



HIGHLIGHTS

- ▲ **Nolans operating cost reduced further to US\$11.22/kg of REO equivalent**
 - **Positions Nolans to be among the world's lowest cost rare earth magnet feed producers of Neodymium (Nd) and Praseodymium (Pr)**
- ▲ **Key milestone achieved in Nolans regulatory approvals process**
 - **Release of final Terms of Reference by the Environment Protection Authority for the Nolans Environmental Impact Statement**
- ▲ **Nolans Community and Stakeholder Engagement program underway in Central Australia**
- ▲ **Non-binding Letter of Intent signed with OCI Company Ltd to work towards partnership agreement for the potential location of the Rare Earth separation plant in South Korea**
- ▲ **NdPr metrics reporting shows ARU as the most highly efficient producer**
- ▲ **R&D rebate of A\$3.4 million provides important funds to assist with further project development**
- ▲ **Cash balance at end of reporting period A\$16.6 million**

NOLANS PROJECT

CHINA-BASED RARE EARTH EXTRACTION PROGRAM

Stage 1 of the China-based rare earth ("RE") extraction (hydrometallurgical) testwork program with two Beijing institutes continued during the period. One institute has now completed the Stage 1 flowsheet optimisation program, and during July the Company will convene a workshop with this institute in order to fully understand and assess the flowsheet development opportunities that arise from this work. The second institute's flowsheet optimisation program is ongoing and is expected to be completed in the current quarter.

AUSTRALIAN-BASED RARE EARTH EXTRACTION PROGRAM

Australian-based RE extraction testwork continued during the quarter. The main focus of this work has been completing testwork to refine the sulphuric acid pre-leach and double sulphate precipitation ("SAPL/DSP") flowsheet. Key outcomes have been a substantial reduction in sulphuric acid consumption combined with reduced waste residue generation from the pre-leach circuit. The results from this work have now been incorporated into the process model and included in the recently revised operating and capital cost estimates. The impact of these changes, particularly in respect of operating cost estimates, is discussed in greater detail in the *Engineering* section below.

+ See chapter 19 for defined terms.

BENEFICIATION OPTIMISATION STAGE 2 & VARIABILITY TESTWORK

The Chengdu Analytical and Testing Centre for Minerals and Rocks (“CTC”) completed the Stage 2 beneficiation optimisation program during the quarter. The results and draft report from this work are expected to be made available to the Company in the current month. The variability testwork program is also underway and CTC has processed thirty samples through the flotation and primary magnetic separation part of the circuit. Assay results from the variability program are expected in the current quarter.

ENGINEERING

During the quarter the Company reported a significant reduction in operating costs at the Nolans Project following a review of the Company’s optimisation programs that were undertaken in China and Australia in 2014 and 2015.

Operating costs were further reduced by 7.4% to A\$14.51/kg of REO equivalent (US\$11.22/kg @ A\$1 = US\$0.773) at the commencement of nameplate production. Previously, operating costs in the Nolans Development Report (“NDR”) (ASX: ARU 02/09/14) were estimated at A\$15.67/kg (US\$14.06/kg @ A\$1 = US\$0.897). The decrease reflects material reductions in sulphuric acid and process (waste) residues, which are expected to impact favourably on the Project’s environmental and community risks. Despite the negative impact on operating costs caused by the AUD:USD exchange rate, the Company was able to maintain an overall decrease in operating costs of A\$1.16/kg. These most recent operating cost estimates reinforce the Nolans Project as one of the world’s lowest cost producers of critical magnet-feed REs Neodymium and Praseodymium (“NdPr”). The reader is referred to the section entitled *NdPr Metrics and Rare Earth Magnets* for further analysis.

The Company has also undertaken a review of equipment and re-estimated capital costs for the Nolans Project for the SAPL/DSP flowsheet. This has resulted in no significant change in capital expenditure on the NDR estimate of A\$1,408 million (US\$1,263 million @ A\$1 = US\$0.897). The revised estimate is now A\$1,437 million (US\$1,111 million @ A\$1 = US\$0.773), inclusive of 15% contingency. Some cost savings were identified during the review but these were largely offset by movements in the AUD:USD exchange rate. Capital estimates for both the Australian domiciled and offshore facilities were generated by independent engineering consultants Lycopodium Minerals Pty Ltd of Perth, Western Australia.

Capital and operating cost estimates are based on a production target of 20,000 tonnes per annum of REO equivalent from Measured and Indicated Mineral Resources at Nolans Bore. These assumptions are further outlined on Page 12 in the section entitled *Cost Estimate Assumptions*.

The ongoing optimisation programs have successfully delivered significant operating cost savings but, as previously indicated in the March quarterly release, have resulted in the deferment of the proposed schedule for the awarding of contracts for the definition stage engineering and commencement of the integrated pilot plant for Nolans. Resetting the schedule for commencement of these activities will occur when the flowsheet optimisation program has been completed. In light of challenging capital markets and the more recent implementation of Chinese RE policy changes, the Company believes it prudent to further increase its focus on minimising Project costs. In the interim, the Company continues to look for additional Project efficiencies and opportunities to further refine capital and operating costs.

+ See chapter 19 for defined terms.



Nolans Development Report	
CAPEX	A\$1,408m
OPEX	A\$15.67/kg REO

Optimisation	
CAPEX	\$1,437m
OPEX	\$14.51/kg REO

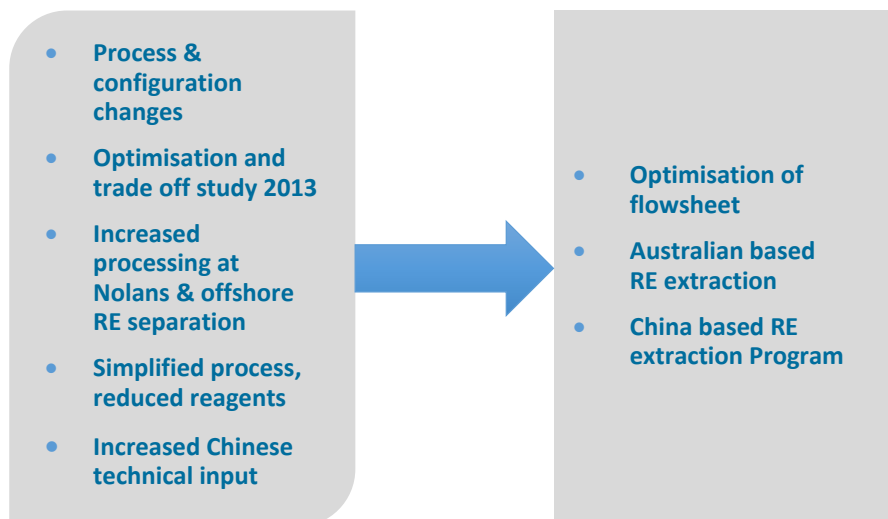


Table 1 Nolans Project Flowsheet Development

RE SEPARATION PLANT SITE SELECTION

The Company is actively assessing options for the location of the RE Separation Plant. Offshore locations have been shortlisted and over the last six months site visits to the relevant regions have been completed. Selection of a final site is targeted for completion in the second half of CY2015. The Company is examining a number of sites located in or adjacent to established chemical precincts with access to required ancillaries and infrastructure. Lycopodium completed a process engineering cost study for the RE Separation Plant based on it being located on the U.S. Gulf Coast. Potential capital and operating costs for the sites being considered are factored for comparison purposes against this engineering cost study.

During the June quarter the Company executed a Letter of Intent (“LOI”) with OCI Company Limited (“OCI”). The Company and OCI have agreed to co-operate with each other to work towards a strategic partnership agreement to form a Joint Venture (“JV”) RE separation processing facility to be located in South Korea.

OCI is headquartered in Seoul, South Korea, and is listed on the Korea Exchange. OCI has an extensive product portfolio for the manufacture and sale of inorganic chemicals, petro and coal chemicals, fine chemicals and renewable energy, with operations in South Korea, the USA, China and

+ See chapter 19 for defined terms.

Europe. OCI's core business is chemical manufacturing but has pursued an innovation strategy to expand its operations to become a leading global green energy and chemical company.

OCI operates a chemical plant in the port city of Gunsan located approximately 200 kilometres south of Seoul near the Saemangeum-Gunsan Free Economic Zone. The LOI contemplates the Company and OCI examining the feasibility of:

- a) establishing a RE Separation Plant in Korea;
- b) the Company supplying a mixed RE intermediate feedstock to the RE Separation Plant from the Nolans operation in Australia;
- c) OCI delivering long term supply of chemical reagents for the operation of the RE Separation Plant; and
- d) OCI leveraging its existing skills and expertise to operate and maintain the RE Separation Plant and other processing responsibilities in South Korea.

The LOI is presently non-binding and the Company notes it is still in the process of finalising its RE Separation site selection study. Nonetheless, both companies acknowledge the significant synergies in the approach outlined in the LOI. The Company looks forward to advancing these arrangements and providing further updates on progress.

REGULATORY APPROVALS

The Environmental Impact Statement ("EIS") Terms of Reference ("ToR") for the Nolans Project were finalised and issued by the Northern Territory Environment Protection Authority ("EPA") during the quarter and can now be accessed via the EPA's website. Release of these ToR is an important milestone on the path to securing regulatory approvals to build and operate the Nolans Project and in earning the Company's social licence to operate.

Field work on a number of EIS studies continued during the quarter including biodiversity studies over the RE Intermediate Plant site, access corridors and borefield area. Archaeological surveys in these areas are also in progress. The Company has been successful in getting local indigenous groups involved in these surveys, and working with specialist consultants. Work on establishing stations for baseline monitoring of radiation and dust also commenced during the quarter.

+ See chapter 19 for defined terms.





Biodiversity field work at the Nolans Processing Site. Photos supplied by the Central Land Council.

COMMUNITY AND STAKEHOLDER ENGAGEMENT

The Company has been actively engaging with Nolans Project stakeholders since 2008. Engagement opportunities and consultation have escalated this year as information from the EIS studies become available and Nolans progresses toward a final investment decision. During the quarter a number of local stakeholder groups have been provided with briefings and overview of the Nolans Project. These groups have included local and Northern Territory government representatives, mining industry representatives and local business groups. The Company has in place an extensive community and stakeholder engagement plan for the balance of the year. The objective of this plan is to ensure stakeholders have an understanding of the Project to ensure the community is informed and willing to work with the Company in gaining the necessary regulatory approvals for the Nolans Project.



Community briefing with Anmatjere Traditional Custodians at the Nolans Site.

+ See chapter 19 for defined terms.

NOLANS SITE TENURE

Exploration tenure EMEL 30510 covering an extensive area of surface and near-surface carbonate (marble) rocks was granted to the Company by the Northern Territory Department of Mines and Energy on 21 April. The Company plans to collect bulk samples for metallurgical testing and believes this area has the potential to provide life of mine supply of carbonate for the Project's RE extraction process. Heritage clearance work on EMEL 30510 has commenced in advance of the bulk sampling program.

EXPLORATION

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

GROUNDWATER EXTRACTION

During the period bore drill hole site rehabilitation and minor bore head works were completed. Work is underway to consolidate all analytical and monitoring data to enable production of the final report for the Southern Basins. This work will then be used for groundwater modelling in the Nolans EIS and to provide additional support for the Company's application for a groundwater extraction licence (ASX: ARU 22/10/14).

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 and Processing Site layout.

During the quarter the Company completed work in relation to drainage management at the Nolans Mine Site, and detailed modelling of all waste rock types based on their radioactive and geotechnical characteristics. Planning work has also been completed in advance of mapping and bulk sampling of carbonate material from EMEL 30510.

YALYIRIMBI (Iron)

Ferrowest Limited ("Ferrowest"; ASX: FWL) continues to hold an interest in the Yalyirimbi Iron Project iron ore rights on EL 24548 that are held through Arafura Iron Pty Ltd ("AIPL").

+ See chapter 19 for defined terms.



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).

Drilling by Rox in the latter half of 2014 (ASX: RXL 20/10/14, 5/11/14 and 1/12/14) intersected massive copper sulphide mineralisation in a number of drill holes at the Bonya Mine prospect. Rox is planning further drilling in the second half of CY2015 at the Bonya Mine prospect, and at a number of other prospective targets on EL 29701.

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). On completion of the first earn-in benchmark Ark may increase its interest by 30% to a total of 70%.

Ark has completed planning for an RC drilling program at Frances Creek scheduled to commence in mid- August 2015.

PLEASE ALSO REFER TO APPENDIX A FOR A SUMMARY OF ALL MINING TENEMENTS AND AREAS OF INTEREST AS AT 30 JUNE 2015.

CORPORATE

STRATEGY AND OUTLOOK

RARE EARTH MARKETS & IMPACT OF CHINESE POLICY CHANGES

China’s Illegal Rare Earth Production

China’s RE export quotas were around 30,000 tonnes per annum from 2010 through to until when they were removed in 2015. In recent years the effectiveness of quotas in regulating supply was uncertain, China-based producers have in recent years been unable to fill the export quotas, and this has to some extent been attributed to the availability of material illegally produced and exported.

The Chinese authorities appear to be putting into action their intentions to “crack down” on the illegal trading of REOs. In May the Shanghai Daily reported that five people including a Korean had been arrested for smuggling REs from China’s Shandong Province to the Republic of Korea. Customs officials reported the case involved more than 1,500 tonnes of REs and RE metals.

At the beginning of May, and as a result of its unsuccessful appeal against the World Trade Organisation (“WTO”) ruling, China’s Ministry of Commerce (“MOFCOM”) abolished longstanding trade restrictions on REs by removing export duties (taxes), export quotas and limitations on enterprises to export REs. These measures have been replaced by a licensing system that requires

+ See chapter 19 for defined terms.



exporters to obtain a permit to trade REs. Exports of REs will now only occur through nine designated ports with export permits issued on the basis of international trade contracts. By restricting the number of ports through which REs may be exported Chinese authorities are hoping to be more effective in preventing smuggling activities.

Industry Consolidation

The Chinese Government has also commenced the process of consolidating its many small RE producers into six hubs with each hub controlled by a state owned enterprise (“SOE”). The six SOEs that will have control over the RE production hubs in China are:

- Northern Rare Earth (Inner Mongolia Baotou Iron and Steel Group);
- China Minmetals Corporation;
- Aluminium Corporation of China;
- Guangdong Rare Earth Group;
- Xiamen Tungsten; and
- Ganzhou Rare Earth Group.

The benefits of this industry consolidation include greater control over illegal production and smuggling of REs.

New Tax System

Prior to the WTO ruling China previously levied export tariffs of 15% for light rare earths (“LREs”) and 25% for heavy rare earths (“HREs”). In response to the removal of these tariffs China has now introduced a RE resources tax. The new tax is applied to the value of the concentrate as follows:

- 27% for ionic clay concentrates, and HRE and medium rare earth (“MRE”) concentrates;
- 11.5 % for LREs from the Inner Mongolia region;
- 9.5% for LRE concentrates from the Sichuan Province; and
- 7.5% for LREs in the Shandong Province.

The new taxes are levied on the producers of the RE concentrates and will now apply to REs sold to domestic and export customers alike. The effectiveness of the new tax regime will largely depend on the ability of the authorities to regulate the activities of illegal producers.

To date the market does not appear to have been impacted by the introduction of the RE resources tax. It’s likely it will take some time for the impact of the new taxes to wash through to the sales of REOs. In the lead up to the removal of the tariffs many foreign buyers exited the market deferring procurement activities until after tariffs had been removed. The withdrawal of foreign buyers left some producers with inventories that had built up prior to the introduction of the new tax.

Due to high supply and modest demand in growth, some REOs may not be able to sustain the resources tax being passed on in the form of higher sale prices. It’s likely that higher prices will be

+ See chapter 19 for defined terms.



sustainable for some LREs and HREs in particular neodymium, praseodymium and dysprosium. Other LREs such as cerium and lanthanum will likely remain at low prices due to oversupply and a lack of demand growth.

Market Commentary

Chinese exports of REs were relatively strong over the first quarter of 2015 according to the Association of China Rare Earth Industry, building on a 25% increase in exports in 2014. In the second quarter of 2015 buying was on an as-required basis as customers deferred procurement activities until after the tariffs were removed in May 2015. Foreign buyers have not made a significant return to the RE market as they are now more comfortable that supply is much less restricted as producers now appear to be trying to offer lower prices to deal with stockpiles and to boost sales volumes.

In the immediate term there is an expectation that RE prices may face continued pressure. The period in the lead up to the removal of export tariffs and the subsequent introduction the resources tax, has created some uncertainty for RE prices. As buyers begin to return to the market, producers will work through stockpiled production and the impact of the resources tax flows through the market will likely work through a period of readjustment. Subsequent to this adjustment period the impact of the resources tax and the movement away from tariffs and quotas will see prices impacted more by global demand and supply. Due to a stronger demand outlook it's likely the price for the magnet feed materials (NdPr) sourced from China will sustain a higher proportion of the Chinese resource tax being passed through to customers.

NdPr Outlook

Demand for NdPr represents strong forward growth prospects for use in permanent magnets. The Company's view is that the combination of new resource taxes, tighter environmental regulations, and a shift from export control to production control will result in increased RE prices in the medium term as a consequence of a higher production cost base in China.

Permanent magnets are fundamental to a transition to a low carbon economy and developments of ultra-strong Neodymium-Iron-Boron ("NdFeB") magnets have found greater use and innovation in clean technologies aimed at reducing emissions and improving energy efficiency in the auto industry, wind energy, industrial motors and energy saving home electrical appliances.

Industry experts¹ anticipate strong demand growth of NdPr in permanent magnets of 7-10% CAGR over the next five to ten years. Large industrial economies face major challenges to reduce emissions and develop a low carbon economy, and Chinese policy makers have identified the use of permanent magnet motors in transportation and industry as a key driver to meet its objectives.

Future availability of NdPr to meet the demand for permanent magnets is potentially at risk. Production control by authorities and maldistribution of critical REs in Chinese reserves may create supply instability and supply disruptions for NdPr in the future. Alternative long-term supply of NdPr from secure locations will be necessary to meet global demand and to reduce dependency on China.

Rare earth projects that are highly leveraged to NdPr are attractive and have high economic importance for use in permanent magnets. Arafura's Nolans Project is positioned to be one of the

¹ Adamus Intelligence, IMCOA-Curtin University, Roskill, Shanghai Metals Market, Stormcrow

+ See chapter 19 for defined terms.



few new non-Chinese suppliers of NdPr this decade and NdPr is more strongly represented at Nolans than in any other RE project being advanced for development. This high value product is expected to generate 75-80% of the total Project revenue when production commences.

NdPr METRICS AND RARE EARTH MAGNETS

Advanced RE projects are assessed on several criteria including resource size, RE composition, projected costs, product revenue, and return on investment. Equally important is mitigating a project’s technical, operating, environmental, community, funding and sovereign risks. A number of such projects are being developed in various jurisdictions across the globe, and these are rated in Table 2 below for the cost of production of NdPr Oxide and the risk represented by establishing and operating the project in the host jurisdiction. Rare earth buyers seeking to diversify their supply chain with non-Chinese production will ideally look at procurement opportunities in low-risk jurisdictions.

The most recent operating cost estimate for the Nolans Project reinforces Arafura’s position as one of the lowest cost producers on a per kilogram of NdPr Oxide basis and, being located in Australia’s Northern Territory, has very low country risk compared with challenging RE projects being advanced in developing countries.

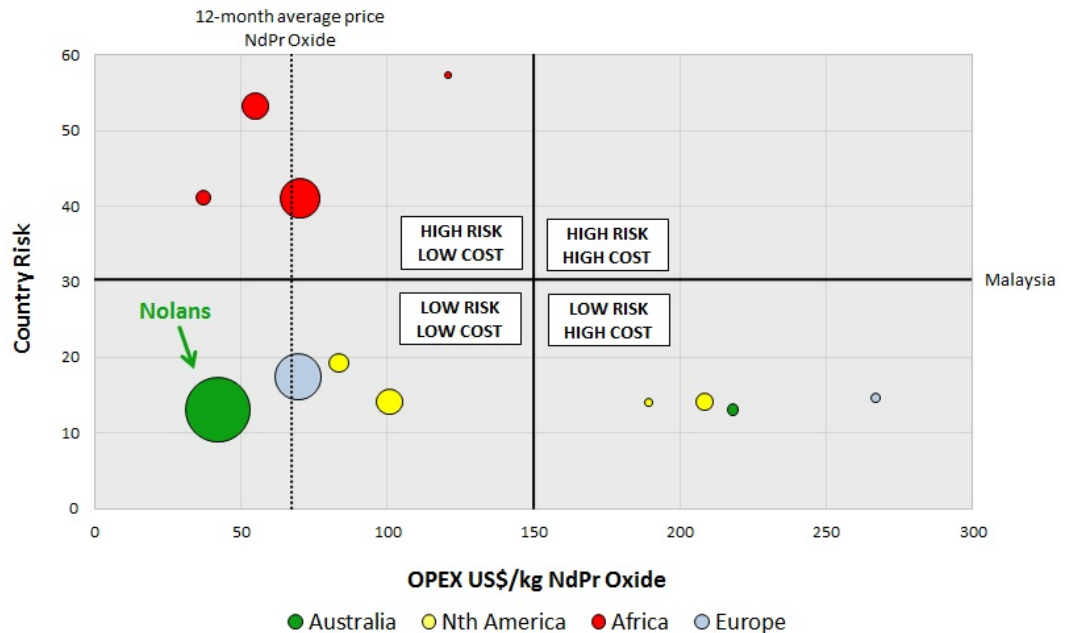


Table 2 NdPr Metrics

Country risk data has been sourced from *The Economist Intelligence Unit*. This metric is an aggregate of threats facing business operations, including political stability, legal, foreign trade, financial, labour market and infrastructure.

+ See chapter 19 for defined terms.

CORPORATE

CORPORATE GOVERNANCE

The third edition of the Australian Securities Exchange Corporate Governance Council Principles and Recommendations (“Principles and Recommendations”) was released in 2014. The Company will report its governance practices against the Principles and Recommendations for the financial year ending 30 June 2015. The Company has during the quarter updated its Corporate Governance Manual to ensure it’s aligned with the Principles and Recommendations. The Company’s Corporate Governance Statement, Charters, Codes and Policies and other relevant documents are disclosed on the Company’s [website](#).

RESEARCH & DEVELOPMENT REBATE BOOSTS CASH POSITION

During the period the Company received tax rebate of A\$3.4 million for eligible research and development (“R&D”) expenditure incurred in the development of the Nolans Project. The ongoing support by the Australian Government in the form of the R&D Tax Incentive program brings the total cash receipts for the Company from the rebate incentive scheme to A\$30.0 million.

As at 30 June 2015 the Company had A\$16.6 million cash on hand.



+ See chapter 19 for defined terms.

Cost Estimate Assumptions

The capital and operating cost estimates reported in this activities report are based on a production target of 20 years of 20,000 tonnes per annum of REO equivalent from Measured and Indicated Mineral Resources at Nolans Bore. These Mineral Resources were estimated and reported by AMC Consultants Pty Ltd (ASX: ARU 09/12/14) following the guidelines of the JORC Code 2012. Classification of total resources at Nolans Bore into Measured, Indicated and Inferred Resource categories, using a 1.0% REO cut-off grade, is shown in the table below. Contained (*in-situ*) resources of rare earths, phosphate and uranium are also shown.

RESOURCES	TONNES (million)	RARE EARTHS REO %	TONNES REO	PHOSPHATE P ₂ O ₅ %	TONNES P ₂ O ₅	URANIUM U ₃ O ₈ lb/t	TONNES U ₃ O ₈
Measured	4.3	3.3	144,000	13	572,000	0.57	1,120
Indicated	21	2.6	563,000	12	2,614,000	0.42	4,090
Inferred	22	2.4	511,000	10	2,222,000	0.37	3,610
TOTAL	47	2.6	1,217,000	11	5,407,000	0.41	8,830

Numbers may not compute exactly due to rounding. REO grade excludes Yttrium (Y).

Table 3 Nolans Bore Mineral Resources

Competent Person's Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr John Tyrrell, a Competent Person who is a Member of Australasian Institute of Mining and Metallurgy. Mr Tyrrell is a full time employee of AMC Consultants Pty Ltd. Mr Tyrrell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code 2012"). Mr Tyrrell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

+ See chapter 19 for defined terms.

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")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current Quarter	Year to date
		\$A'000	(12 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration & evaluation	(1,746)	(7,810)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,008)	(4,403)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	168	682
1.5	Interest and other costs of finance paid	(2)	(8)
1.6	Income taxes paid (R&D Incentive – non capitalised)	1,167	1,167
1.7	Other (provide details if material)	-	270
Net Operating Cash Flows		(1,421)	(10,102)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(28)	(110)
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 (R&D Incentive – capitalised portion)	2,264	2,264
Net investing cash flows		2,236	2,154
1.13	Total operating and investing cash flows (carried forward)	815	(7,948)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	815	(7,948)
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		815	(7,948)
1.20	Cash at beginning of quarter/year to date	15,791	24,547
1.21	Exchange rate adjustments to item 1.20	9	16
1.22	Cash at end of quarter	16,615	16,615

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	(224)
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

+ See chapter 19 for defined terms.

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	1,841
4.2 Development	-
4.3 Production	-
4.4 Administration	1,000
Total	2,841

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	2,389	1,215
5.2 Deposits at call	14,226	14,576
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	16,615	15,791

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		
	Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

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 <i>(description)</i>				
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 <i>(description)</i>				
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	- - - -	<i>Exercise price</i> \$0.23 \$0.14 \$0.105 \$0.105	<i>Expiry date</i> 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 <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

7.12	Unsecured notes <i>(totals only)</i>	-	-
------	--	---	---

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: 27 July 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.

== == == == ==

+ See chapter 19 for defined terms.



Appendix A – Mining Tenements Held As At 30 June 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				100%	100%	Application Lodged
ML 30703				100%	100%	Application Lodged
ML 30704				100%	100%	Application Lodged
EMEL 30510				100%	100%	Extractive Mineral Exploration Licence
EL 28498 EL 28473 EL 29509 EL 27337 EL 24741 EL 30160	Aileron–Reynolds, NT	Arafura Resources Ltd	Exploration Licence	100% 100% 100% 100% 100% 100%	100% 100% 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%	

+ See chapter 19 for defined terms.



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	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

+ See chapter 19 for defined terms.