Quarterly Activities Report and Appendix 5B

For the period ending 30 June 2016

ASX: ARU

ARAFURA RESOURCES LIMITED

HIGHLIGHTS

- **Project update delivers substantial operational and cost efficiencies for the Nolans Rare Earths Project**
- **Rare earths output adjusted to align with selective mining of preferred material and defers capital expansion commitment beyond year 10 of the project**
- **Merchant-grade phosphoric acid added to Nolans product range providing product and revenue diversification**
- **Arafura presses the case for Nolans to be next world-scale rare earths project**
- **Environmental Impact Statement submitted for the Nolans Project**
- **Cash balance at end of reporting period $11.5 million**

NOLANS PROJECT

PROJECT UPDATE- NOLANS REVIEW DELIVERS MAJOR IMPROVEMENTS

In June the Company made a significant statement outlining the results of a recently completed review of the Nolans Project (ASX: ARU 28/06/2016). The resulting process design improvements have delivered a more competitive and efficient project with greater capacity to withstand cyclical downturns in rare earth prices.

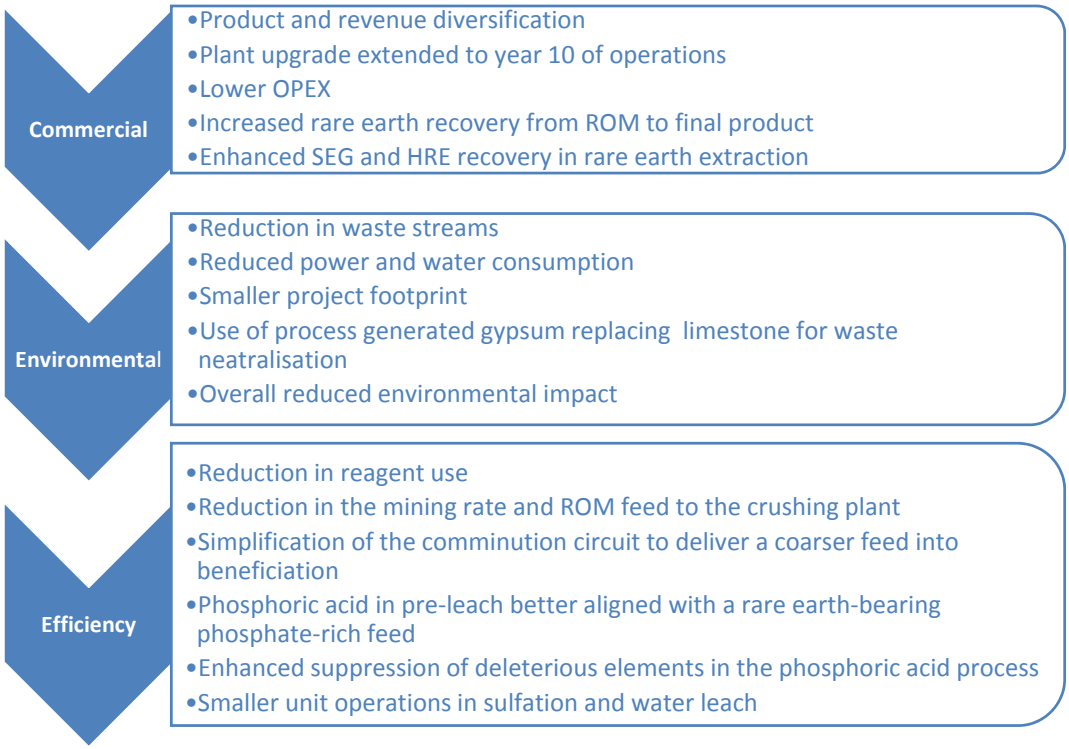
A key feature of the process improvements has been the introduction of phosphoric acid in the pre-leach circuit which is better aligned with the project's rare earth-bearing phosphate-rich feed. These process changes have assisted with other measures in simplifying the Nolans flowsheet, reducing operating expenditure and also enables the production of 110,000 tonnes per annum of a merchant-grade (54% P_2O_5) phosphoric acid product that was previously reporting to waste. When coupled with parallel process improvements in comminution and beneficiation the process enhancements deliver higher rare earth recoveries and a reduced operating cost of US$6.23 per kg of TREO. The comparatively high weighting towards neodymium and praseodymium ("NdPr" or "magnet feed material") in the Nolans rare earth product mix, high rare earth and phosphate recoveries targeting NdPr and the ultra-low operating cost of US$6.23 makes Nolans one of the most efficient developing rare earth projects.

+ See chapter 19 for defined terms.

The improved process flowsheet targets phosphate-rich material types in the project's resource, delivering an optimal plant feed and throughput that results in an adjustment to the planned annual rare earths output to 14,000 tonnes of TREO equivalent over the 20+ year operational life of the project, based on the project's inventory of Measured and Indicated resources (see Table 5). An additional and significant outcome from this approach is that the project's capital expansion requirement now sits well beyond the initial debt funding period. The potential capital expansion with the latest flowsheet is now deferred from year 7 to year 10 of the operation.

The process flowsheet changes are compelling and press the case for Nolans to be the next world-scale rare earths project to be considered for development. The key features and impacts of these improvements are illustrated below Figure 1.

Figure 1: Process Design Improvements



ENGINEERING

The Company recently completed updated capital ("CAPEX") and operating ("OPEX") expenditure estimates to facilitate an assessment of the efficiency of the revised process configuration. This process included equipment specifications for the beneficiation and rare earth extraction plant areas to enable the Company to engage with various process equipment vendors and engineering organisations to complete a capital and operating cost estimate using vendor quotations on major equipment and ancillaries. A major

engineering company undertook a high level process review including materials of construction for key plant items, and costings for ancillary plants including the sulfuric acid plant.

The cost estimates were prepared to the same level of accuracy and basis as the previous November 2015 capital estimate (ASX: ARU 18/11/15) for the revised process configuration inclusive of discipline factors and indirect costs. The revised CAPEX estimate is shown in Table 1.

Table 1: Total Capital Cost Estimate Summary

Project Area	Estimated CAPEX US$m
Mine & Concentrator	48
RE Intermediate Plant	279
RE Separation Plant	59
Transport & Logistics	3
Infrastructure & Ancillaries	96
Indirect Costs	195
TOTAL	**680**

In April 2013 the Company (ASX: ARU 22/04/13) stated its intention to implement initiatives aimed at improving the capital efficiency and fundability of the Nolans Project. Since then Nolans CAPEX has been reduced by US$658 million, or almost 50%, and OPEX by US$5.50/kg of TREO, or 38%. The total initial CAPEX for the Nolans Project is now estimated at US$680 million inclusive of 20% contingency. The Company has commenced the process of scoping and tendering the next phase of engineering and design for the final feasibility study phase of the project. Subject to financing, the Company aims to subject the flowsheet to rigorous testing during final feasibility in conjunction with detailed engineering.

OVERVIEW OF PROCESS IMPROVEMENT IMPACTS

The extensive work programs completed during the quarter have identified substantial operational and cost efficiencies for the Nolans Project. Rare earths production is now complemented by the addition of merchant-grade phosphoric acid to the Nolans product range. When combined with higher rare earth recovery rates, further OPEX reduction and positive environmental outcomes achieved through process design improvements, the new project configuration has a number of positive outcomes. An overview and comparison between the previous and revised process configurations is provided in Table2.

Table 2: Comparison metrics for previous and current project configurations

		Previous	Current	Change
MINING & PROCESSING				
ROM feed (ktpa)		922	**525**	(43%)
Recovery (ROM to final product)	Total rare earths	63%	**76%**	21%
	NdPr	64%	**75%**	17%
	La	63%	**75%**	19%
	SEG-HRE	48%	**68%**	42%
ENVIRONMENTAL				
Reagents (ktpa)[1]		405	**151**	(63%)
Power demand (MW)[2]		14	**10.3**	(26%)
Water demand (GLpa)[3]		3.7	**2.7**	(27%)
Waste (Mtpa)[2]	Waste rock	6.1	**4.5**	(26%)
	Tailings and process residues	4.62	**2.26**	(51%)
PRODUCTION				
Product suite		- NdPr oxide - La oxide - SEG-HRE carbonate - Ce product	**- NdPr oxide** **- La oxide** **- SEG-HRE carbonate** **- Ce product** **- Phosphoric acid**	Phosphoric acid co-product
TREO equivalent (tpa)		20,000	**14,000**[4]	(30%)
NdPr oxide (tpa)		5,260	**3,601**	(32%)
La oxide (tpa)		3,827	**2,658**	(31%)
SEG-HRE carbonate (tpa TREO equivalent)		746	**657**	(12%)
Phosphoric acid (ktpa merchant grade)		-	**110**	-
FINANCIAL[5]				
Capital cost (US$m)		$835	**$680**	(19%)
Operating cost (US$m pa)		$173	**$125**	(28%)
Operating cost (US$/kg TREO)		$8.65	**$8.89**	2.7%
Operating cost (US$/kg TREO; less credit for phosphoric acid[6])		$8.65	**$6.23**	(28%)

[1] Nolans site (Mine, Concentrator and Rare Earth Intermediate Plant) and offshore Rare Earth Separation Plant

[2] Nolans site only

[3] Nolans Concentrator and Rare Earth Intermediate Plant only

[4] The Rare Earth Separation Plant capacity for 14,000 tpa of TREO equivalent output from Nolans is approximately 6,900 tpa of TREO. The difference of 7,100 tpa comprises a 95% cerium product which will be recovered at the Rare Earth Intermediate Plant

[5] A$1 = US$0.70

[6] Phosphoric acid revenue based on US$715/t of P_2O_5 on an FOB basis.

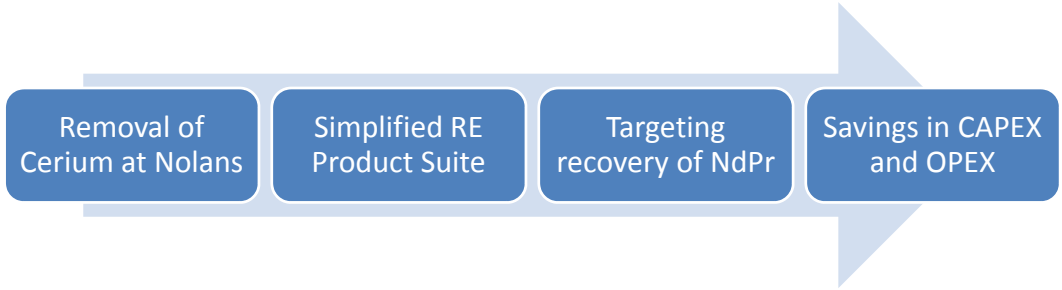
RARE EARTH SEPARATION

The revised flowsheet includes a cerium carbonate and phosphoric acid product which are both produced in the RE Intermediate Plant at the Nolans site (see Figure 2: Nolans Project Configuration. The offshore RE Separation Plant produces three rare earth products compared with the previous four from the Nolans Development Report flowsheet (ASX: ARU 03/09/2014) as shown in Table 3.

Table 3: Product suite comparison

	Nolans Development Report	Current
Rare Earth Intermediate Plant	Cerium carbonate	Cerium carbonate
		Phosphoric acid
Rare Earth Separation Plant	NdPr oxide	NdPr oxide
	Lanthanum oxide	Lanthanum oxide
	SEG oxide	SEG-HRE carbonate
	HRE oxide	

Removal of cerium at the Nolans RE Intermediate plant prior to solvent extraction at the RE Separation Plant significantly reduces the volume of a rare earth intermediate product being exported. Further simplification of the rare earth product suite is achieved by producing a mixed samarium-europium-gadolinium-heavy rare earth product. The refinement of the product suite further reduces the number of unit operations in the RE Separation Plant and results in capital and operating expenditure benefits whilst still enabling the rare earths separation plant to target high recoveries for NdPr.

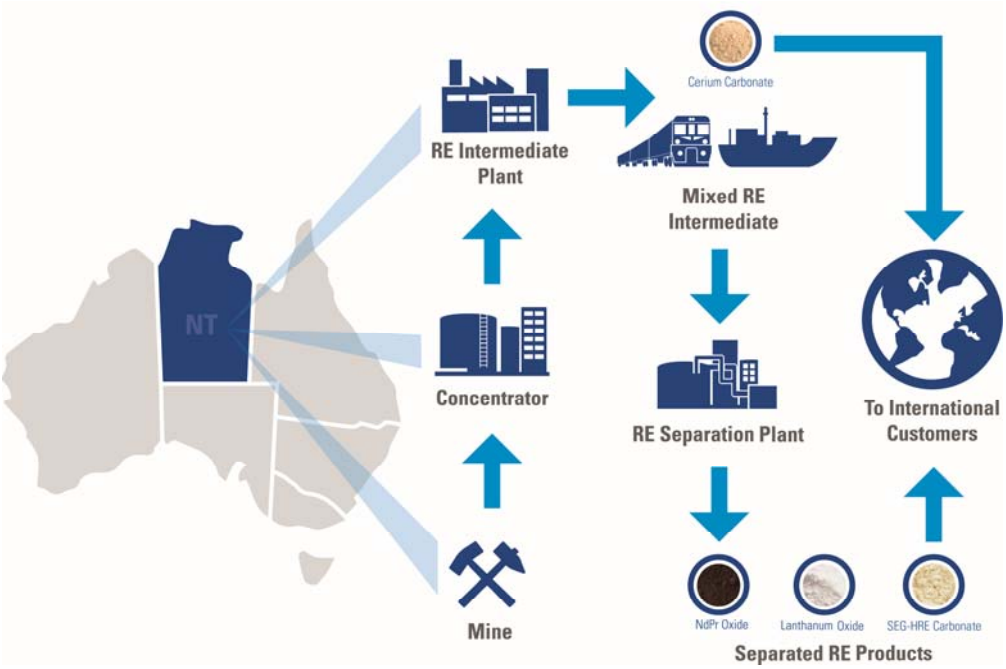


MOU WITH OCI

The Company and OCI Company Ltd ("OCI") of South Korea executed an MOU in January (ASX: ARU 07/01/2016) to facilitate collaboration for the establishment of a jointly operated RE Separation Plant. Since the execution of the MOU, Company and OCI representatives have been working to finalise a site feasibility report for the South Korean site option. Subject to the successful completion of site feasibility the parties will work to formalise the commercial arrangements for the joint venture processing facility. The joint

venture processing facility is shown as the RE Separation Plant in Figure 2: Nolans Project Configuration.

Figure 2: Nolans Project Configuration
Northern Territory (Mine, Concentrator, RE Intermediate Plant) and offshore (RE Separation Plant)



REGULATORY APPROVALS – ENVIRONMENTAL IMPACT STATEMENT STUDIES

In May 2016 the Company lodged the Environmental Impact Statement ("EIS") for the Nolans Project with the Northern Territory Environment Protection Authority ("NTEPA") and the Australian Government's Department of the Environment. The EIS is assessed under a bilateral arrangement between the Northern Territory and Australian governments.

Lodgement of the EIS is a significant milestone in the approvals process and the broader development process for the Nolans Project. The EIS includes a comprehensive risk assessment and studies covering ground and surface water, biodiversity, Aboriginal and cultural heritage, socioeconomic impacts, transport, radiation, air quality, noise, rehabilitation and cumulative impacts. The Company has assessed the potential environmental and social impacts of the project and has outlined a suite of management safeguards and mitigation measures.

The Nolans EIS was placed on public review via the NTEPA and Arafura websites for a period of eight weeks, with the period ending on 22 July 2016. The Company is presently awaiting receipt of public review comments from the NTEPA, and the assessment and approvals process will continue over the coming months.

COMMUNITY AND STAKEHOLDER ENGAGEMENT

During the quarter the Company continued with its program of community and stakeholder engagement. The objective of these meetings is to provide stakeholders the opportunity to raise and have clarified any issues or matters of concern from the EIS. Presentation meetings were convened with a number of Northern Territory Government agencies, local community groups, and non-government organisations.

EXPLORATION

AILERON – REYNOLDS (Rare Earths)

The Company recently lodged exploration licence ("EL") application 31284 with the Northern Territory Department of Mines and Energy ("DME"). This and recent EL applications 31224, 31095 and 31096 form part of the Company's ongoing strategic review of its exploration activities, targeting areas within its Aileron-Reynolds Project it considers to be prospective for heavy rare earths to augment NdPr-rich feed from Nolans. The DME review process for the potential granting of the ELs is expected to be completed in Q3 CY 2016.

JERVOIS (Base and Precious Metals; Iron-Vanadium)

Rox Resources Ltd (ASX: RXL, or "Rox") holds a 51 per cent interest in the base and precious metal rights on EL 29701, and has elected to earn 70 per cent by spending an additional $1 million on the tenement by December 2016. Upcoming activities by Rox on EL 29701 include surface mapping and ground geophysics in advance of further drilling at the Bonya Mine prospect.

MT PORTER – FRANCES CREEK (Gold)

Ark Mines Ltd (ASX: AHK, or "Ark") currently holds a 40 per cent interest in the Mining Farmin and Joint Venture Agreement with Arafura over the Mt Porter and Frances Creek gold tenements. Ark has elected to earn a further 30 per cent interest in the tenements and gold rights by agreeing to spend the greater of $1.6 million or the aggregate amount necessary to satisfy tenement conditions, on or before 14 July 2017.

In June the Company entered into a sale and assignment agreement with Ark for the Mt Porter tenements and Frances Creek gold rights. This transaction is subject to a number

of third party consents and upon completion the Farmin Agreement with Ark will be terminated.

The tenements and gold rights the subject of the Farmin Agreement, and the transaction are shown in Appendix A under the Frances Creek and Mt Porter project headings. Ark will pay $275,000 for 100% ownership of the Mt Porter tenements and $25,000 for the Frances Creek gold rights. In addition to the cash consideration Ark will also pay the Company a 2.5% royalty on gross sales of gold from ore mined at Mt Porter and Frances Creek. Ark is required to make the cash payments on or before 7 September 2016 in order for the transfer of the tenements and gold rights to be completed.

CORPORATE

STRATEGY AND OUTLOOK

RARE EARTHS MARKET UPDATE

Modest price increases were achieved for NdPr prices in May on the basis that the expected strategic stockpiling of rare earths by the Chinese National Development and Reform Commission would take place in June. NdPr prices contracted in June indicating the volumes of NdPr stockpiled were not as significant as the market had anticipated.

Market analysts continue to forecast a positive demand supply position for the permanent magnet sector and this has obvious benefits for NdPr prices which are a vital feedstock to this sector.

CLEAN ENERGY

In recent months there has been significant discussion and investment attention focussed on the shift in energy use away from carbon fuels and traditional infrastructure. The catalyst for these changes has been facilitated by the improving cost and efficiency of lithium-ion batteries.

The emergence of lithium-ion batteries has increased the focus on the emerging opportunity for electric vehicles. Governments including China, the USA and the EU are setting carbon emission targets for the motor vehicle industry and also providing incentives for their local automotive producers to be globally competitive and produce positive emission outcomes. By way of example China has recently adopted the key strategic goal for half of all new public transport vehicles purchased by the central government and specified local governments to be new energy vehicles. Recently, it was announced that the Chinese Government's State Council will commit to battery

technology, with special government investment for power distribution networks, battery charging facilities installed in residential districts and at businesses and airports.

The demand for electric and energy efficient vehicles will grow significantly over the next ten years due to the combined effect of:

- improved cost and efficiency for lithium-ion batteries;
- governments setting carbon emissions targets for the automotive industry,
- governments providing incentives for electric vehicle technology development; and
- consumer desire to reduce reliance on carbon fuels.

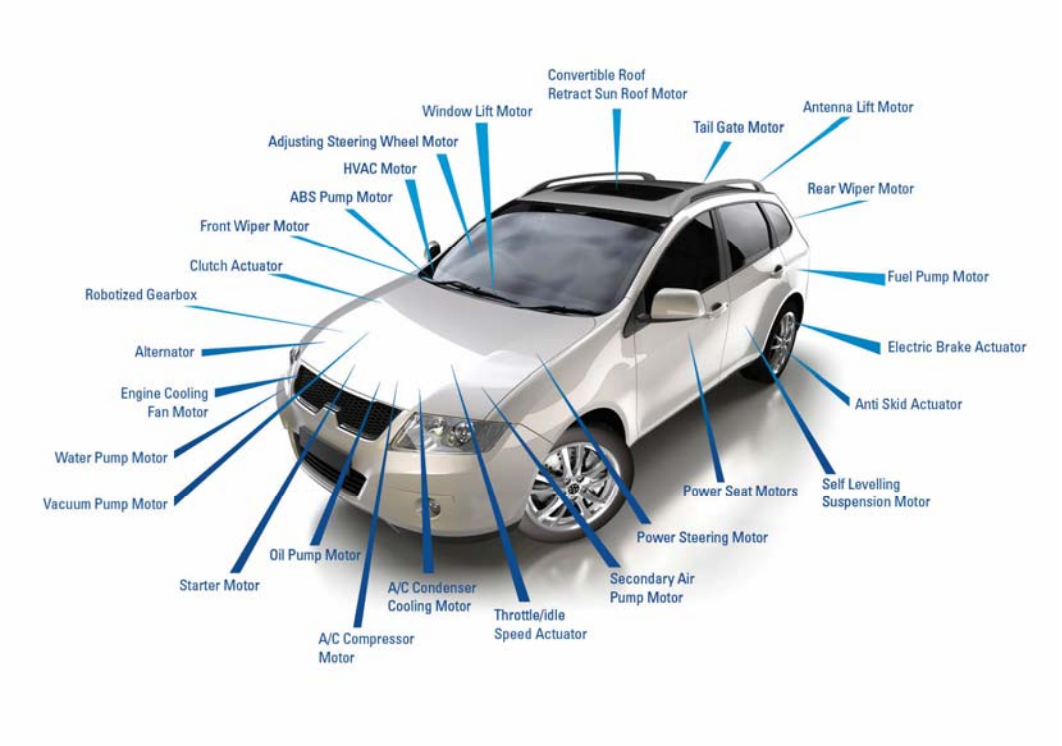
Electric vehicle sales will grow significantly over the next ten years. This growth is also an important demand driver for rare earth magnets for which NdPr is a key raw material. Analysts forecast demand for rare earth magnets and NdPr will grow by an average of 10 per cent each year. It is therefore important to understand why NdPr and rare earth magnets are so critical to the electric vehicle market.

Electric vehicles, including hybrids, have traction motors that convert electric energy into motion in order to propel the vehicle. The more efficient and the greater the output of this motor will provide the electric vehicle with a superior range. With the launch of the Toyota Prius in 1997, the use of rare earth magnets (specifically neodymium-iron-boron or NdFeB magnets) in traction motors has become commonplace. The performance benefits of rare earth magnets in traction motors are significant and not able to be replicated with other materials. The magnetic flux density (degree of magnetisation) and coercivity (ability to resist demagnetisation) for a rare earth magnet is significantly higher than other magnetic materials. For this reason, a rare earth magnet offers high torque density, meaning the electric traction motor can be compact, lightweight and more efficient. Use of other magnetic materials would result in a larger magnet being used to produce the same magnetic field.

In addition to traction motors, motor vehicles are becoming more sophisticated with increased reliance on electrical systems. Rare earth magnets are also vital to reducing the size and efficiency of these systems that are integral to the operation of the vehicle (Figure 3). Emerging applications include electric power steering, electric break systems and stop/ start technology.

Growth in sales of electric vehicles and the increasing use of rare earth magnets in an array of electric motor applications in the automotive industry will be a significant driver of demand for rare earth magnets and NdPr. Long-term secure supply from NdPr-rich projects like Nolans will be critical to meeting these demand growth projections.

Figure 3: Electric motors and rare earth applications in motor vehicles



PROJECT FOCUS

During the 2016-17 financial year the Company has been steadily rationalising its business which has included significant reductions in overheads along with an internal review of results from its comprehensive pilot and test programs. The Arafura team has worked diligently during this period knowing that a number of significant initiatives were underway to make the Nolans Project more robust and efficient. It was therefore pleasing during the June quarter to communicate the progress achieved from these initiatives and the Company believes these process improvements are significant and important milestones. Specifically, these achievements included material reductions to commodity, funding and processing risks which are important in a capital constrained environment.

In May the Company lodged the Nolans EIS with the NTEPA. This document has been prepared to a very high standard and addresses the full range of environmental, economic and social issues relating to the mining and processing operation at Nolans. The Company has engaged some of the industry's best people in the preparation of the EIS, and a small but capable team at Arafura has worked tirelessly to compile this comprehensive document. Advancement of the process for assessment and regulatory approvals is on the critical path to feasibility completion for final project funding.

Advancement of the clean energy initiatives in the automotive and renewable energy sectors drives the demand for NdPr as a critical raw material for permanent magnets. The process design improvements combined with the submission of the Nolans EIS means the

Company is well positioned to capitalise on the positive medium- to long-term fundamentals for NdPr.

CORPORATE

Arafura's cash balance is $11.5 million at the end of the 2016 financial year. As shown in the graph and table below (Figure 4 and Table 4), Arafura has maintained a significant level of project-related expenditure whilst achieving consistent reductions in overhead and administration costs. In June, the Company achieved its lowest quarter in overhead expenditure of $664,000 and also achieved significant improvements when compared to the rolling 12-month average of $807,000. This has been a clear objective of the Company as it enables a higher proportion of cash to be utilised in advancing the Nolans Project, including for the completion of the EIS and recent process flowsheet development programs which are integral to the Company realising its objective of commercialising the Nolans Project.

Project-related expenditure is expected to decline slightly in the September quarter as the level of EIS related activity reduces allowing for an increased focus on the next phase of engineering and design for the final feasibility study phase for the project.

Administration outflows are expected to increase slightly in the September quarter, however, Arafura continues to make favourable progress with the expectation that ongoing savings will be made in this area for the remainder of the 2017 financial year.

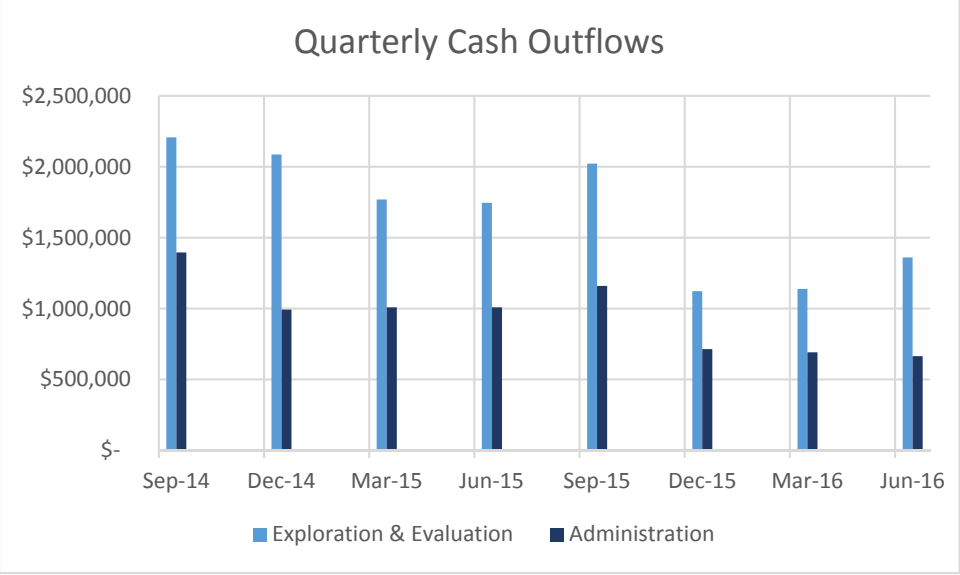


Figure 4 (above) and Table 4 (below): Cash Flow Metrics FY 2015/16 and quarterly data ($A'000)

	FY 2015	FY 2015 Quart Avg.	Sep-15	Dec-15	Mar-16	Jun-16	Rolling 12 Months Quart Avg.	Rolling 12 Months PCM Avg.
Key Operating Activities								
Exploration & Evaluation	- 7,810	- 1,953	- 2,022	- 1,146	- 1,138	- 1,360	- 1,417	- 472
Administration	- 4,403	- 1,101	- 1,160	- 714	- 691	- 664	- 807	- 269
Analysis of Net Cash								
Net Increase/Decrease in Cash	- 7,948	- 1,987	- 3,144	1,240	- 1,254	- 1,927	- 1,271	- 424
(less) R&D Rebate	3,431	858	-	2,992	474	-	867	289
Net Cashflow (Excluding R&D/One-offs)	- 11,379	- 2,845	- 3,144	- 1,752	- 1,728	- 1,927	- 2,138	- 713
Net Cashflow PCM	- 948	- 948	- 1,048	- 584	- 576	- 642	- 713	

AGM

The Company has finalised plans for the upcoming 2016 Annual General Meeting ("AGM"). The AGM will be held at 10.00am WST, Friday, 18 November 2016 at the ANZAC Club, 28 St Georges Terrace, Perth.

The Company is in the process of completing the 2016 Notice of Meeting and will release it to market in due course.

Nameplate Production

The CAPEX and OPEX estimates in this document are based on a nameplate production target of 14,000 tonnes per annum of TREO equivalent from Measured and Indicated Mineral Resources at Nolans Bore. The Mineral Resources were estimated and reported by the Company (ASX: ARU 9/12/14) following the guidelines of the JORC Code 2012. Classification of total resources at Nolans Bore into Measured, Indicated and Inferred resources, using a 1.0% TREO cut-off grade ("COG"), is shown in Table 5. Contained (in-situ) resources of rare earths are also shown.

Table 5: Statement of Nolans Bore Mineral Resources at 9 December 2014 using a 1% TREO COG

RESOURCES	TONNES million	RARE EARTHS TREO %	TONNES TREO	PHOSPHATE P_2O_5 %	URANIUM U_3O_8 lb/t
Measured	4.3	3.3	144,000	13	0.57
Indicated	21	2.6	563,000	12	0.42
Inferred	22	2.4	511,000	10	0.37
TOTAL	47	2.6	1,217,000	11	0.41

Numbers may not compute exactly due to rounding. 1 lb/t U_3O_8 = 0.0454% U_3O_8.

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 the 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.

In undertaking the assignments referred to in this report, AMC acted as an independent party, has no interest in the outcome of the Nolans Project and has no business relationship with Arafura Resources other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC and the Competent Person believe that there is no conflict of interest in undertaking the assignments which are the subject of the Mineral Resource estimate referred to in this report.

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	Quarter ended ("current quarter")
22 080 933 455	30 June 2016

Consolidated statement of cash flows

		Current Quarter $A'000	Year to date (12 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(1,360)	(5,641)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(664)	(3,230)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	98	376
1.5	Interest and other costs of finance paid	(2)	(6)
1.6	Income taxes paid (R&D Incentive – non capitalised)	-	951
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	**(1,928)**	**(7,550)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(1)
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)	-	2,516
1.13	Other	-	(51)
	Net investing cash flows	**-**	**2,464**
1.13	Total operating and investing cash flows (carried forward)	**(1,928)**	**(5,086)**

1.14	Total operating and investing cash flows (brought forward)	(1,928)	(5,086)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other – Capital Raising Expenses	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	**(1,928)**	**(5,086)**
1.21	Cash at beginning of quarter/year to date	13,470	16,615
1.22	Exchange rate adjustments to item 1.20	1	14
1.23	**Cash at end of quarter**	**11,543**	**11,543**

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
1.24	Aggregate amount of payments to the parties included in item 1.2	(197)
1.25	Aggregate amount of loans to the parties included in item 1.10	Nil

1.26 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

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	1,155
4.2	Development	-
4.3	Production	-
4.4	Administration	789
	Total	**1,944**

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	1,093	1,070
5.2	Deposits at call	10,450	12,400
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**11,543**	**13,470**

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				

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**	5,650,000 3,345,000 3,000,000	- - -	*Exercise price* *$0.14* *$0.105* *$0.105*	*Expiry date* 18-07-16 30-09-18 20-11-18
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	50,000 150,000	- -	*Exercise price* $0.14 $0.105	*Expiry Date* 18-07-16 30-09-18
7.11	**Debentures** *(totals only)*	-	-		
7.12	**Unsecured notes** *(totals only)*	-	-		

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 2016

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 30 June 2016

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			Extractive Mineral Exploration Licence	100%	100%	
EL 28473	Aileron–Reynolds, NT	Arafura Resources Ltd	Exploration Licence	100%	100%	
EL 28498				100%	100%	
EL 29509				100%	100%	
EL 24741				100%	0%	Surrendered
EL 30160				100%	100%	
EL 31095				100%	100%	Application lodged
EL 31096				100%	100%	Application lodged
EL 31097				100%	100%	Application lodged
EL 31224				100%	100%	Application lodged
EL 31284				100%	100%	Application lodged
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.

Tenement reference	Project	Holder	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	Notes
EL 10137 ML 24727 ML 27228 ML 25087 ML 25088 ML 25529 ML 27225 ML 27226 ML 27230 ML 27227 ML 27229 ML 29930 MA 389	Frances Creek, NT	Territory Resources Ltd Frances Creek Pty Ltd	Gold Rights Gold Rights Gold Rights Gold Rights 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%	60% 60% 60% 60% 60% 60% 60% 60% 60% 60% 60% 60% 60%	Ark Mines Ltd (AHK) has acquired 40% of the gold rights. AHK has the right to acquire up to 70% of the gold rights. Applications Lodged for ML 27226 & ML 27230 AHK has acquired 40% of the gold rights. AHK has the 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%	AHK has acquired 40% of all mineral rights on the tenements. AHK has the right to acquire up to 70% of all mineral rights on the tenements. AHK has an immediate right to mine ML 23839 subject to regulatory approvals.