-Agreement (HOA) with Incitec Pivot to determine the feasibility for the location of a chemicals plant for the Nolans Project. A decision on the preferred location is likely to be made in early 2009.

7. Cost of Materials for Operations

The total direct operating cost was estimated at A\$250 million per annum in the October 2007 pre-feasibility study. During 2008 strong demand in the resources sector resulted in a rapid escalation in some chemical costs. By October 2008, the rapid rise has been followed by a rapid decrease in chemical costs and a build-up of some chemical commodity stocks. Prices for these chemicals in most cases are now below the pre-feasibility assumptions.

This, in combination with the heads of agreement for a co-located chemical plant, places the project in a sound position with respect to highly cost effective chemical agent supply. The pre feasibility study included A\$100m in costs for shipping and logistics on imported chemicals. Domestic manufacture of these inputs will result in a significant reduction of direct operating expenses.

As an example, Arafura's market intelligence for October 2008 indicates that the price for sulphur has reduced dramatically, with a significant build up of stocks, suggesting that sulphur may soon be available delivered at no cost (FOB) as it was during the 1990's. The cost of hydrochloric acid, a significant chemical for the operation, has also reduced significantly.



In addition, the demonstration plant has streamlined and optimized the process that is expected to deliver a reduction in chemical consumption compared to the pre-feasibility study. The exact quantum of this saving is currently being assessed in the bankable feasibility study.

The aggregate of reduced chemical costs and reduced chemical consumption should result in appreciably lower total operating costs.

8. Cost of Capital items

The October 2007 pre-feasibility study assumed the local sourcing, manufacture and construction of all plant and equipment. This included A\$430 for installation plant & equipment, A\$180 million for working capital and A\$120 contingency.

The pre-feasibility study also made no provision for overseas manufacture and pre-modulation of some equipment, this should provide additional savings on capital expenditure and will be a major focus during the bankable feasibility study in late 2009. It is expected that construction raw material costs are likely to ease and stabilize in the time period that Arafura is looking to construct facilities. Working capital allocations have been reduced in the review to account for lower chemical costs.

The current October 2008 estimation for the total capital expenditure is A\$600 million consisting of A\$400m for installed plant & equipment, \$100m for working capital and A\$100m for contingency. This includes all mine site, concentration, leaching and rare earth processing plant (to separated products), fertiliser grade phosphoric acid, uranium oxide, and a calcium chloride liquid and working capital for raw materials, chemicals, and equipment stores.

9. Production

The project is being designed for the following production rates;

Rare earths (separated)	20,000 tonnes REO per annum
Fertiliser grade phosphoric acid	80,000 tonnes per annum of P ₂ O ₅ Equivalent to 160,000t of phosphoric acid
Liquid calcium chloride	400,000 tonnes per annum
Uranium Oxide U ₃ O ₈	150 tonnes per annum Equivalent to 330,000 lbs of U ₃ O ₈



10. Product Pricing

October 2008 product prices have been used in the valuation for a separated rare earths product, fertiliser grade phosphoric acid and liquid calcium chloride.

Rare earths (separated)	US\$ 14,000 per tonne
Fertiliser grade phosphoric acid	US\$ 1,500 per tonne as P ₂ O ₅
Liquid calcium chloride	US\$ 100 per tonne
Uranium oxide U ₃ O ₈	US\$ 45 per pound

Arafura's financial analysis indicates that the prices for rare earths and phosphoric acid would need to fall (in combination) to US\$5,000 per tonne of separated REO product and US\$500 per tonne of P₂O₅ (at USD:AUD 0.7) for a break even result, assuming the same cost base and inclusive of capital payback. These product prices would be a third of the value they are in October 2008.

Prices at these levels are highly unlikely without a commensurate and significant reduction in chemical input costs.

Product prices have been sourced from IMCOA, Metal Pages, UXC, British Sulphur Consulting and Arafura research. Rare earth prices are based on Arafura's mix of rare earths products at prices for the year-to-date at October 2008.

11. Revenue

Total annual revenue is estimated at A\$650million per year based on an exchange rate of USD:AUD of 0.7. A USD: AUD +/- 0.01 movement in the exchange rate has a +/- A\$9m impact on revenue.

EBIT is estimated at A\$400 million per year and the total sales revenue over the 20 year life is more than A\$13.0 billion (undiscounted).



12. Operating life

The evaluation of the resource base indicated that the project can sustain an operating life of 20 years. The additional 20,000 metre resource definition drill program undertaken in late 2007 and 2008 has delineated additional mineralisation that is most likely to increase the resource base. This statement will be available by the Company's Annual General Meeting in late November 2008. Based on this revised statement, the Company considers that the resource is more than capable of supporting long term operations and incremental growth to meet customer and market demand.

13. The Plan Ahead

Arafura believes that it will be important to maintain our development time table and schedule. Our staff is our greatest asset and maintaining our internal talent will be important to our success in delivering the project. Secondly, with broad media speculation that the global recession will take two to three years to recover, Arafura's development schedule is well timed to commence into the next recovery period.

14. Summary – Financial Analysis

Discount rate	10%
Exchange rate USD:AUD	0.70
NPAT project payback	3 years
Operating cost per annum	A\$250m
Revenue per annum US\$	US\$460m
Revenue per annum AUD	A\$650m
Gross Margin	A\$400m
Capital cost	A\$600m
Net Present Value	A\$1,800 million after tax and capital payback



NOLANS – PROJECT WORK

Bankable Feasibility Study (BFS)

Development of the BFS progressed as data has become available from the demonstration plant.

Design office structure and systems design is near complete between Bateman, GHD and Arafura design offices.

Mineral Lease Application

The Company lodged an application for a Mineral Lease (ML) over the Nolans area with the Northern Territory Government in late 2007. The application covers the deposit and an area for infrastructure such as on-site processing, waste stockpiles and tailings repositories. The application is following due process.

Project Development

The design report for the optimised operational conditions and design of a full-scale heavy medium upgrade plant has been received. A draft report has also been provided on the additional upgrade of a fine (-300 +10 micron) fraction. The product grade from heavy media separation and flotation will have grades in excess of 6% REO (rare earths oxide) and 25% P₂O₅.

Phosphoric acid recovery ranges from 80% to 90% depending on the grade and quality of product relative to market needs. Work will continue in Israel to maximise the recovery of phosphate values only when customer specifications are needed.

Operation of the kiln for acid baking of rare earth containing solids provided alternatives for materials handling in acid baking processes. Further work is planned on other equipment to simplify materials handling.

Further processing at ANSTO is under design by utilising equipment from the demonstration plant. This phase of the demonstration plant will have about 600 kilograms of mixed rare earths carbonate ready for a demonstration plant for rare earth oxide separation in the next quarter.

NOLANS - SUSTAINABILITY

Environment

A determination based on our Notice of Intent has been made by the Northern Territory Department of Natural Resources, Environment and the Arts that the Nolans mine proposal requires an environmental impact statement (EIS) level assessment. This determination follows receipt of the findings from the Commonwealth government regarding our EPBC submission.



The planned NOI for the processing plant has not been completed as the preferred site has not been finalised. A draft document is prepared but requires site specific information prior to completion. The signing of the Incitec Pivot agreement means that the site selection process is now moving ahead and it is expected a site will be chosen in early 2009.

Community

The Traditional Owners have elected a committee of 12 owners to represent their interests in ongoing negotiations with Arafura. This will assist the process of completing an agreement to mine in the future. Further general briefings were completed in Aileron, Alice Springs and Darwin with the mine site Traditional Owners, the Central Land Council and a range of other stakeholders, including newly elected NT Country Liberal party members. An update on the projects progress and the recent agreement with Incitec Pivot was provided during the briefings.

MARKETING

The Rare Earths Market

The rare earths market is unlikely to remain immune from the current slowdown in the global economy; however, the ongoing commitment by many of the major economies to reducing greenhouse gas emissions should ameliorate some of this impact.

Recent Developments

Over the past quarter there has been weakening in some rare earth prices, although the prices for those rare earths used in phosphors remain strong. While the outlook for prices in the short term is soft the longer term outlook remains positive.

In response to the interruptions in the supply of rare earth concentrates in Baotou (China) over the past 12-18 months Baotou Rare Earth Hi-Tech has announced its intention to establish a strategic rare earths mineral stockpile of approximately 150,000t REO over the next 5 years which should improve the stability of rare earths prices, providing encouragement to consumers. While not stated in Chinese releases, these mineral concentrates are exclusive of processing recovery losses.

To continue the efforts to consolidate the rare earths industry, control prices and provide preferential treatment to the Chinese rare earths industry, the Chinese Government has again reduced the number of companies authorised to trade in rare earths.

Rare Earth Prices

As highlighted above, over the past quarter there has been a minor weakening of rare earth prices, for a combination of the following reasons:



1. The temporary shutdown of many businesses in Beijing to reduce the potential for atmospheric pollution during the Olympic Games.
2. The re-commencement of rare earth mining and processing in Sichuan.
3. The ongoing consolidation of the rare earths industry in China.

Nevertheless, with the exception of the last quarter there has been a steady rise in rare earth prices over the past 4 years. The average prices for rare earths are tabled below.

RARE EARTH PRICES (US\$/KG) FOB China

	Nolans REO Distribution	2005	2006	2007	2008 to date
Lanthanum Oxide	20.40%	\$1.57	\$1.76	\$3.09	\$7.70
Cerium Oxide	48.32%	\$1.41	\$1.49	\$2.50	\$4.28
Praseodymium Oxide	5.91%	\$8.29	\$13.59	\$27.96	\$29.96
Neodymium Oxide	21.06%	\$7.37	\$14.79	\$28.88	\$30.11
Samarium Oxide - unvalued	2.37%				\$0.00
Europium Oxide	0.37%	\$277.42	\$239.17	\$296.83	\$462.67
Gadolinium Oxide - unvalued	0.95%				\$0.00
Dysprosium Oxide	0.34%	\$41.25	\$69.42	\$82.58	\$113.11
Terbium Oxide	0.08%	\$311.25	\$459.50	\$553.75	\$711.11
Yttrium Oxide		\$0.00	\$4.01	\$6.87	\$15.21
Other - unvalued	0.20%				
Weighted Average Nolans Value	100.00%	\$4.46	\$6.49	\$11.39	\$14.42

Source: Metal Pages

The Phosphate Market

Despite the demand for phosphate easing in the third quarter of 2008, demand is expected to remain steady due to depletion in global phosphate fertiliser stock levels to less than 10 weeks supply (British Sulphur 2008). The US Department of Agriculture released data indicating an ongoing increase in the global consumption of grains attributable to population growth. Arafura believes that the requirement to maintain grain stocks while producing more to feed growing demand ensures sustainable demand for phosphate and its derivatives.



In late July 2008 the ACCC issued a report at the request of The Hon. Chris Bowen, Assistant Treasurer and Minister for Competition Policy and Consumer Affairs. The report “ACCC examination of fertiliser prices” was initiated in response to the recent dramatic increases in Australian domestic fertilizer prices. The report identified reasons for the increases in addition to a snapshot of Australian fertiliser suppliers and their sources of supply. The ACCC report could find no evidence of price gouging, refusal to supply or refusal to commit to prices by local producers. The ACCC cited unprecedented demand arising from favourable weather conditions as the main driver behind increased phosphate fertiliser prices. Furthermore the report stated that domestic prices have consistently tracked international prices, therefore eliminating any claim for price gouging allegations. The report concluded with the ACCC stating that it was satisfied that there had been no breach of the Trade Practices Act with reference to fertiliser pricing (ACCC July 31 2008).

It is anticipated that Australian fertiliser prices will continue to follow global trends. The slower growth in phosphate rock consumption in 2008 is expected to be primarily from non-fertiliser (chemical) users (British Sulphur 2008).

Arafura is well placed to take advantage of long-term phosphate demand through its strong alliances in the Australian domestic market.

FINANCE

As a positive sign for the support for the Nolans Project, on the 14th October 2008 Arafura executed an agreement for an equity line of credit for A\$20m which was offered by YA Global. This facility may be cumulatively drawn down at any time over the next 60 months at the Company’s discretion and within certain parameters.

Simultaneously, the Board has undertaken a rights issue to offer shareholders, the opportunity to participate in what it considers a significantly undervalued capital raising to ensure the Nolans feasibility study is not delayed. The Board is permitted to place any shortfall from the rights issue at a price that is **no less than** the price offered under the rights issue prospectus.

The Company is focused on the Nolans feasibility study. All projects not directly related to rare earths activities have been re-scheduled, deferred or cancelled. The Company continues to engage third parties to farm into its non-core assets.

Arafura has undertaken a comprehensive review of the entire business to ensure that we are cost efficient in our business but maintain our feasibility study programs and schedules.

Potential off-take or joint venturing discussions are progressing. With the production of rare earths by the end of the year from the demonstration plant, Arafura has directly approached potential rare earth customers and will be meeting them shortly.



A number of financial institutions have approached Arafura expressing their interest in the project. No formal proposals have yet been received.

In August 2008 Arafura announced the signing of a Heads of Agreement with Incitec Pivot Limited to consider the feasibility of co-locating a chemical facility alongside Arafura's processing facility. Detailed assessment of possible sites is well advanced. The co-location of the facilities will provide many cost benefits and operating synergies. The most obvious saving is the elimination of transportation costs and the elimination of safety and environmental risks associated with re-handling chemicals.

It is vital that the Nolans feasibility study continues. All Board, Management and staff remain committed and focused on this goal.

EXPLORATION

Arafura has reviewed its exploration programs for the coming years and will either curtail non-rare earths related exploration or farm-out joint ventures with other interested parties. The Company will direct most of its efforts on the Nolans development schedule.

Nolans - Resource Definition & Exploration (100% ARU)

Final assays from the September 2007-April 2008 resource definition / exploration drilling campaign at Nolans have now been received. A revised statement of identified mineral resources, replacing the resource estimate of November 2005 (ARU:ASX 22/11/05), is being prepared for release during November 2008.

A new and potentially significant mineralized zone within the central part of the Nolans deposit was reported during the quarter. The discovery of this zone is particularly significant as it is likely to increase the resource base and open up adjacent areas covered with shallow soil to exploration and discovery of additional mineralisation. The best results from the Central Zone are as follows:

Drill hole#	interval	rare earths	phosphate	uranium	
NBRC172	20m at	6.3% REO	28.5% P ₂ O ₅	1.1 lb/t U ₃ O ₈	from 26m
and	24m at	5.4% REO	26.9% P ₂ O ₅	0.9 lb/t U ₃ O ₈	from 68m
NBRC173	15m at	4.2% REO	21.0% P ₂ O ₅	0.6 lb/t U ₃ O ₈	from 11m
NBRC339	7m at	4.0% REO	21.5% P ₂ O ₅	1.2 lb/t U ₃ O ₈	from 22m
and	23m at	3.3% REO	14.3% P ₂ O ₅	0.4 lb/t U ₃ O ₈	from 81m
NBRC340	20m at	4.6% REO	24.7% P ₂ O ₅	0.7 lb/t U ₃ O ₈	from 4m
and	8m at	4.7% REO	24.0% P ₂ O ₅	0.7 lb/t U ₃ O ₈	from 46m
NBRC363	20m at	4.6% REO	24.1% P ₂ O ₅	0.7 lb/t U ₃ O ₈	from 12m
and	54m at	5.0% REO	25.4% P ₂ O ₅	0.7 lb/t U ₃ O ₈	from 55m
NBRC364	13m at	3.5% REO	16.7% P ₂ O ₅	0.6 lb/t U ₃ O ₈	from 79m



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NBRC365	27m at	2.4% REO	11.9% P ₂ O ₅	0.3 lb/t U ₃ O ₈	from 30m
and	72m at	4.0% REO	20.8% P ₂ O ₅	0.6 lb/t U ₃ O ₈	from 61m

EXPLORATION – Iron/Vanadium Jervois (100% ARU)

Arafura has received some interest for an exploration farm-in on a number of its properties in the Northern Territory for iron and vanadium exploration and development. . These parties remain interested despite the current global shake-up in commodity markets, Arafura will continue to pursue these opportunities.

Important Notice

This report contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance achievements to differ materially from those expressed, implied or projected in any forward-looking statements.

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The information in this release that relates to exploration results and geological interpretation has been compiled by Mr. Richard Brescianini BSc (Hons) who full-time employees of Arafura Resources Limited. Mr. Brescianini is a Member of the Australian Institute of Geoscientists and he has sufficient experience with the style of mineralisation being reported 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)" for reporting these exploration results. Mr. Brescianini consents to the inclusion in this report of the contained technical information in the form and context in which it appears.

The information in this release related to metallurgical results and engineering works that has been compiled by Mr. Mackowski who is a full time employee of Arafura Resources Limited. Mr. Mackowski is a Fellow of the Australian Institute of Mining and Metallurgy and has sufficient experience with the style of mineralisation being reported 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)" for reporting these metallurgical results. Mr. Mackowski consents to the inclusion in this report of the contained technical information in the form and context in which it appears.



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BOARD

Irvin (Mick) Muir	Chairman
Alistair Stephens	Managing Director
Ian Kowalick	Director
Terry Jackson	Director
Steve Ward	Director
Ian Laurence	Director
Gavin Lockyer	Company Secretary

MANAGEMENT

Gavin Lockyer	Chief Financial Officer
Steven Mackowski	GM – Project Development
Richard Brescianini	GM – Strategy & Exploration
Brian Fowler	GM - Sustainability
Dudley Kingsnorth	Marketing Consultant

SHARES & OPTIONS

Shares 157.2m ordinary shares

ASX CODES

ASX: ARU

STRATEGY

Arafura is focused on the development of Nolans rare earths-phosphate project. The deposit has a resource to sustain a mine life of over 20 years and Arafura has developed a processing flowsheet that optimises the extraction of rare earths, phosphoric acid, and uranium.

GROWTH - EXPLORATION

Arafura and will assess other rare earths exploration opportunities that are consistent with additional growth beyond the Nolans object, that have high value low capital cost capital structures.



Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

ARAFURA RESOURCES LTD

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Quarter ended ("current quarter")

30 September 2008

Consolidated statement of cash flows

	Current Qtr \$A'000	Year to Date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration and evaluation	(5,052)	(5,052)
(b) development	(2,330)	(2,330)
(c) production	-	-
(d) administration	(1,388)	(1,388)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	180	180
1.5 Interest and other costs of finance paid	(5)	(5)
1.6 Income taxes paid	-	-
Net Operating Cash Flows	(8,595)	(8,595)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(180)	(180)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to/from other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net Investing Cash Flows	(180)	(180)
1.13 Total operating and investing cash flows (carried forward)	(8,775)	(8,775)



1.13 Total operating and investing cash flows (brought forward)	(8,775)	(8,775)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	1	1
1.15 Proceeds from the sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other – Capital Raising Expenses	(45)	(45)
Net financing cash flows	(44)	(44)
Net increase (decrease) in cash held		
1.20 Cash at beginning of quarter/year to date	14,825	14,825
1.21 Exchange rate adjustments	-	-
1.22 Cash at end of quarter	6,006	6,006

**Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities**

	Current Qtr \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	81
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil
1.25 Explanation necessary for an understanding of the transactions	

Directors fees & superannuation

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,715
4.2 Development	1,183
Total	5,898

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to related items in the accounts as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	28	(16)
5.2 Deposits at call	5,978	14,841
5.3 Bank Overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (Item 1.22)	6,006	14,825

Changes in interests in mining tenements

Tenement Reference	Nature of interest	Interest at Beginning of Quarter	Interest at End of Quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-



6.2 Interests in mining tenements acquired or increased

EL 26520	Lease	Nil	2 blocks
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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number Issued	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference securities (description)				
7.2 Issued during Quarter				
7.3 Ordinary securities	157,199,500	157,199,500		
7.4 Issued during Quarter	5,000	5,000	\$0.13	\$0.13
7.5 Convertible debt securities (description)				
7.6 Issued during quarter				
7.7 Options				
ARUAA exp 30-6-09 (22c)	100,000	-		
ARUAB exp 30-6-10 (75c)	500,000	-		
ARUAC exp 30-6-11 (\$1.60)	100,000	-		
ARUAI exp 30-6-09 (26c)	750,000	-		
ARUAK exp 30-6-09 (30c)	750,000	-		
ARUAM exp 30-6-11 (\$1.72)	950,000	-		
ARUAS exp 30-06-11 (\$1.31)	300,000	-		
ARUAZ exp 30-06-11 (\$1.70)	200,000	-		
7.8 Issued during Quarter				
ARUAO exp 31-12-12 (\$1.19)	3,050,000	-		
ARUAQ exp 31-12-12 (\$1.19)	9,000,000	-		



7.9 Exercised during

7.10 Expired during

7.11 **Debentures**
(totals only)

7.12 **Unsecured notes**
(totals only)

			-

Statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 30/10/2008

Gavin Lockyer
Company Secretary

Notes

1. The quarterly report is to provide a basis for informing the market how the activities of the entity have been financed for the past quarter and the effect on its cash position. Any entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The “Nature of Interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
