



# ARAFURA RESOURCES LTD

## QUARTERLY REPORT

FOR THE PERIOD ENDED 31 March 2008

### Highlights

#### NOLANS PROJECT

- ▲ Contract for the Definitive Feasibility Study awarded to Bateman Litwin
- ▲ Resource drilling program at Nolans is complete and a new mineralised zone identified
- ▲ Resource upgrade almost certain – due in the July to September period of 2008
- ▲ Demonstration Heavy Media Separation results indicate a grade of better than 6% REO and 25% P<sub>2</sub>O<sub>5</sub> is possible. Optimised results are due at the end of May 2008
- ▲ Demonstration Plant Phase I Leaching has been constructed and successfully commissioned - Leaching is in full operation
- ▲ Demonstration Plant Phase 2 - phosphoric acid has been constructed and awaiting sufficient material from Phase I Leaching before commissioning
- ▲ Prices and demand for rare earths continue to strengthen
- ▲ Global demand for agricultural grade phosphoric acid is very strong – Nolans is ideally positioned to supply domestic and Asian markets

#### OTHER ACTIVITIES

- ▲ Jervis (vanadium magnetite) drilling program progressing slowly but successfully identifying additional mineralisation
- ▲ Mithril drilling program at Hammer Hill Nickel Project to commence in May



## CORPORATE

The Hon. Mr. Ian Laurance AM joined the Board of Arafura during the quarter. Mr Laurance represented the electorate of Gascoyne in the Western Australian Parliament for 14 years. He is a former State Government Minister and at various times held the portfolios of Housing, Tourism, Regional Development, Lands and Conservation and Environment.

In recent years, Ian has been Chairman of the Western Australian Sports Centre Trust (1993 – 2003) and Chairman of the Midland Redevelopment Authority (2000 – 2004). Both these organisations are Western Australian Statutory Authorities.

Ian is also Chairman of the not-for-profit organisations, Australia's North West Tourism based in Broome, WA and the Ningaloo Research Centre Inc based in Exmouth, WA. In a voluntary capacity, Ian is Vice President of the industry body, Tourism Council WA and Chairman of the AnglicareWA Winter Appeal. In 2006, Ian was made a Member of the Order of Australia (AM).

Mr Laurance is currently Executive Chairman of Axiom Properties Limited, and brings to the Board extensive relationships with government and regulators and a strong long-term business relationships with Japan.

## NOLANS – RARE EARTHS

### ***Definitive (also called Bankable) Feasibility Study (DFS)***

In April this year the Board of Arafura awarded the contract for the definitive feasibility study to Bateman Litwin. The engineering and processing component of the DFS is to cost US\$18.5 million and is due to start when sufficient data from the Demonstration Plant is obtained. An additional US\$4.0 million estimate has been budgeted (on reimbursable rates) for the project costing and procurement process.

GHD and sub-contractors, SMG Consultants and Hellman and Schofield, have been selected to conduct resources, mining, transport and infrastructure studies for the DFS.

Completion of the DFS is expected at the end of 2009.

### ***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.



### ***Project Development***

The bulk sample excavated in 2007 has been crushed and screened prior to heavy media, grinding and flotation demonstration work. The initial results of this work indicate that a product has a low work index that means the mineralisation is amenable to crushing and grinding that has low power consumption.

The product grade from heavy media separation and flotation will have grades in excess of 6% REO (rare earths oxide) and 25% P<sub>2</sub>O<sub>5</sub>. A full design report for the optimised operational conditions and design of a full-scale plant are due in the next quarter.

Upgraded material from the initial HMS demonstration plant has been delivered to ANSTO for the hydrometallurgical demonstration plant. Initial results of the leach stage have been extremely successful and should take 6 weeks to complete.

Construction of the pre-leach, de-fluoridisation and Bateman pulse columns for phosphoric acid solvent extraction is complete and commissioning has progressed. Given the success of the leaching process, the phosphoric acid recovery process is likely to commence in the coming month.

## **NOLANS - SUSTAINABILITY**

### ***Environment***

The Notice of Intent in support of our mining lease application at Nolans mining operation was lodged with Dept Primary Industries Fisheries & Mines on 3 March 2008. This document has now been forwarded to Natural Resources Environment and the Arts for assessment and determination. Guidelines will be issued following this assessment outlining the environmental studies required to progress our mining lease approval. Terms of reference will be released for the required environmental studies and these studies will be commenced in the 2nd quarter. Extensive community consultation was completed during April focusing on the NOI for the mine.

A draft submission under the Commonwealth Environmental Protection & Biodiversity Conservation Act has been prepared and is currently being reviewed prior to submission. Under the Act there is a stated exclusion for rare earths. The act states "A nuclear action is - the mining or milling of uranium ores, excluding operations for recovering mineral sands or rare earths". This exclusion is being further explored and it is intended that a submission will be made stating that the Nolans operation will not have a significant environmental impact based on all the studies completed to date.

NOI for the Processing Plant is expected mid-2008 when site selection studies are complete. Environmental studies to support the environmental approvals process are scheduled throughout 2008 and 2009.



### **Community**

Over twenty-five presentations were undertaken with key stakeholders in Darwin, Aileron and Alice Springs. A meeting was held with key DPIFM personnel and the NT Minister for Mines Mr. Chris Natt. During this meeting the minister was given a comprehensive briefing of the project including the potential synergies that the project will bring with other support industry.

## **MARKETING**

Over the past two quarters China has made some fundamental changes to the taxes on rare earth exports and to the export quotas. The changes have caused Japanese, European and North American customers to place greater emphasis on identifying and supporting alternative non-Chinese suppliers.

Over the past quarter the Chinese authorities have maintained their tight control over the mining, production and export of rare earths. The resultant tightness in supply has been exacerbated by the bad weather (leading to plant closures and power outages) and the strict enforcement of environmental standards. This is exemplified by the movement in the price of rare earths carbonate, the first step in the production process and building block of downstream rare earths, which has increased by 40% over the last quarter.

Compared with other light rare earths projects, either existing in China or under assessment/development outside China, the **Nolans ore is rich in neodymium, praseodymium and europium** which have shown strong growth in demand and hence prices in recent times. The growing and environmentally aware middle class in Asia are major buyers of LCDs, PDPs, hybrid vehicles and tricolor energy efficient lights which are the major consumers of these rare earth metals - a trend that is likely to continue.

### ***Quotas and Taxes in China***

#### **Rare earth export taxes**

In late 2006 the Chinese Government introduced a tax on rare earth exports of 10%, which was increased to 15% on selected rare earths in 2007. In December 2007 the authorities increased the export taxes on all rare earth exports, with effect from 1<sup>st</sup> January 2008, to the following levels:

- Europium, terbium, dysprosium, yttrium as oxides, carbonates or chlorides – 25%
- All other rare earth oxides, carbonates and chlorides – 15%
- Neodymium metal – 15%
- All other rare earth metals – 25%

#### **Refund of VAT on rare earth exports**

In 2007 China withdrew the refund of VAT (16%) on rare earth exports, while the refund on value added exports such as magnets and phosphors remains in place. The effect of this decision, when considered with the export tax regime above, is that non-Chinese rare earth processors such as cerium



polishing powder producers and rare earth magnet producers pay 31% more for their rare earth raw materials (plus transport and storage costs).

### **Rare earth export quotas**

China introduced rare earth export quotas for Chinese companies in 2004 and have been steadily reducing over time:

2004: 48,500t REO

2005: 48,300t REO

2006: 45,000t REO

2007: 42,500t REO

2008: 22,500 for the first half of the year

The (interim) first half quota for 2008 reduced from 26,000t REO to 22,500t REO, with indications that the overall quota for 2008 will be <40,000t REO (with some sources believing the final figure will total 37,500t REO).

Non-Chinese demand for rare earths in 2007 was 50-55,000t REO. Toll trading of rare earths in China have been banned since November 2006.

In addition, to aid and encourage the 'consolidation' of the rare earths industry in China the number of companies issued with export licenses has fallen from 43 to 26 in the past 12 months. The net result of the continuing fall in export quotas will be an ongoing tightening of supply to the Western world and a consolidation of control.

Foreign companies such as Rhodia, Neo Material Technologies and Santoku receive separate quotas, which are not widely publicised, but it is understood that they have remained relatively static in recent times at a total of 8-10,000tpa REO.

### **The value of Rare Earths**

The Chinese National Reform and Development Commission (NRDC) has recently announced that exports of rare earths (including magnets) were 49,000t in 2007, compared with 57,500t in 2006; representing a fall of 14.93%. The value of the 2007 exports was US\$1,179M, compared with US\$851M in 2006; which equates to an increase of 38.45% gross.

**Between 2006 and 2007 the unit value of rare earths exports from China increased from**

**US\$14.8/kg to US\$24.1/kg, an increase of 62%.**



### ***The distortion in prices for Cerium and Lanthanum***

Because of tightening non-Chinese supply, prices for rare earths has increased significantly over the past 12-15 months, and resulted in a distortion in the price for cerium and lanthanum.

The distortion is caused by the price of rare earths relative to export quotas. For example, prices for cerium within China command US\$2.0/kg REO but outside China are US\$4.0/kg (inclusive of tariffs). Rare earth processors, intending to maximize their profit, prefer to sell higher value rare earths in preference to cerium or lanthanum. So while the sale of other rare earths realise higher profits relative to the export quota system, the export of cerium and lanthanum has limited appeal. Therefore because of the apparent shortage of cerium and lanthanum outside China, prices are elevated in the range of US\$4-6/kg.

### ***Rare Earths Supply in China***

The NRDC has recently announced that the output of rare earth products in 2007 was 126,000t (including 18,000t from scrap), compared with 150,000t in 2006; which represents a fall of 19.75%. As these statistics are in gross tonnes and include rare earth magnets, polishing powders etc. it is difficult to determine where exactly the fall in production has been made.

Rare earths supply in China for the first quarter of 2008 has continued to tighten due to a combination of the following factors:

- A reduction in the Export Quotas, as outlined above.
- Bad weather which has hampered rare earths both directly and indirectly (resulting in power restrictions).
- Environmental issues in Sichuan and Southern China leading to the closure of some operations.
- The Chinese New Year holiday.

### ***Rare Earths Demand***

According to recent data issued by CREIC rare earths demand in China in 2006 was apparently 63,000 tonnes REO compared with previous estimates of 58,000 tonnes REO. Of particular note was a 30% increase in demand by the phosphor and magnet sectors of the market. This trend is likely to increase the pressures on the supply of neodymium/praseodymium and the heavy rare earths. The forecast downturn in demand for consumer items in the USA appears unlikely to impact on forecast growth in global demand of 8-11% pa, as growth rates are conservative and the real impact of rare earths prices in final product prices is immaterial.

Arafura consultants, IMCOA, has revised its estimate of global consumption of rare earths in 2007 to 122,500t REO. Demand in 2012 is now forecast to be at least 190,000t REO ( $\pm 5\%$ ) compared with previous estimates of 185,000t REO.



**However this demand could rise further.** The demand for phosphor rare earths inside China is likely to increase significantly (causing a critical shortage outside China) due to a major reform to phase out incandescent light bulbs for low-energy rare earth light bulbs.

This subsidised initiative will promote energy efficient bulbs and cut pollution. The Chinese Ministry of Finance said that an initial stage one program of 50 million low-energy bulbs could cut 60 million tonnes of carbon dioxide emissions each year if successful.

China currently makes 70% of all light bulb manufacture for the world and the program could see the entire removal of all incandescent light bulbs from manufacture.

### **Rare Earths Prices**

In response to increasing demand and the impact of recent decisions by the Chinese authorities to foster Chinese production at the expense of non-Chinese production, rare earth prices have continued to firm during the year-to-date; a trend that is forecast to continue for the balance of the year. With reference to the table below some comments are offered on specific rare earths prices:

<b>Rare Earth Prices 2005-08 US\$/kg REO FOB China</b>					
<b>REO</b>	<b>Q1 2005</b>	<b>Q1 2006</b>	<b>Q1 2007</b>	<b>Q4 2007</b>	<b>Q1 2008</b>
Lanthanum Oxide	1.40	1.60	2.00	4.60	4.75
Cerium Oxide	1.35	1.40	1.60	3.65	3.75
Praseodymium Oxide	7.5	9.65	20.0	29.95	31.0
Neodymium Oxide	5.9	9.70	21.0	30.25	31.5
Samarium Oxide	n/a	n/a	n/a	n/a	4.5
Europium Oxide	290	215	230	340	430
Dysprosium Oxide	35	53	74	90	105
Terbium Oxide	300	340	490	600	710
Yttrium Oxide	n/a	4.00	4.00	9.80	13.5
Lanthanum Metal	3.5	4.05	4.25	7.60	11.0
Neodymium Metal	8.4	13.5	28.30	38.50	41.0
Mischmetal (Low Zn/Mg)	3.45	3.9	4.5	14.00	15.0
RE Carbonate	0.55	0.75	2.05	3.30	4.65

Note 1: Source for prices is metal pages© 2. Prices have been rounded



**Exchange Rates:** US\$:RMB exchange rates have also played a part in the appreciation of rare earth prices. Over the past 6 months the exchange rate has fallen from US\$1.00=RMB7.51 to US\$1.00=RMB7.01, equivalent to a fall of 6.6%. Whereas over the same period of time prices of rare earths have risen 5-15% i.e. a significant portion of the price increase could be attributed to a fall in the value of the US dollar.

**Lanthanum:** The major uses for lanthanum are petroleum FCC (Fluid Cracking Catalysts) and in alloys used to make nickel metal hydride (NiMH) batteries (in roughly equal proportions). However, due to the increasing popularity of hybrid vehicles, the major application for NiMH batteries, the relative proportions are changing, to the extent that lanthanum is now in short supply. Prices have risen strongly over the past 15 months from US\$2 per kg in early 2007, to US\$4-5 per kg in January/February. In March 2008 prices have risen to US\$6-7/kg.

There is unlikely to be any reduction in these prices in the near future as there is no reliable or stable replacement of NiMH batteries by Li-ion batteries yet.

**Neodymium/Praseodymium:** These rare earths, which are the backbone of the rare earth magnet industry, have more than tripled in price over the past two years. However, in late 2007 there was a fall in the price of these rare earths as a result of the Chinese authorities recognising the scarcity of these oxides and instituting a policy of 'actively discouraging' the use of rare earth magnets in such non-essential applications as children's clothing and toys.

It has been widely assumed that this policy would have caused prices to remain subdued for some time but the relatively rapid return to prices in excess of US\$30 per kg is a reflection of the strong growth in demand by the automotive and electronic industries.

**Dysprosium:** Dysprosium is a very important additive to rare earth magnet alloys to improve the retention of their magnetic properties at elevated temperatures. As these magnets are finding a rapid increase in 'under-the hood' (i.e. in automobiles) applications the demand for dysprosium has grown dramatically resulting in a doubling of the price over the past two years.

**Europium/Terbium:** Europium and terbium, are members of the 'heavy' rare earths. These are sourced almost exclusively from the ionic clays in Southern China, which are a very limited resource. This makes them subject to the most severe supply constraints in the future. With yttrium, they are used in the manufacture of phosphors for TVs, computer monitors and energy efficient light bulbs. High rates of growth in demand for these essential items of modern day living are likely to continue ensuring that prices will remain high.

### ***Phosphoric Acid***

Demand for phosphoric acid (PA) has continued to strengthen in the last quarter. This trend is forecast to continue as major manufacturers of fertilisers in China are withdrawing from the export market to supply their own internal demands for fertiliser.



To reduce fertiliser export trade significant tariffs have been imposed on exports of fertilisers from Chinese Authorities.

This positions Arafura in a very strong position for domestic supply of PA as Australia is a net importer of phosphoric acid. Given the small gap in price between fertiliser and technical grade phosphoric acid, Arafura's demonstration pilot work at ANSTO will also look at the improvements in recovery that should be achievable by targeting fertiliser grade product instead of phosphoric grade product. This would then increase the volume of acid produced and result in a higher revenue stream.

## FINANCE

During the quarter, the Company was approached by a number of financial institutions expressing their interest in forming strategic relationships with Arafura. These discussions are preliminary, but highlight the growing awareness of the strategic importance of the Nolans project.

Results from the current demonstration plant will allow these organisations to internally assess the Project and the Company will continue to build on these relationships in compliment with its ongoing discussions with potential joint venture partners.

A number of chemical manufacturers interested in manufacture and supply of chemicals have also approached Arafura to supply the Nolans processing facility. These approaches are being pursued.

### *Asia Visit*

Arafura has been invited by the Northern Territory Government to accompany them on an official visit to Beijing and Tokyo in May to promote business opportunities in the Northern Territory. Attendance is by invitation only and the Company has had overwhelming support from potential partners interested in attending.

With the assistance of the Japanese Oil Gas Mining Exploration Corporation (JOGMEC), meetings with current processors and manufacturers of rare earths products have also been arranged.



## EXPLORATION

### NOLANS – REE/P/U

#### **Resource Definition & Exploration**

The Nolans resource definition / exploration drilling program which commenced in late-September 2007 was completed in early-April 2008. A total of 211 RC holes (for 19,949 metres) were drilled during the campaign. The program was aimed at completing 20 x 20 metre infill coverage of the central part of the North Zone resource, and expanding on or providing greater definition to resources within adjacent parts of the North Zone and across the South Zone resource.

Several holes drilled into the central portion of the South Zone during the latter part of the campaign encountered wide intervals (up to 93 metres thick) of strong phosphate-rare earths mineralization (ARU:ASX 01/04/08). The mineralization is concealed by up to 5 metres of soil and alluvial cover. These intercepts represent a new and potentially significant zone of mineralization that is open both laterally and at depth. Subject to confirmation by assaying, they are the longest semi-continuous mineralized intervals so far encountered on the project.

The majority of the composited drill samples have been dispatched for sample preparation and geochemical analysis. The first assay results from the program (ARU:ASX 01/04/08) reported several intervals of significant grade and width from the central part of the North Zone. The best results are:

Drill hole#	interval	rare earths	phosphate	uranium	from
<b>NBRC182</b>	39m at	9.7% REO	10.2% P <sub>2</sub> O <sub>5</sub>	2.0 lb/T U <sub>3</sub> O <sub>8</sub>	4m
which includes:	9m at	26.6% REO	19.0% P <sub>2</sub> O <sub>5</sub>	5.6 lb/T U <sub>3</sub> O <sub>8</sub>	29m
<b>NBRC181</b>	8m at	9.8% REO	8.7% P <sub>2</sub> O <sub>5</sub>	2.1 lb/T U <sub>3</sub> O <sub>8</sub>	1m
which includes:	3m at	22.5% REO	15.5% P <sub>2</sub> O <sub>5</sub>	4.7 lb/T U <sub>3</sub> O <sub>8</sub>	1m
<b>NBRC200</b>	12m at	5.9% REO	27.1% P <sub>2</sub> O <sub>5</sub>	1.2 lb/T U <sub>3</sub> O <sub>8</sub>	95m
<b>NBRC199</b>	42m at	5.5% REO	14.1% P <sub>2</sub> O <sub>5</sub>	1.1 lb/T U <sub>3</sub> O <sub>8</sub>	20m
<b>NBRC201</b>	13m at	5.1% REO	17.6% P <sub>2</sub> O <sub>5</sub>	0.9 lb/T U <sub>3</sub> O <sub>8</sub>	3m
<b>NBRC206</b>	47m at	4.1% REO	19.2% P <sub>2</sub> O <sub>5</sub>	0.7 lb/T U <sub>3</sub> O <sub>8</sub>	109m
<b>NBRC190</b>	22m at	3.9% REO	17.2% P <sub>2</sub> O <sub>5</sub>	0.7 lb/T U <sub>3</sub> O <sub>8</sub>	19m



### **Aileron – Reynolds Range – REE (100% ARU)**

In late-March 2008, Arafura commissioned HyVista Corporation to fly a regional airborne hyperspectral (HyMap™) survey over its land holdings in the Aileron – Reynolds Range district: SEL 23671 and EL 23571. The survey incorporated the Nolans Bore area to fingerprint the spectral signature of the deposit.

Hyperspectral data is a remote sensing technique used in mapping the abundance and distribution of specific clay minerals that in some instances are associated uniquely with mineralization-forming deposits.

The results will be used to assess the potential for further Nolans type mineralisation in the Reynolds Range region.

### **Jervois – Vanadium (100% ARU)**

The Jervois RC drilling program commenced during the latter part of the 2008 March Quarter (ARU:ASX 11/03/08), with the objective of investigating the extent of vanadium-bearing magnetite mineralization encountered during the Company's 2006 exploration program (ARU:ASX 19/07/07), and to test several new target areas. Progress to date has been hampered by slow drill rates and equipment malfunction.

Attention has thus far been directed at a 500-metre long magnetic zone in the south-eastern part of the project area, where vanadium-bearing magnetite mineralization was intersected at shallow depths in drill holes UNRC 001 and UNRC 002 during the 2006 campaign (Figure 2 and Table 1 of ARU:ASX 19/07/07). The current drilling confirms broad widths of magnetite mineralization (10 to 50 metres thick) that are semi-continuous between drill sections spaced 100 metres apart. Some degree of complexity to the geological structure is apparent from preliminary geological and magnetic susceptibility logging of the drill samples, necessitating detailed analysis over the coming months.

Drill testing of magnetic zones to the north (in the vicinity of holes UNRC 005 and UNRC 006) and north-west (around hole UNRC 015) is in progress.

### **Kurinelli - Gold (100% ARU)**

No progress to report on Kurinelli.



## **JOINT VENTURES**

### ***Hammer Hill – Nickel (Mithril Resources and BHP Billiton)***

Drilling of several priority nickel targets identified by Mithril Resources using a geophysical technique (called VTEM airborne electromagnetic) on the Hammer Hill project will commence in the latter part of April 2008. BHP Billiton will now fund the program as part of their earn-in under the terms of the Arafura-Mithril-BHP Billiton Hammer Hill JV.

### ***Frances Creek – Fe/Au (Territory Resources)***

The final payment of \$1.25 million to Arafura in consideration for the transfer of its Frances Creek tenements to Territory Resources, and the cancellation of its iron ore royalty, was made by Territory in late-April 2008.

Arafura retains gold exploration and development rights on the Frances Creek tenements.



## ARAFURA RESOURCES LTD

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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
Dudley Kingsnorth	Marketing Consultant
Brian Fowler	GM - Sustainability

### SHARES & OPTIONS

Shares	144.7m ordinary shares
Options	9.8m (13cent) options
	Expiry on 30 June 2008.

### ASX CODES

ASX: ARU, ASX: ARUO

### STRATEGY

Arafura is focused on exploring and developing projects in the Northern Territory of Australia. The NT still has vast areas of highly prospective ground that has never been explored.

### GROWTH - DEVELOPMENT

Arafura's primary focus is the development of Nolans rare earths-phosphate-uranium 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

Long term sustainable development and the creation of shareholder wealth can also be realised through exploration success. Arafura has exploration projects in gold, nickel and vanadium and will assess other exploration opportunities that are consistent with additional growth beyond the Nolans object.





1.13 Total operating and investing cash flows (brought forward)	(2,153)	(6,542)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from the issue of shares, options, etc.	94	19,233
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	-	(1,086)
<b>Net financing cash flows</b>	<b>94</b>	<b>18,147</b>
<b>Net increase (decrease) in cash held</b>		
1.20 Cash at beginning of quarter/year to date	18,410	4,746
1.21 Exchange rate adjustments	-	-
<b>1.22 Cash at end of quarter</b>	<b>16,351</b>	<b>16,351</b>

**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	79
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

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	4,176
4.2 Development	832
<b>Total</b>	<b>5,008</b>

#### 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	11	84
5.2 Deposits at call	16,340	18,326
5.3 Bank Overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (Item 1.22)	<b>16,351</b>	<b>18,410</b>

#### 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	EL26231	Leased	Nil
			100%



**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)
<b>7.1 Preference securities</b> (description)				
7.2 Issued during Quarter				
<b>7.3 Ordinary securities</b>	144,729,885	144,729,885		
7.4 Issued during Quarter	722,808	722,808	\$0.13	\$0.13
<b>7.5 Convertible debt securities</b> (description)				
7.6 Issued during quarter				
<b>7.7 Options</b>				
ARUO exp 30-6-08 (13c)	9,752,598	9,752,598		
ARUAY exp 30-6-08 (13c)	3,000,000	-		
ARUAA exp 30-6-09 (22c)	100,000	-		
ARUAI exp 30-6-09 (26c)	750,000	-		
ARUAK exp 30-6-09 (30c)	750,000	-		
ARUAB exp 30-6-10 (75c)	500,000	-		
ARUAM exp 30-6-11 (\$1.72)	950,000	-		
ARUAC exp 30-6-11 (\$1.60)	100,000	-		
ARUAS exp 30-6-11 (\$1.31)	300,000	-		
ARUAZ exp 30-6-11 (\$1.70)	200,000	-		
7.8 Issued during Quarter	-	-	-	-
7.9 Exercised during Quarter – ARUO	722,808	722,808	\$0.13	\$0.13
7.10 Expired during Quarter	-	-		
<b>7.11 Debentures</b> (totals only)				
<b>7.12 Unsecured notes</b> (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:

\_\_\_\_\_  
Gavin Lockyer  
Company Secretary

Date: 28/04/2008

## 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.

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