






Quarterly Activities Report and Appendix 5B

For the period
ending
31 March 2015

ASX: ARU



HIGHLIGHTS

-  **Australian-based rare earth extraction testwork achieves significant reductions in sulphuric acid**
-  **GHD appointed to assist with Nolans Project Environmental Impact Statement**
-  **China to commence the process of removing tariffs on export sales of rare earths**
-  **Mr Cungen Ding appointed to the Board as Non-executive Director**
-  **Cash balance at end of reporting period A\$15.8 million**

NOLANS PROJECT

CHINA-BASED RARE EARTH EXTRACTION PROGRAM

During the reporting period, Stage 1 of the China-based rare earth ("RE") extraction (hydrometallurgical) testwork program with two Beijing institutes continued. Earlier this month a detailed evaluation of the optimisation opportunities was completed in conjunction with the Company's China-based consultant Sheng Kang Ning (Shanghai) Mining Investment Co ("SKN").

Close out test programs for this stage of the testing are now underway with both of the institutes. This testwork is targeted to confirm and evaluate optimisation opportunities that have been identified. Parallel testing is also underway in an Australian laboratory which will confirm the repeatability of the results and fast-track the additional development with the assistance of the institutes and SKN.

AUSTRALIAN-BASED RARE EARTH EXTRACTION PROGRAM

Australian-based RE extraction testwork has continued during the period. Key activities for this program have focussed on refinement of the sulphuric acid pre-leach and double sulphate precipitation ("SAPL/DSP") flowsheet. Significant accomplishments from this SAPL/DSP work include:

- A substantial reduction in the consumption of sulphuric acid; and
- Refinement of the detailed mass balance resulting in reduced residue generation.

These testwork results have been incorporated into the base-case process model and this information cascades into the refinement of the process design which has been used as the basis of a revision of the capital and operating cost estimates for the SAPL/DSP flowsheet. Indications to date

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show there is unlikely to be a material change in the capital expenditure presented in the Nolans Development Report (ARU: ASX 02/09/14). Lower operating costs have been achieved as a result of the reduction in acid and other reagent consumptions but this will to some degree be offset by the exchange rate generated movement in USD sourced reagents. The Company will provide a more detailed update on the latest capital and operating expense estimates in due course.

At this stage the Company is awaiting the final outcomes of the testwork programs described above prior to commencing integrated pilot plant (“IPP”) testwork and awarding the engineering-based work for the Definitive Feasibility Study (“DFS”). The timing for the commencement of these work streams will be examined in greater detail once the China and Australian based RE extraction programs are complete and the Company better understands the potential opportunities offered by this optimisation work.

BENEFICIATION OPTIMISATION STAGE 2 & VARIABILITY TESTWORK

The Chengdu Analytical and Testing Centre for Minerals and Rocks (“CTC”) continued work on the Stage 2 beneficiation optimisation program during the quarter. A variability testwork program also commenced at CTC during the period.

The feed ore for the beneficiation IPP has been prepared. The timing of the beneficiation pilot work will be co-ordinated with a decision on the IPP for RE extraction.

REGULATORY APPROVALS

The Company recently appointed GHD, one of the world’s leading professional services companies, to assist with the Nolans Project Environmental Impact Statement (“EIS”).

Arafura has over a number of years developed a comprehensive knowledge of the local and regional environmental and community setting around the Nolans Site, and has completed many environmental studies to an advanced stage focused on the mining operation. The balance of EIS studies necessary to complete the overall impact assessment of the Project will now be undertaken. This includes a range of detailed environmental and social studies as well as extensive stakeholder consultation. GHD will be assisted by specialist consultants in the areas of social impact assessment, economic analysis, groundwater sustainability and radiation management. Local indigenous ranger groups are also assisting with some studies.

During the period a new referral under *Environment Protection and Biodiversity Conservation Act* (“EPBC Act”) was submitted to the Australian Government’s Department of the Environment (“DoE”) for the development of the Nolans Project. DoE has determined the development will again require formal assessment and approval under the EPBC Act. The Australian Government has a bilateral assessment process with the Northern Territory meaning the EPBC actions can be assessed through the Northern Territory Environment Protection Authority (“EPA”) assessment process on behalf of the Australian Government. The Company expects revised EIS guidelines will incorporate DoE’s requirements and will be advertised by the EPA early in the second quarter of CY2015 .

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Work and planning for the Nolans EIS is well advanced and progressing with several on ground studies having commenced at the Nolans Site. Stakeholder engagement activities and the Social Impact Assessment process is also ramping up with stakeholders in Central Australia.

COMMUNITY AND STAKEHOLDER ENGAGEMENT

In March the Northern Territory Government's Annual Geoscience Exploration Seminar ("AGES") was held in Alice Springs. The Company used this event as an opportunity to formally engage with a number of local stakeholders and community groups. A presentation was provided to the Central Australian Regional Mining Seminar outlining the project schedule and nature of opportunities that will be available to local business. Meetings were also held with various representative bodies, local government representatives, regional NGOs and Northern Territory Government representatives. During the AGES event the Company also convened its March Board meeting at Aileron and used this opportunity to host a Nolans Site visit for approximately 30 people including local pastoralists, local business people, regulators, local and Northern Territory Government representatives, and industry stakeholders.

NOLANS SITE TENURE

During April the Company received notification from the Northern Territory Department of Mines and Energy ("DME") of the successful granting of EMEL 30510, an extractive mineral exploration licence that covers extensive exposures of carbonate rock located approximately 20 kilometres north-west of the Nolans Mine Site. The Company intends to develop a small quarry to extract this material for use in acid neutralisation at the Nolans Processing Site. Field work aimed at defining sufficient carbonate rock for the life of the Nolans operation will be completed in the second half of CY2015.

The grant of three mineral lease applications that were lodged with DME in December remains on foot.

EXPLORATION

AILERON – REYNOLDS (Rare Earth; Water; Extractive Minerals)

GROUNDWATER EXTRACTION

Minor works on site are continuing with bore head works and bore site rehabilitation. Water sample collection from test bores and water quality analysis is ongoing.

Work on installation of additional rising stage samplers in drainages near and adjacent to the Nolans Site is nearing completion.

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EXPLORATION

The focus for exploration personnel during the quarter and for the remainder of 2015 is on work streams associated with the Nolans DFS. Key activities include:

- Data analysis required for the EIS process;
- Waste rock characterization and modelling required for mine planning;
- Re-estimation of mineral resources;
- Defining carbonate resources; and
- Sterilisation to assist with Mine Site layout.

YALYIRIMBI (Iron)

Ferrowest Limited (“Ferrowest”; ASX: FWL) continues to hold an interest in the Yalyirimi Iron Project to earn up to a 60% interest in Arafura’s iron ore rights on EL 24548 through an incorporated joint venture. The iron rights are held through Arafura Iron Pty Ltd (“AIPL”).

JERVOIS (Base and Precious Metals; Iron-Vanadium)

Rox Resources Limited (“Rox”; ASX: RXL) satisfied the conditions to earn a 51% interest in the base and precious metals mineral rights (Cu-Pb-Zn-Ag-Au-Bi-PGE) over EL 29701. Rox has elected to proceed to increase its interest to 70% by spending a further A\$1 million over two years to 10 December 2016 (ASX: RXL 16/12/14).

Further drilling is planned by Rox in this calendar year at the Bonya Mine prospect and other prospects on the tenement.

MT PORTER – FRANCES CREEK (Gold)

Ark Mines Limited (“Ark”, ASX: AHK) is progressing work to earn a 40% interest in the Mt Porter Project (comprising ML 23839, ELR 116 and EL 23237) and Arafura’s gold interests at Frances Creek (MA 389, EL 10137 and several Territory Resources’ MLs). Upon completion of the first earn-in benchmark Ark may increase its interest by 30% to a total of 70%.

PLEASE ALSO REFER TO APPENDIX A FOR A SUMMARY OF ALL MINING TENEMENTS AND AREAS OF INTEREST AS AT 31 MARCH 2015.

+ See chapter 19 for defined terms.



CORPORATE

STRATEGY AND OUTLOOK

NOLANS PROJECT 2015 LOOKING AHEAD

The Company continues to work towards completing the Nolans DFS. The commencement of the environmental and regulatory permitting process is a significant and important work stream for the development of the Nolans Project. The Company is well placed to meet the needs of downstream rare earth consumers seeking global diversification and reliability to its supply chain. Hand in hand with this objective is the need for the Nolans Project to demonstrate sustainability and innovative process solutions. The objective of being a sustainable producer will be achieved by pursuing opportunities in recycling process water, regenerating reagents and managing mine tailings and process residues in a responsible and safe manner. The ongoing work with process optimisation is central to achieving these objectives.

RARE EARTH MARKETS

China's Ministry of Commerce ("MOFCOM") issued announcements in January 2015 stating it would cancel its policy on export quotas and tariffs for rare earths after losing its World Trade Organisation ("WTO") appeal in August 2014. During May, China will commence the process of removing tariffs on export sales of rare earths. In addition to the removal of tariffs China will also introduce a new technology metals resource tax which will apply to rare earths. The Company will provide further details of the resource tax as the information becomes available.

By volume Chinese rare earth exports were up 23% in 2014 but prices remained low. Rare earth prices initially increased for some products after Chinese New Year but these gains were not sustained. The impending change to the tariff system created little incentive for rare earth buyers to re-stock with most procurement being for immediate requirements. Many observers expect the rare earth market will improve in 2015 on the back of the significant supply side restructuring in China. This restructuring process includes initiatives for the removal of the tariff system, introduction of a resource tax and industry consolidation into six rare earths groups. As the market becomes less regulated pricing will be driven by demand and supply dynamics. Pricing for some rare earth products will remain under pressure but some products, specifically the magnet feed rare earths neodymium, praseodymium and dysprosium will benefit from the restructuring process.

CORPORATE

As at 31 March 2015 the Company had A\$15.8 million cash on hand.

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

During the period the Company appointed Mr Cungen Ding to the position of Non-executive Director. Mr Ding, based in Nanjing, China, is the Chief Geologist and Chairman of Jiangsu Eastern China Non-Ferrous Metals Investment Holding Co., Ltd, a subsidiary of Eastern China Geological &

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Mining Bureau for Non-Ferrous Metals (“ECE”). Mr Ding has over 30 years of mineral prospecting and exploration experience, with extensive experience in titanium and iron, and expertise in mineral resource surveys. Mr Ding also has international experience having completed survey and exploration work in Asia and Africa. Mr Ding holds a Bachelor of Engineering from the Central South University in China and is a member of the AusIMM.

It was fitting that Mr Ding’s first meeting as a Director of the Company was held at Aileron and included a site visit to Nolans. The Company looks forward to Mr Ding’s contribution to the Nolans Project during this next phase of development of the Company.



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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10.

Name of entity

ARAFURA RESOURCES LIMITED

ABN

22 080 933 455

Quarter ended ("current quarter")

31 March 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current Quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(1,769)	(6,063)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,008)	(3,395)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	78	513
1.5	Interest and other costs of finance paid	-	(6)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	270
Net Operating Cash Flows		(2,699)	(8,681)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(12)	(82)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(12)	(82)
1.13	Total operating and investing cash flows (carried forward)	(2,711)	(8,763)

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1.13	Total operating and investing cash flows (brought forward)	(2,711)	(8,763)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Capital Raising Expenses	-	-
Net financing cash flows		-	-

Net increase (decrease) in cash held		(2,711)	(8,763)
1.20	Cash at beginning of quarter/year to date	18,501	24,547
1.21	Exchange rate adjustments to item 1.20	1	7
1.22	Cash at end of quarter	15,791	15,791

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 Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(199)
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

Salaries, fees and superannuation of Directors to the Company

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

Nil

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

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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	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,105
4.2 Development	-
4.3 Production	-
4.4 Administration	1,124
Total	3,229

Reconciliation of cash

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

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	1,215	1,407
5.2 Deposits at call	14,576	17,094
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	15,791	18,501

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	See Appendix A		
	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.

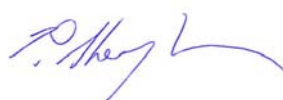
		Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	441,270,644	441,270,644		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options	1,878,000 6,750,000 5,190,000 3,000,000	- - - -	Exercise price \$0.23 \$0.14 \$0.105 \$0.105	Expiry date 31-12-15 18-07-16 30-09-18 20-11-18
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures (totals only)	-	-		

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7.12	Unsecured notes (totals only)	-	-
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Compliance 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 April 2015

Print name: Peter Sherrington
(Company Secretary)

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An 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 the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Appendix A – Mining Tenements Held As At 31 March 2015

Tenement reference	Project	Holder	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	Notes
ML 26659	Nolans, NT	Arafura Rare Earths Pty Ltd	Mineral Lease	100%	100%	Application Lodged
ML 30702				0%	100%	Application Lodged
ML 30703				0%	100%	Application Lodged
ML 30704				0%	100%	Application Lodged
EMEL 30510			Extractive Mineral Exploration Licence	100%	100%	Application Lodged
EL 28498 EL 28473 EL 29509 EL 27337 EL 24741 EL 30160	Aileron–Reynolds, NT	Arafura Resources Ltd	Exploration Licence	100%	100%	
				100%	100%	
EL 24548	Aileron–Reynolds, NT	Arafura Resources Ltd	Exploration Licence	100%	100%	Arafura Iron Pty Ltd (AIPL) shareholders are Arafura 49% and Ferrowest Ltd (FWL) 51%. FWL has a right to acquire up to 60% of AIPL
			Non-iron rights	100%	100%	
		Arafura Iron Pty Ltd	Iron rights	100%	100%	

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Tenement reference	Project	Holder	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	Notes
EL 29701	Jervois, NT	Arafura Resources Ltd	Exploration Licence	100%	100%	Rox Resources Ltd (RXL) has acquired 51% of the base and precious metal rights. RXL has a right to acquire up to 70% of the base and precious metals rights
EL 10137 ML 24727 ML 27228 ML 25087 ML 25088 ML 25529 ML 27225 ML 27226 ML 27230	Frances Creek, NT	Territory Resources Ltd	Gold Rights Gold Rights Gold Rights Gold Rights Gold Rights Gold Rights Gold Rights Gold Rights Gold Rights	100% 100% 100% 100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100% 100% 100% 100%	Ark Mines Ltd (AHK) has a right to acquire up to 70% of the gold rights Applications Lodged for ML 27226 & ML 27230
ML 27227 ML 27229 ML 29930 MA 389		Frances Creek Pty Ltd	Gold Rights Gold Rights Gold Rights Gold Rights	100% 100% 100% 100%	100% 100% 100% 100%	Ark Mines Ltd (AHK) has a right to acquire up to 70% of the gold rights Application Lodged for ML 29930
ELR 116 ML 23839 EL 23237	Mt Porter, NT	Arafura Resources Ltd	Exploration Licence in Retention Mineral Lease Exploration Licence	100% 100% 100%	100% 100% 100%	Ark Mines Ltd (AHK) has a right to acquire up to 70% of all mineral rights on the tenements, with an immediate right to mine ML 23839 subject to regulatory approvals
EL 25754	Pamela, NT	Arafura Resources Ltd	Exploration Licence	100%	Nil	Application Withdrawn

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