

ARAFURA RESOURCES NL

ACN 080 933 455

29 January 2004

Dear Shareholder

Attached please find Arafura's first quarterly report for the period ended 31 December 2003.

It is Arafura's first quarterly report as a listed company and as such is a major milestone.

This quarter has seen the resumption of exploration by the Company with the major focus on the Mt Porter deposit which is likely to be Arafura's first mine. All other activities were curtailed by the wet season.

The March quarter will see a step up in activity with programs commencing on our Central Australia areas. Most notable will be the drilling program at the Nolans Bore rare earths project. This program is scheduled to commence in the second week of February with initial results becoming available in mid March. The results from this program should expand the resource and enable us to continue our evaluation of the phosphate/rate earth deposit.

The June quarter will be a high activity period with geochemical surveys commencing at Kurinelli and evaluation starting at the high grade gold veins at Frances Creek.

If you have any queries regarding the Company's projects please call Mick Muir (Managing Director) or myself.

Yours sincerely

PETER N WALKER
CHAIRMAN

**QUARTERLY EXPLORATION
ACTIVITIES REPORT**



**FOR THE PERIOD ENDING
31 December 2003**

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**QUARTERLY ACTIVITIES REPORT
FOR PERIOD ENDING 31 DECEMBER 2003**

HIGHLIGHTS

Arafura Resources NL (“Arafura” or “Company”) listed on the Australian Stock Exchange on November 5 2003.

With the limited time available before the commencement of the northern wet season the Company completed an important drilling program at Mt Porter. Other planned programs for the December quarter have now been re-scheduled into the March and June quarters.

➤ **FRANCES CREEK IRON ORE**

Arafura has received a non-refundable advance royalty payment of **\$375,000** after entering into an agreement with Territory Iron Pty Ltd (“Territory Iron”). The agreement allows Territory Iron to acquire the right to develop, mine and sell iron ore located at Arafura’s Frances Creek property.

➤ **MT PORTER GOLD PROJECT**

New drill intercepts, including **22.55 metres** with assays at **4.64 g/t** from hole MPDH 245 and **12.9 metres** at **6.35 g/t** from hole MPDH 246, have confirmed continuity of gold mineralisation at the Mt Porter gold project.

➤ **UNION REEFS TREATMENT PLANT**

The Company has entered into a Memorandum of Understanding with Greater Pacific Gold Limited (“Greater Pacific”), to process Mt Porter ore. Greater Pacific has contracted to purchase the Union Reefs treatment plant, approximately 15 kms by road from Mt Porter.

➤ **NOLANS BORE RARE EARTH/PHOSPHATE PROJECT**

The Company has decided to accelerate the evaluation of the Nolans Bore rare earth/phosphate project. Hydro Agri (a subsidiary of Norsk Hydro and is one of the world largest fertiliser company) has confirmed their continuing interest in Nolans Bore.

➤ **FRANCES CREEK GOLD VEINS**

Work on the high grade gold veins at Frances Creek has been delayed until after the wet season.

FRANCES CREEK IRON ORE

Arafura has entered into an agreement which allows Territory Iron to acquire the right to develop, mine and sell ore located on Arafura's Frances Creek property, situated approximately 200 kms south east of Darwin.

Territory Iron has agreed to pay Arafura a royalty of \$1.30 per tonne of lump ore and \$1.00 per tonne of fines. A non refundable advance payment of \$375,000 has been made, and a further payment of \$375,000 will be made at the time of the first shipment.

There are several iron ore deposits on the Company's tenements which were mined between 1966 and 1974. During this period, 8 million tonnes of iron ore grading 59% Fe were produced and railed to Darwin.

At the time mining ceased, there was unmined iron ore remaining in several pits. These remaining resources were evaluated and calculations were published in 1974. There is insufficient data for these resources to be classified using the JORC criteria, but data that has been assessed, indicates that a substantial portion of the resource should be in the indicated and measured categories.

The published resources are:

	<i>Tonnes</i>	<i>Fe%</i>	<i>P%</i>
<i>Southern zone</i>	1,370,000	63.5	0.08
<i>Northern Zone</i>	2,430,000	54.5	
Total resource at (+60% Fe)	2,176 000	62.2	0.18

Territory Iron has completed a detailed gravity survey over the area, and is expected to carry out further definition of known occurrences and exploration for new resources at the completion of the current wet season.

MT PORTER GOLD PROJECT

The Company drilled 7 HQ diamond holes for a total of 418 metres at Mt Porter. The assays confirmed the continuity of gold mineralisation between previously tested zones.

The first six holes reached planned depth, but loss of circulation caused the seventh to be terminated whilst in mineralisation, but prior to reaching the target zone.

Comparisons of the new results with cross-section interpretations from earlier drilling results demonstrate good geological and assay correlation and that some mineralised zones are closer to the surface than previous drilling indicated.

Details of individual drill holes are:

ASSAY RESULTS – MPDH241-247

HOLE NO	GRID EAST	GRID NTH	RL	AZIMUTH GRID	INCLN	DEPTH m		FROM m	TO m	INTERVAL M	Au Grams/tonne
MPDH245	10148.5	10430	525	90°	-60°	61.5		38	60.55	22.55	4.64
							incl	38	55	17.00	3.44
							&	58.9	60.55	1.65	27.60
MPDH246	10149	10455	527.5	270°	-55°	65.5		30.1	43	12.90	6.35
							incl	30.1	38	7.90	8.65
							&	40	43	3.00	4.28
MPDH242	10174	10388.6	523.5	90°	-60°	61.5		21.9	39	17.10	3.64
							incl	21.9	34.2	12.30	4.43
							&	38	39	1.00	5.48
MPDH244	10150.5	10430	525	270°	-65°	55.6		22	35	13.00	3.47
							incl	22	27.2	5.20	7.63
								42	44	2.00	10.85
MPDH243	10174	10460	521.5	270°	-67°	64.9		30	57	27.00	1.63
							incl	30	39	9.00	3.16
							&	41	57	16.00	0.91
MPDH241	10158	10364	530.5	85.5°	-65°	70.5		36	45	9.00	2.28
							incl	36	38	2.00	4.57
							&	41	45	4.00	2.76
								54.15	64	9.85	1.04
MPDH247	10182	10389.3	523	270°	-55°	38.5		33	34	1.00	1.37

The drilling results will be added to the Mt Porter data and used in the design of an open pit. Samples will also undergo detailed metallurgical testing for optimizing gold recoveries.

UNION REEFS TREATMENT PLANT

The Company has signed a Memorandum of Understanding with Greater Pacific which is in the process of acquiring the Northern Territory assets of Anglo Gold Australia Ltd. These assets include the Union Reefs plant which is located 10 kms SSW of Mt Porter.

Once Greater Pacific has completed this purchase, and Arafura completed its mine planning, the two companies have agreed to negotiate an agreement for the treatment of Mt Porter ore through the Union Reefs plant.

NOLANS BORE RARE EARTHS/PHOSPHATE

Arafura intends to accelerate the evaluation of Nolans Bore where the Company has established a significant resource of rare earth oxide (REO) and phosphate.

A drilling program consisting of 4 diamond holes each of approximately 80 metres and 15 reverse circulation holes to varying depths for a total of 1200 metres will be aimed at increasing the resource and providing material for metallurgical test-work.

The current inferred resource of 4 million tonnes at 4% REO and 17% P₂O₅ has been delineated by 12 holes and 6 costeans.

The Norwegian fertiliser manufacturer Hydro Agri has confirmed that they are interested in the development of Nolans Bore and that some laboratory testing will be undertaken in their Norwegian facilities on samples from the drilling program.

FRANCES CREEK GOLD VEINS

Drilling the Honcho reefs and regional stream sediment sampling has had to be delayed until after the wet season (probably April). Data from Territory Iron's gravity surveys has been made available and will assist in exploration.

The drilling of Honcho reefs will be designed to test depth extensions and continuity of mineralisation of the out-cropping reefs, and stream sediment sampling aimed at identifying possible repetitions of the Honcho style mineralisation.

The Honcho Reef is part of the series of Frances Creek gold vein systems which has been mapped over a length of 2.4 kms. The Honcho section has a length of 420 metres and averages 17.6 g/t over an average width of 0.96 metres.

For further information contact either, Mr IG (Mick) Muir Managing Director (0417 942 818) or Mr Peter N Walker Chairman (0411 714 142).

Technical aspects of this report have been compiled by Arafura Resources NL Exploration Manager Mr John Goulevitch BSc (Hons), MSc, FAIG (Pending), who is a Competent Person in respect of ASX requirements. Mr Goulevitch consents to the inclusion in the report of the matters in the form and context in which they appear.

1.13 Total operating and investing cash flows (brought forward)	(9)	(47)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	3,500	3,500
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	(311)	(344)
Net financing cash flows	3,189	3,156
Net increase (decrease) in cash held		3,109
1.20 Cash at beginning of quarter/year to date	38	109
1.21 Exchange rate adjustments		
1.22 Cash at end of quarter	3,218	3,218

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	134
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

Consultancy Fees (5), Directors Fees & Super (80), Salaries & Super (49)

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

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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		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	270
4.2 Development	
Total	270

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	58	38
5.2 Deposits at call	3,160	-
5.3 Bank Overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (Item 1.22)	3,218	38

Changes in interests in mining tenements

Tenement Reference	Nature of interest (note (2))	Interest at Beginning of Quarter	Interest at End of Quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2 Interests in mining tenements acquired or increased	Nil		

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	43,957,508	26,748,336		
7.4 Issued during Quarter	17,500,000	17,500,000	20 cents	20 cents
7.5 Convertible debt securities (description)				
7.6 Issued during quarter				
7.7 Options (description)	25,850,000	11,425,000	Exercise Price 20 cents	Expiry Date 30/6/2008
7.8 Issued during Quarter	8,750,000	8,750,000	20 cents	30/6/2008
7.9 Exercised during Quarter				
7.10 Expired during Quarter				
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:

Ross Arancini
Company Secretary

Date: 29/1/04

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.
