



ARAFURA RESOURCES LTD

QUARTERLY REPORT

FOR THE PERIOD ENDED 31 March 2009

Highlights

NOLANS PROJECT

- ▲ Strategic equity investment by Jiangsu East China Mineral Exploration & Development Bureau (ECE) in progress
- ▲ Rare earths carbonate production from pilot plant produces bulk samples
- ▲ Carbonate suitable to commence marketing discussions
- ▲ Phosphoric acid pilot plant for technical grade PA under assessment
- ▲ Calcium chloride pilot plant commenced at Bateman facilities in Israel.
- ▲ Second phase design review of remaining process flow diagrams (PFD's) and key process piping and instrumentation (PID's) completed.
- ▲ Whole of process HAZOP level 2 completed.
- ▲ PID final design review and appropriate HAZOP review scheduled for the second quarter of 2009.
- ▲ Incitec Pivot withdraw from the Letter of Intent for Nolans



CORPORATE

On the 17th February, the company announced it had executed a Letter of Intent (LOI) with the Jiangsu Eastern China Non-Ferrous Metals Investment Holding Co. Ltd (JEC) a subsidiary of the East China Mineral Exploration and Development Bureau (ECE).

Under the terms of the letter of intent, ECE has agreed to subscribe for an initial placement of Arafura shares at A\$0.30 for a total outlay of A\$8.5m and a subsequent placement at A\$0.40, which may take the total holding up to 25% of the issued capital of Arafura.

The transaction is subject to a number of conditions precedent including the approval by Australian and Chinese regulatory authorities, appropriate due diligence signoff and ultimately shareholder approval.

Approval for the first tranche of funding has been granted by the Jiangsu Provincial Authorities and application has been made to the Foreign Investment Review Board (FIRB) for Australian Government consideration.

The funds will be used to progress the Nolans bankable feasibility study.

In April, delegates from ECE and a distinguished Professor in Rare Earth processes travelled to Australia to meet Indigenous Traditional Owners in the Aileron district, Arafura staff, State, Territory and Federal ministers and importantly the Nolan's site and ANSTO technical specialists.

Following signing of the Share Subscription Agreement, Arafura plans to send a technical team into Jiangsu to visit relevant Rare Earth facilities and further exchange technical information.

Arafura continues to review works programs and expenditure commitments until such time as adequate funding is in place.

Incitec Pivot gave notice to Arafura that they are withdrawing from the letter of intent for the Nolans project. All relevant information regarding site selection for the processing plant has been received by Arafura and assessment continues internally. The engineering consultant, who was engaged by Incitec Pivot for the feasibility of co-locating a chemical facility with Arafura's processing facility, has also been engaged directly by Arafura to continue this work.



NOLANS – RARE EARTHS

Definitive Feasibility Study (DFS)

The scheduled works program continues to focus on the feasibility study.

The DFS progressed on schedule with the second stage review of Process Flow Diagrams (PFD) and Piping and Instrumentation Diagrams (P&ID) completed. Final P&ID design review and appropriate HAZOP studies are planned for completion in the second quarter of 2009.

Resource planning for engineering review, preferred suppliers selection and detailed costing has been developed and will be instigated at the appropriate stage of the DFS.

Project Development

The Uranium extraction and rare earths carbonate production processes were completed during the quarter. Assessments are returning results that meet all the criteria for transportable (under all Australian and International Standards) and saleable products.

The following picture was taken from the rare earth carbonate production.





Final Pilot Plant work on technical grade phosphoric acid and calcium chloride production has commenced at the Bateman laboratories in Israel. Work is scheduled for completion during the second quarter of 2009.

MARKETING

The Rare Earths industry began 2009 on a quiet note with the issues of long term supply and the restrictive export policies of China still as important in 2009 as they were in 2008.

Rare Earths Export Quotas and Tariffs

The additional restrictions of rare earths export quotas and associated tariffs from China for 2009 had a limited effect on price in the first quarter of 2009 due to the global financial crisis and the Chinese New Year holiday season. This is expected to be short-lived once downstream producers have consumed their stockpiles but will be offset by some reduced demand as industrial production slowly recovers.

Rare Earths Industry Activity

Activity for the first quarter in 2009 has been quiet due to Christmas and New Year holidays in January followed by Chinese New Year holidays in February.

Guangdong export figures for 2008 were published during the quarter. With the exception for the fourth quarter of 2008 export prices rose during 2008 to an average price of \$21,000 per tonne over the first three quarters. The average Guangdong export pricing in the last quarter was only \$11,000 per tonne. The total volume of rare earth oxide exported from Guangdong was 1,872 tonnes valued at US\$39.28 million.

The Guangdong Province reported a decrease in exports for first to third quarter of 2008 to Japan, USA and Europe of 26.8%, 24.8% and 32% respectively based on 2007 volumes for the same period.

Export figures for other Chinese provinces were not available at the time of writing this report.

Showa Denko K.K. (SDK) continues with the development of their rare earths project in Ha Nam Province in Vietnam. SDK still aim to be producing didymium alloys and dysprosium metals by April 2010 with an annual output of 800 tonnes. The development includes the establishment of a separation plant to meet the global demand for rare earths concentrates and oxides and to assist supply into Japan. This facility will strengthen SDK's core competencies in magnetic materials in addition to the subsidiaries in Bautou and Ganzhou, Jiangxi Province.



Rare Earths Demand

Japanese consumers have apparently been drawing down on inventories, accounting for part of the apparent decrease in demand. The reduction of inventories implies that consumption is still steady and demand is likely to rise to previous volumes when inventories reach a lower level.

Demand in general has therefore remained weak across the board but supply was tight for cerium oxide, dysprosium and europium oxides.

Rare Earth Prices

Rare Earths are proving their resilience in the current global economic climate with REO prices for the first quarter of 2009 increasing for a select few and remaining steady in most cases. The table below compares prices for the same period last year.

REO	2008					2009			
	Jan	Feb	Mar	Q1	Dec	Jan	Feb	Mar	Q1
Lanthanum Oxide	\$4.75	\$5.00	\$7.00	\$6.58	\$7.75	\$7.25	\$7.10	\$6.30	\$6.88
Cerium Oxide	\$3.75	\$3.75	\$3.80	\$3.93	\$4.25	\$4.50	\$4.55	\$4.55	\$4.53
Praseodymium Oxide	\$29.00	\$30.00	\$34.00	\$26.20	\$14.60	\$14.25	\$14.25	\$14.25	\$14.25
Neodymium Oxide	\$29.00	\$30.00	\$34.00	\$26.20	\$14.60	\$14.25	\$14.25	\$14.25	\$14.25
Samarium Oxide	\$4.40	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Europium Oxide	\$392.00	\$430.00	\$457.00	\$455.67	\$480.00	\$425.00	\$430.00	\$440.00	\$431.67
Gadolinium Oxide	\$10.00	\$10.00	\$10.00	\$9.25	\$7.75	\$6.75	\$6.75	\$6.75	\$6.75
Dysprosium Oxide	\$100.00	\$106.00	\$114.00	\$108.33	\$105.00	\$85.00	\$90.00	\$104.00	\$93.00
Terbium Oxide	\$670.00	\$700.00	\$730.00	\$623.33	\$440.00	\$350.00	\$350.00	\$350.00	\$350.00
Yttrium Oxide	\$12.00	\$13.50	\$15.00	\$14.58	\$15.25	\$15.25	\$15.25	\$15.25	\$15.25
Lanthanum Metal	\$8.50	\$11.00	\$11.00	\$11.17	\$11.50	\$11.25	\$11.25	\$10.75	\$11.08
Neodymium Metal	\$37.50	\$39.00	\$42.00	\$33.42	\$19.25	\$17.50	\$17.50	\$17.50	\$17.50
Mischmetal (Low Zn/Mg)	\$15.00	\$15.00	\$15.00	\$14.58	\$13.75	\$11.25	\$11.25	\$11.25	\$11.25
RE Carbonate	\$4.55	\$4.65	\$4.65	\$4.43	\$4.00	\$3.50	\$3.55	\$3.55	\$3.53

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

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 in July 2008 to a rate of US\$1.00=RMB6.83 that has been steady from December 2008 to April 2009.

Phosphoric Acid

Currently demand and prices for phosphoric acid and its derivatives appear to be recovering.

Despite phosphate demand weakening at the end of 2008, growth rates are expected to recover to around 3.5% in 2010-2012. The fundamentals for the phosphate market remain strong driven by



the need for product and its new found affordability after the unsustainable prices of 2008. Evidence of this is the projected 2008/2009 global production of cereals, expected to rise 5.3%.

Phosphate pricing is predicted to return to an upward shift in the equilibrium price in 2011/12.

Asia Mining Congress 2009 Presentation

Arafura released to the ASX on 26 March 2009 a copy of its presentation entitled “Asia Mining Congress 2009”. The purpose of this presentation was to provide an overview of the status of the Nolans Project. The slide entitled “Nolans compared to other new REO projects” was amended immediately before the presentation. The relevant amended data is shown below. Arafura does not guarantee the accuracy of this amended information (Mt Weld data has been provided by Lynas Corporation). Investors should seek independent research and refer to the disclaimer attached to the original presentation released to the ASX.

	Nolans Australia	Mt Weld Australia ^(1.)	Dubbo Australia	Hoidas Lake Canada	Thor Lake Canada	Steenkampskraal South Africa
Resources (tonnes REO)	844,000	1,184,000 ^(2.)	545,000	36,000	1,428,000	29,400
Reserves (tonnes REO)	tba	321,000	tba			Under assessment
Pilot Plant validation				PFS 2009		Planned
Beneficiation	Yes	Yes	In progress	In progress		
Chemical	Yes	Yes	Zr-Nb complete In progress for REO	Planned		
Total recovery %	81	59	na			
Beneficiation	+85	63	na		85	
Chemical	95	93 ^(3.)	na			
Co-products	Phosphate uranium		Zirconia niobium tantalum	Phosphate		Copper, gold silver, thorium
Production start	2011/2012	2010	2011/2012	2012/2013	2013	2012

Notes

1. Amended data provided by Lynas.
2. Central Lanthanide Zone only, doesn't include additional resource at the adjacent Crown Polymetallic Resource.
3. The above figures for Mt Weld are applicable to mixed rare earths products. The relevant figures for separated rare earths products are: Total Recovery: 55%, Beneficiation: 63%, Chemical: 87%



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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 193.2m 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.



1.13 Total operating and investing cash flows (brought forward)	(4,304)	(19,260)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	2,533	10,141
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	(145)	(289)
Net financing cash flows	2,388	9,852
Net increase (decrease) in cash held		
1.20 Cash at beginning of quarter/year to date	7,333	14,825
1.21 Exchange rate adjustments	-	-
1.22 Cash at end of quarter	5,417	5,417

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

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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	20,000	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	846
4.2 Development	802
Total	1,648

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	26	55
5.2 Deposits at call	5,391	7,278
5.3 Bank Overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (Item 1.22)	5,417	7,333

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

-	-	-	-
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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	193,180,646	193,180,646		
7.4 Issued during Quarter	9,047,157	9,047,157	\$0.28	\$0.28
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	-		
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

-	-		
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7.10 Expired during

-	-		
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7.11 **Debentures**
(totals only)

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7.12 **Unsecured notes**
(totals only)

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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: 30/04/09

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.
