



# ARAFURA RESOURCES LTD

## QUARTERLY REPORT

FOR THE PERIOD ENDED 31 December 2008

### Highlights

#### NOLANS PROJECT

- ▲ A 63% increase in Nolans Resource. Mineralisation remains open at depth.
- ▲ Mine life capable of 30 years at a production rate of 20,000 tonnes REO p.a
- ▲ Rare Earth carbonate production from pilot plant underway
- ▲ Initial quality assessment of carbonate has acceptable specification for a saleable product
- ▲ Memorandum of Understanding signed with Bao Tao Rare Earth High Tech.
- ▲ First Phase Design review of process related Process Flow Diagrams (PFDs) completed as part of the Bankable Feasibility Study. Piping and Instrumentation Diagram (P&ID) first design review scheduled for the first quarter of 2009.
- ▲ The average prices for rare earths have moderated slightly in the last quarter of 2008 but remain very strong in comparison to other metal commodities.



## CORPORATE

In November the Company announced the signing of a Memorandum of Understanding (MOU) with Inner Mongolia Bao Tou Steel Rare Earth Hi-Tech Co., Ltd. ("Bao Tou Steel Rare Earth") (600111.SS).

Bao Tou Steel Rare Earth is the largest producer of rare earth products in the world and is recognised as the leader in processing, separation and marketing of rare earth products.

Under the MOU, the companies will co-operate with each other for the exchange of information relating to:

1. Arafura's Nolans Rare Earths Project and the pilot processing plant being developed;
2. Bao Tou Steel Rare Earth's processing know-how, expertise and intellectual property;
3. Development of a marketing strategy and business plan in relation to marketing and sales of rare earths in Australia and to other parts of the world from Australia; and
4. Opportunities to develop a global rare earths business potentially involving projects throughout the world.

The parties will look to negotiate a formal agreement to more fully set out the terms of the MOU. The introduction of Bao Tou Steel Rare Earth's expertise further highlights the strategic importance of the Nolans deposit to the Rare Earth global supply chain. Bao Tou, as the world's pre-eminent Rare Earth producer, will provide valuable knowledge to allow Arafura to review its strategies.

The company's AGM was held on the 28th November and was well attended by shareholders including representatives from the German shareholder base.

Following the AGM, Mr. Muir retired as chairman and the Board appointed Mr. Ian Laurance as his replacement. Mr. Muir has agreed to remain on the board of Arafura as a non-executive director. He accepted the chairmanship following the resignation of Mr. Peter Walker in February 2007. In his speech to the AGM Mr. Muir noted Mr. Walker's contribution to Arafura and the wider mining community.

In November, the company received approximately \$7.5m from existing eligible shareholders as part of a rights issue. Subject to restrictions imposed by the Australian Corporations Act 2001 (Cth), the Company may issue the shortfall shares within 3 months of the offer closing date (21 February 2009). There are a number of key investors interested in the shortfall of the rights issue and the Company is confident of placing the remaining shortfall before the termination date of 21 February 2009.



## NOLANS – RARE EARTHS

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

The scheduled works program continues to focus on the feasibility study. Arafura continues to re-assess the overall project development timeline in light of two key external risks factors

The first is the global financial crisis (and access to project financing) that is likely to necessitate Arafura finding a joint venture partner with off-take agreements before making a commitment to any further works beyond the feasibility program.

The second is the uncertainty and potential impact of the Australian Federal Government's proposed Carbon Emissions Trading Scheme (ETS) to the Australian manufacturing sector. This will require a full re-assessment of all potential production and marketing strategies, including location and product types. This may also necessitate Arafura looking for a processing location where carbon neutral power can be accessed or a program to develop a carbon emissions trading scheme for the project.

These factors will be reviewed in conjunction with potential developments with prospective joint venture partners to make a definitive assessment in regards to project timeline and the processing plant location. These project alternatives need more comprehensive analysis.

The DFS progressed on schedule with the first stage review of block, mass balances and Process Flow Diagrams (PFD) completed. Progression to Piping and Instrumentation Diagrams (P&ID) is scheduled for completion in the first quarter 2009.

Design Office organisation and systems design is also complete and will feed into the progression of P&ID development. Resource planning for engineering review, preferred suppliers selection and detailed costings is well progressed.

### ***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. The application will progress once the Company has identified an appropriate location for a chemical processing plant (and the transport route for product) and the finalisation of the site selection process by Incitec Pivot as part of the Heads of Agreement reported in the September 2008 quarterly report.



## ***Project Development***

The Uranium extraction and Rare Earth Carbonate production processes were initiated and commenced processing during the quarter. Initial demonstration plant trials are returning very promising results that meet all the criteria for transportable (under all Australian and International Standards) and saleable products. Following relevant, metallurgical analysis, results are expected to be reported in the next quarterly report.

The following pictures are taken from the early rare earth carbonate production:





## NOLANS - SUSTAINABILITY

### ***Environment***

Following a public comment period, the Northern Territory government as provided guidelines setting out the assessment criteria for the EIS study. The guidelines are in line with the Company's expectations and planning is now underway to complete the required environmental studies in alignment with these guidelines to enable preparation of the environmental impact statement.

Representatives from Incitec Pivot and Arafura will meet in early 2009 to discuss site selection process. Once a preferred location has been identified, the Notice of Intent for the processing plant can be instigated that will then lead to consideration for mineral lease approval by the Northern Territory Government.

### ***Community***

During the quarter, a meeting was held in Alice Springs with representatives of the Central Land Council and the newly elected Traditional owner community representative committee. Discussion focused on general aspects of the potential community benefit options that may eventuate from the Nolans project. The committee will consult the broader community to gauge their expectations. Further meetings in 2009 will aim to progress to a formal mining agreement.

## MARKETING

Continuing restrictive rare earth export policies in China and the global financial crisis were the two main events influencing marketing activities during the quarter.

### ***Rare Earth Export Taxes***

China continues to treat rare earths reserves as a vital and strategic asset and have continued to implement measures that favour the country's manufacturing sector. These measures have included a reduction in the number of export licences to twenty with more strict qualification criteria and the increase of export tariffs on rare earth oxides to between 15% and 25%.

Tariffs have also been increased on RE mixed elements as the Chinese government realises the strategic importance of these materials. In November 2008, the Chinese government announced to impose 20% duty on Ferro rare earths such as Nd-Fe, Pr-Nd-Fe and Dy-Fe,

These materials are used predominantly in the sintered magnet industry which is likely to increase in strategic importance in the manufacture of electric and hybrid vehicles plus



motors for electricity generating wind turbines. The tariffs are to be in effect from December 1, 2008 until December 31, 2009.

As of December 2008 the Ministry of Commerce announced a “short list” for Rare Earth export licences for 2009. There are 20 candidates in total after the omission of four companies from the 2008 list of export endorsed companies. The final list of companies is expected in early 2009. According to the China Rare Earth Information Centre the regulation of rare earth exports has had a significant effect on supply. For the period of January to July 2008 Guangdong Province exported 1,534 tonnes of rare earths representing a decrease of 24.3% on the same period in 2007.

### ***Rare Earth Export Quotas***

Over the last five years export quotas for rare earths have been reducing on average by about 5% per year. No official announcement from Chinese authorities has been released for the 2009 quota system and is unlikely before the finalization of the Chinese New Year celebrations and holidays. However it is widely expected that reductions will continue. The data below illustrates the steady reduction over time of the export quotas.

2004:	48,500t REO
2005:	48,300t REO
2006:	45,000t REO
2007:	42,500t REO
2008:	40,987t REO

### ***Rare Earth Industry Activity***

The increase in tariffs, reducing quotas, industry consolidation and increase demand for fuel and energy efficient end products are driving other major global consumers of rare earths in to identify and support alternative non-Chinese suppliers.

For example in November 2008 Toyota Tsusho, the trading arm of the Toyota Corporation, announced the acquisition of Wako Bussan, a mid-tier Japanese trading company specialising in rare earths and with direct trading links to rare earth sources in India.

This is evidence of Toyota’s commitment to expanding their hybrid vehicle production but represents only a minor proportion of their projected volume requirements. Projected global rare earth requirements are only likely to be satisfied with several alternative rare earths sources being developed including Arafura Resources’ Nolans deposit.

In a similar example Showa Denko K.K. (SDK) announced in October the establishment of a 90%-owned subsidiary, Showa Denko Rare-Earth Vietnam Co., Ltd. in Ha Nam Province, Vietnam, The plant will use various raw materials procured inside and outside Vietnam, including rare earth concentrate and rare earth oxides. The plant will start producing 800 tonnes a year in total of didymium and dysprosium metals in April 2010. Didymium is a



metal consisting primarily of neodymium and praseodymium, and is used as raw material for neodymium-based high-performance magnetic alloys.

In addition to current applications in automotive parts and electronics, neodymium-based high-performance magnets are expected to be increasingly used in wind power generation. At present, dysprosium is produced mainly by refining ion-adsorption ore that occurs in the southern part of China, centering on the Jiangxi Province. Thus, stable procurement of dysprosium and its recycling are critical issues for the electronics industry. (Showa Denko 2008).

The re-commencement of production of stockpiled materials at Mountain Pass, California by Molycorp in 2008 will partially alleviate the reliance on China's RE supply especially by US consumers. The feasibility study to achieve the maximum production volume of 10,000t REO is yet to be completed.

Recent data sourced from specific mines in China verifies the increasingly restrictive supply conditions. For example Smelters in Ganzhou (Southern Mines) have been suspended to produce RE concentrate due to low demand and to preserve price levels.

### Rare Earth Prices

Despite the global financial downturn rare earth prices remained resilient during the fourth quarter of 2008. There was limited decline in prices during the quarter and most elements finished the year at average price levels higher than 2007 levels as indicated in the following table. Firm prices can also be attributed to recent decisions by the Chinese authorities to foster Chinese production at the expense of non-Chinese production.

The following table presents average fourth quarter prices from 2004 and the average quarterly prices during 2008.

REO	Q4 Average REO Prices 2004-2008 FOB China (US\$/kg)				Quarterly Average REO Prices 2008 FOB China (US\$/kg)			
	Q4 2004	Q4 2005	Q4 2006	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Lanthanum Oxide	\$1.54	\$1.85	\$2.15	\$4.63	\$5.58	\$8.53	\$8.98	\$8.17
Cerium Oxide	\$1.43	\$1.45	\$1.67	\$3.65	\$3.77	\$4.33	\$4.75	\$4.55
Praseodymium Oxide	\$7.69	\$9.58	\$19.54	\$29.95	\$31.00	\$32.30	\$26.58	\$17.62
Neodymium Oxide	\$5.85	\$9.79	\$20.60	\$30.28	\$31.00	\$32.42	\$26.92	\$17.78
Samarium Oxide				\$3.70	\$4.47	\$4.50	\$4.50	\$4.50
Europium Oxide	\$300.00	\$245.33	\$240.00	\$338.00	\$426.33	\$481.67	\$480.00	\$490.00
Gadolinium Oxide				\$10.00	\$10.00	\$10.25	\$10.17	\$8.75
Dysprosium Oxide	\$34.67	\$50.33	\$77.00	\$89.33	\$106.67	\$118.33	\$114.33	\$110.00
Terbium Oxide	\$320.67	\$326.00	\$512.00	\$596.33	\$700.00	\$730.00	\$703.33	\$498.33
Yttrium Oxide			\$4.00	\$9.80	\$13.50	\$16.25	\$15.87	\$15.35
Lanthanum Metal	\$3.52	\$4.05	\$4.25	\$7.58	\$10.17	\$13.08	\$13.25	\$12.25
Neodymium Metal	\$8.20	\$12.67	\$28.12	\$38.74	\$39.50	\$42.25	\$33.92	\$23.75
Mischmetal (Low Zn/Mg)	\$3.50	\$3.65	\$4.50	\$14.44	\$15.00	\$15.00	\$15.08	\$14.25
RE Carbonate	\$0.56	\$0.74	\$1.92	\$3.33	\$4.62	\$4.85	\$4.62	\$4.27

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



**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. By December prices have risen to over US\$8/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:** The extraordinary price increases experienced by these rare earths, which are the backbone of the rare earth magnet industry, have not been sustained in the latter quarter of 2008. Japanese consumers are likely to have been drawing on stocks and momentarily reduced their demand in the market for new material. The significance of these elements cannot be overstated and it is anticipated that fundamental demand in the automotive and electronic industries will return for these strategically significant rare earth elements.

**Dysprosium:** Dysprosium pricing has proven its resilience during the quarter by remaining steady. It 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 and have remained fairly strong in the context of long-term price performance. Due to the fact that these are sourced almost exclusively from the ionic clays in Southern China, which are a very limited resource, pricing cannot remain depressed unless an alternative source is located and brought to market in the short term. High rates of growth in demand for these essential items of modern day living are likely to continue ensuring that prices will remain high.

**Exchange Rates:** US\$:RMB exchange rates have also played a part in the decelerated growth of rare earth prices. The US dollar has continued to fall against the Chinese RMB from US\$1.00=RMB7.01 to year end rate of US\$1.00=RMB6.83. As with the previous quarter, a significant portion of the price increase could be attributed to a fall in the value of the US dollar.



## ***Rare Earths Demand***

The long term demand for rare earths remains robust, although in common with other metal materials there are been a fall in consumption in the last quarter of 2008 which is expected to continue into 2009.

Depending on the effects of Chinese export quotas and the length of the global financial situation demand could vary. Given the robustness of the RE industry of the last six months demand could potentially improved at a faster rate. The Copenhagen Climate Change meeting scheduled for December 2009 could significantly enhance the demand for rare earths if there is a global commitment to “green transport.” Additionally should the Obama Administration introduce more stringent requirements on the US Auto Industry including the introduction of hybrid vehicles, this would also create stronger demand.

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, despite the current global economic conditions, have shown strong growth in demand. 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.

## ***Roskill Rare Earth Conference November 2008***

The Roskill Rare Earths conference, a key event for the RE industry, was held in Hong Kong, in November 2008. The conference facilitates the gathering of major world rare earth consumers and, existing and prospective suppliers. Discussion points were mainly centred around the current global economic condition and its predicated effect on the rare earth industry.

Arafura Resources was represented at the conference by key staff including Chairman Mr Ian Laurance and Managing Director Mr Alistair Stephens. Alistair Stephens contributed to the conference with a positive presentation highlighting the prospects for the rare earths industry and Arafura Resources’ role in meeting the continuing growing demand for rare earth products.

The key messages of the conference were:

- There has been a widening gap between China production and export 2002-2008.
- Consumption continues to be dominated by China and Japan.
- Chinese policies on rare earth mining and exports continue to be tightened.
- The projected “long-term short-fall” in supply is still anticipated despite the current global economic conditions.



- The projected short-fall can only realistically be met with additional sources coming online in the short to medium term.

Arafura Resources' Nolans Project is well positioned to supply product into a vital strategic market for rare earths. An easily accessible ore body close to the surface and a reduced commercial risk profile spread over several products are distinct advantages that differentiate Arafura Resources from its competitors and make the project cost competitive with Chinese rare earth projects.

### ***Phosphoric Acid***

Demand and prices for phosphoric acid and its derivatives fell during the last quarter of 2008 as a result of softening commodity prices though current prices are still above those of 2007. The annual compound growth rate for phosphate fertilisers has been revised down by the phosphate research organisation CRU (British Sulphur) from 2.5% previously to 1.9% annual growth.

Producers have reacted accordingly to the drop in demand and cut global fertiliser production by the equivalent of over 2 million tonnes, representing 5% of one year's typical demand. The effect of these cutbacks is expected to be a balancing of the market in 2009.

Phosphoric acid capacity has been revised down attributable to the delaying of the commissioning and start-up of plants in Algeria and Kazakhstan and a speculative project in Egypt. The certainty of new projects has become more tenuous due to the current restrictive credit markets, creating opportunities for prospective producers with adequate finance already in place.

Global demand for cereals continues to grow and the projected 2008/09 global cereal production is expected to exceed previous years, indicating an improvement in grain stock levels previously in decline. Low grain stocks will remain a major driver in the consumption of phosphate fertilisers. It is anticipated that demand and, in turn prices, will improve in early 2009 as buyers return to the market prior to the spring planting season.



## EXPLORATION

### *Nolans - Resource Definition & Exploration*

The first resource upgrade for Nolans in three years, resulting from all additional drilling and costeaning activity undertaken on the deposit since November 2005, was released on 11 November.

Total resources of 30.3 million tonnes, representing a 62.9% increase on the previous resource estimate of 18.6 million tonnes (ASX: ARU 22/11/05), have now been outlined in the Nolans deposit:

Resources	Tonnes (million)	REO %	P <sub>2</sub> O <sub>5</sub> %	U <sub>3</sub> O <sub>8</sub> lb/t
Measured	5.1	3.2	13.5	0.57
Indicated	12.3	2.8	13.4	0.43
Inferred	12.8	2.6	12.2	0.40
<b>TOTAL</b>	<b>30.3</b>	<b>2.8</b>	<b>12.9</b>	<b>0.44</b>

Measured resources are contained wholly within the Central North Zone of the deposit, which is anticipated to be the initial focus of mining operations. Resources are exposed at the surface and remain open at depth across the entire deposit.

The total contained (in situ) rare earths (REO), phosphate (P<sub>2</sub>O<sub>5</sub>) and uranium (U<sub>3</sub>O<sub>8</sub>) in the Nolans deposit is now 848,000 tonnes, 3.9 million tonnes and 13.3 million pounds, respectively.



## ARAFURA RESOURCES LTD

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### CORPORATE OFFICE

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### BOARD

Ian Laurance	Chairman
Irvin (Mick) Muir	Director
Ian Kowalick	Director
Terry Jackson	Director
Steve Ward	Director
Alistair Stephens	Managing 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

### SHARES & OPTIONS

Shares 184.1m ordinary shares

### ASX CODES

ASX: ARU

### STRATEGY

Arafura has an exploration and development program to grow its position in rare earth projects that are consistent with additional growth beyond the Nolans Project. The Company will focus on the identification and development of rare earth projects and specialise in rare earths products and their markets.

### GROWTH – DEVELOPMENT

Arafura's primary focus is the development of its 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 rare earths, gold, base metals and iron-vanadium, and will assess other exploration opportunities that are consistent with additional growth beyond the Nolans Project.



## Appendix 5B

### MINING EXPLORATION ENTITY QUARTERLY REPORT

#### ARAFURA RESOURCES LTD

ACN or ARBN

080 933 455

Quarter ended ("current quarter")

31 December 2008

#### *Consolidated statement of cash flows*

	Current Qtr \$A'000	Year to Date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration and evaluation	(2,337)	(7,389)
(b) development	(2,152)	(4,482)
(c) production	-	-
(d) administration	(1,611)	(2,998)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	57	238
1.5 Interest and other costs of finance paid	(7)	(12)
1.6 Income taxes paid	-	-
<b>Net Operating Cash Flows</b>	<b>(6,050)</b>	<b>(14,643)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(133)	(313)
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)	-	-
<b>Net Investing Cash Flows</b>	<b>(133)</b>	<b>(313)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(6,183)</b>	<b>(14,956)</b>



1.13 Total operating and investing cash flows (brought forward)	(6,183)	(14,956)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from the issue of shares, options, etc.	7,607	7,608
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	(97)	(144)
<b>Net financing cash flows</b>	<b>7,510</b>	<b>7,464</b>
<b>Net increase (decrease) in cash held</b>		
1.20 Cash at beginning of quarter/year to date	6,006	14,825
1.21 Exchange rate adjustments	-	-
1.22 <b>Cash at end of quarter</b>	<b>7,333</b>	<b>7,333</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	112
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	20,000	Nil

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	2,915
4.2 Development	1,450
<b>Total</b>	<b>4,365</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	55	28
5.2 Deposits at call	7,278	5,978
5.3 Bank Overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (Item 1.22)</b>	<b>7,333</b>	<b>6,006</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	EL 9710	Lease	42 blocks	Nil
6.2 Interests in mining tenements acquired or increased	-	-	-	-



**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 <b>Preference securities</b> (description)				
7.2 Issued during Quarter				
7.3 <b>Ordinary securities</b>	184,133,489	184,133,489		
7.4 Issued during Quarter	26,933,989	26,933,989	\$0.28	\$0.28
7.5 <b>Convertible debt securities</b> (description)				
7.6 Issued during quarter				
7.7 <b>Options</b>				
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	-		
ARUAO exp 31-12-12 (\$1.19)	3,050,000	-		
ARUAQ exp 31-12-12 (\$1.19)	9,000,000	-		
7.8 Issued during Quarter	-	-		
7.9 Exercised during	-	-		
7.10 Expired during	-	-		
7.11 <b>Debentures</b> (totals only)				
7.12 <b>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: 30/01/2009

## 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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