# ARAFURA RESOURCES LTD

## QUARTERLY REPORT

FOR THE PERIOD ENDED 30 September 2009

## Highlights

- Overwhelming shareholder support for up to 25% strategic investment in Arafura Resources by East China Mineral Exploration & Development Bureau (ECE).
- Settlement of Share Subscription agreement and appointment of two ECE nominated Directors.
- Chemical pilot plant delivers 86% rare earth recovery, an increase of 6% from bench scale results.
- Phosphoric acid pilot plant completed with design results upgraded to 85% recovery at technical grade quality.
- Output volumes have subsequently increased to 21,200 tpa REO and 168,000 tpa (61%) $H_3PO_4$.
- Calcium chloride pilot plant in operation at Bateman facilities in Israel.
- Engineering design for chemical plant definitive feasibility study (DFS) to be completed before the end 2009.
- Financial assessment of the DFS is scheduled for mid 2010.
- Chemical supply study to reduce operating costs and minimise the potential liability of an emissions trading scheme.
- China announces tightening of rare earths policy.

# CORPORATE

***ECE Strategic Partnership***

At an Extraordinary General Meeting held on 17 September 2009, Arafura Resources Limited ("Arafura" or 'the Company") shareholders voted in favour of East China Mineral Exploration & Development Bureau's strategic investment of up to a 25% interest in Arafura.

On 25 September 2009, Arafura received A$14.4m from ECE as payment of the second tranche of funds due and Arafura issued ECE associated shares at A$0.40 per share in accordance with the terms of the transaction.

Under the terms of the Arafura-ECE equity investment agreement, ECE was entitled to nominate one Executive and one Non-executive Director to sit on Arafura's Board. Accordingly, Ms Shasha Lu and Dr Alex Losada-Calderon were appointed as Executive and Non-Executive Directors, respectively. Ms. Lu is based in Nanjing and responsible for overseeing business development opportunities and synergies for Arafura within China, the world's leading experts in rare earth technologies.

First Arafura Resources Board meeting held in the Company's Nanjing office. Pictured (L-R): Ian Kowalick, Terry Jackson, Gavin Lockyer, Ian Laurance, Shasha Lu, Alex Losada-Calderon, Mick Muir

Arafura Nanjing staff, Executive Director Ms. Shasha Lu (R) and Ms Bei Jiang


***Executive Management***

During the quarter, the Board accepted Mr Alistair Stephens' notice of resignation as Managing Director and CEO. After more than five years leading the Company, Mr Stephens announced his decision to return to his home state of Queensland. The Board has initiated an executive search for Mr Stephens' replacement.

***Annual Accounts and AGM***

The Company's annual financial and operating reports for the year ended 30 June 2009 have now been released. Notice to shareholders for the AGM to be held on the 24 November 2009 has been distributed.

***Notice of meeting resolution for Capital Raising***

Late in 2008, Arafura sought to raise funds to maintain the feasibility study timetable of its Nolans Project. Due to funding delays, expenditure was focused on core engineering projects which have subsequently proven to deliver reduced technical risk and expected cost efficiencies. Minimal exploration was undertaken and corporate activities were curtailed.

The notice of meeting contains a resolution seeking shareholder approval for up to a 15% capital raising.

For the remainder of 2009 and calendar year 2010 - and complimenting the BFS work surrounding the Nolans mine site, transport and chemical processing facility - Arafura intends to:

- Commence an extensive drill out program at the Nolans deposit with the aim of increasing both resource size and confidence. Large resources and improved categorisation into a measured status significantly reduces resource risk, which inherently makes project financing easier;
- Expand the Nolans chemical facility feasibility studies to include chemical feed piloting and chlorine recycling with the aim to reduce operating and capital costs; and
- Execute exploration programs on existing tenements with the aim of maintaining the Company's long term development and growth.


# NOLANS – PROJECT DEVELOPMENT

***Definitive Feasibility Study (DFS)***

The current works program continues to focus on the chemical plant feasibility study. This study is progressing on schedule with the basic engineering expected to be completed by the end of 2009.

Results from the pilot plant have now shown that for the same capacity plant with comparable capital costs to those identified in the PFS the output of rare earths has increased by 6%, to 21,200 tpa and the output of phosphoric acid has increased by 5%, to 168,000 tpa (as 61% $H_3PO_4$).

Attention in the December quarter of 2009 will focus on detailed assessment to identify the optimum location for the chemical processing facility. This will encompass the implications for capital and operating costs, waste disposal, regulatory environment and socio-economic considerations and will include Australia and those Asian countries that are signatories to the Australian Federal Government's nuclear non-proliferation policy.

Arafura remains committed to a detailed review by Chinese technical specialists in rare earths processing to validate all pilot plant studies. This review will help define the optimal processing functions, by comparing proposed processes against the most advanced and efficient Chinese technology, and is aimed at minimising capital and operating costs and maximising rare earths recovery rates.

While mine site engineering and environmental studies have commenced, with preferred tenders identified and detailed environmental studies underway, work is currently behind schedule and is now expected to be completed during 2010.

Consultation continued with traditional indigenous owners and the Central Land Council on the terms of the proposed mining agreement.

The delay to some elements of the DFS, primarily due to the difficulty in acquiring funds to maintain the pace of all programs, has resulted in Arafura revising the Nolans development timetable.

**2009/10** Complete chemical plant design; optimum plant location study and site selection.

Progress mine site engineering and environmental studies; assess hydrochloric recovery program and Emission Trading Scheme impact.

**2010/11** Commence environmental studies for processing plant site, complete Bankable Feasibility Study, and project financing.

**2011/12** Secure regulatory approvals, commence procurement and construction.

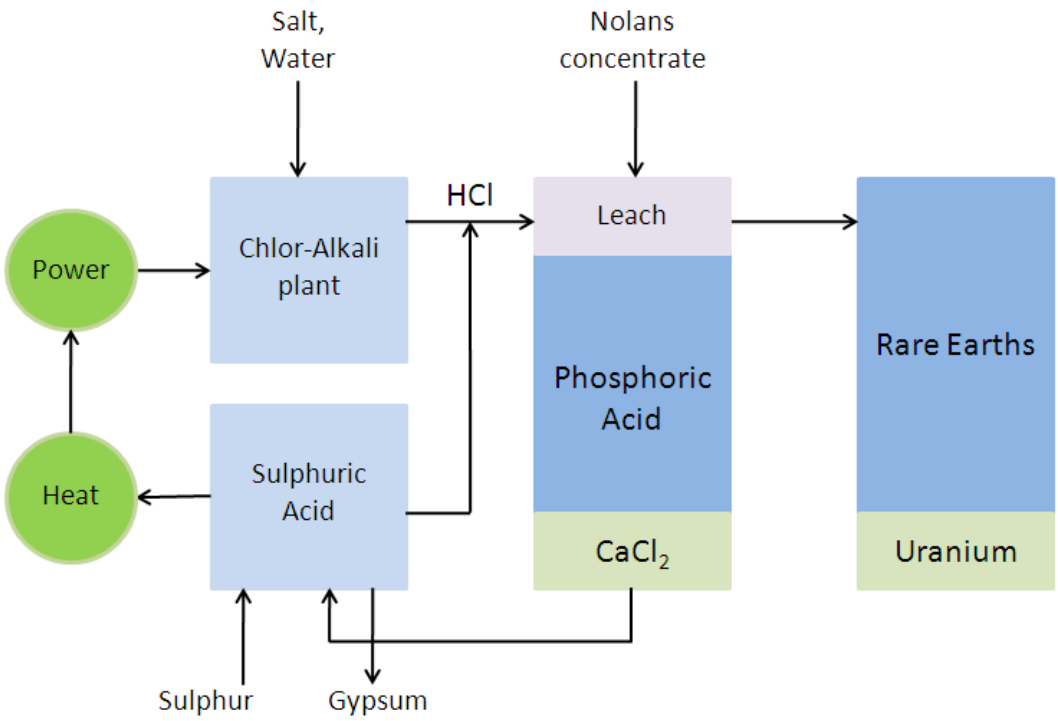
***Project development***

Final work on technical grade phosphoric acid has been completed. Calcium chloride production is almost complete at the Bateman laboratories in Israel. All results confirm expectations with data feeding into the plant feasibility mass balances accordingly. Phosphoric acid recovery and quality have both been improved.

Following the calcium chloride test work and the possibility of an Emissions Trading Scheme (ETS) in Australia, Arafura commenced further test work to define optimum plant feed (chemical supply) conditions. Arafura has commenced a scoping study and test work to consider treating calcium chloride with sulphuric acid to produce a gypsum waste and recirculated hydrochloric acid. Appropriate operating and capital costs are expected by the end of 2009.

If successful, this work will quantify a significant reduction in the size of a chlor-alkali plant for hydrochloric acid supply and justify the construction of a sulphuric acid plant. The heat generated by a sulphuric acid plant can be used to generate electrical power and process steam for operating plants. This reduces the total plant's power draw and significantly reduces the operation's carbon footprint. The simplified flow sheet for this design is shown below.

$$CaCl_2 + H_2SO_4 \leftrightarrow CaSO_4 + 2HCl$$




# MARKETING

***Industry activity***

Below is a collection of events from the rare earths and related industries for September:

- The local government of Inner Mongolia has recently announced that it has restricted output of rare earth concentrates in 2009, with the total mining output for light rare earth capped at 46,000 tonnes (REO). The measure is part of the move towards regulating China's rare earths industry and supporting the market. The fact that China is focused on the responsible mining, investment and consolidation of the rare earths industry, is already obvious from the draft development plan for the rare earths sector put to the government last month by the Ministry of Industry and Information Technology. It was further evident from reports this week that China's sovereign wealth fund, the China Investment Corporation (CIC) is planning to invest in rare earth mining in Baotou. It is said to be teaming up with Baotou Steel Group in a joint venture of which CIC is poised to take 80%, in proportion to its investment. (Metal Pages September 24 2009).

- Hybrid vehicles are becoming more widespread in Japan and it is predicted that hybrid cars will account for most of the next generation of taxis in Japan. Taxi companies are likely to convert their entire fleets to hybrids. According to the Ministry of Land, Infrastructure, Transport and Tourism, there were roughly 59,000 taxis in Tokyo, representing roughly 22% of 270,000 taxis in Japan as of March 31, 2008. According to a recent study compiled by the Ministry of Economy, Trade and Industry, Japan's gasoline demand is forecast to drop to 48.86 million kiloliters (841,972 b/d) in 2013, down 15.2% from 57.65 million kl in 2008. The forecast is based on hybrid cars sales of around 350,000 units in 2013, seven times higher that the 50,000 vehicles sold in 2008. A local analyst forecasts Japan's gasoline demand could drop to 38.76 million kl or lower in 2020 due mainly to the anticipated use of hybrid cars in Japan. (Platts September 17 2009).

- According to an anonymous Chinese government official about 20,000 tonnes of rare earth was smuggled from China in 2008. Customs statistics showed that last year the country exported 39,500 tonnes of rare earth oxide. That means smuggling accounted for one-third of the total volume of rare earth leaving China, the newspaper said. The Ministry of Industry and Information Technology has been mulling plans to curb the smuggling of rare earth, according to an unnamed expert participated in the drafting of the "Rare-earth Industry Development Plan 2009-2015". He said the authorities would introduce regulations and policies to punish rare-earth smuggling. (China Mining September 15 2009).

- The European Wind Energy Association has stated in a report published in late September 2009 that the European power transmission system operators need to invest up to Eur30 billion (US$44 billion) in offshore grids and interconnectors by 2020 to bring 40 GW of offshore wind online. The report, Oceans of Opportunity, shows that more than 100 GW of offshore wind projects are being planned in European waters. EWEA's target of 40 GW installed offshore wind by 2020 would avoid 85 million mt of CO2 emissions and produce 148 TWh/year, the report said. Ultimately the EU intends to complete the EU's internal power and gas markets to create seamless EU power and gas grids. (Platts Renewable Energy Report September 2009). This has massive implications for the demand of rare earths such as permanent magnets required in each wind turbine.

- Hyundai Motor Group, the world's No.5 automaker is to invest $3.3 billion in green projects to meet the government's stricter fuel efficiency and emission requirements, joining a recent series of eco-friendly investments by South Korean firms. Hyundai, which includes the country's two largest car makers -- Hyundai Motor Co and Kia Motors Corp -- plans to spend 4.1 trillion won ($3.28 billion) to develop environmentally friendly cars and reduce carbon dioxide emissions by 2013, the company said in a July 2009 statement. HSBC estimates that, of Asian government's stimulus packages in response to the recent credit crunch, spending on green-related investments will account for 20 percent, or $272 billion, more than double the amount earmarked for green projects in the Americas and five times bigger than Europe's. (Reuters July 23 2009)

***Arafura Marketing Activities***

The completion of the ECE transaction with Arafura coincided with an upturn in the rare earths market and improvement in general market conditions.

Two Arafura representatives attended the Metal Pages Minor Metals and Rare Earths conference in Beijing. The conference was attended by many Chinese producers and emerging international producers in addition to Chinese government officials.

During presentations Chinese government officials stated the justification of the increased rare earths export restrictions. Furthermore, there was an explanation of the recent publication of China's Central Ministry of Industry and Information Technology's draft report titled 'Rare Earths Industry Development Plan 2009-2015', which has been submitted to the State Council for review and implementation in 2010. This report outlines the roadmap for Chinese consumption and export policies for rare earths products. While not fully quantifying volumes for specific elements, the document stated that the annual export for rare earths will be restricted to less than 35,000 tpa.

The plan also states that the heavy rare earths – dysprosium, terbium, thulium, lutetium and yttrium – will be banned from export within the next six years. Any further restrictions on export are expected to have a significant impact on rare earths consuming industries, including the manufacture of superconductors, high-flux magnets, electronic polishers, refining catalysts and hybrid car components.

Interest from potential customers and partners in Arafura was encouraging as these parties slowly realize the strategic importance of the Nolans Project.

***Rare earth prices***

Market indicators are signaling that the REO market has bottomed and sales are slowly improving. Fundamentals in the industry appear to remain strong with the magnetic powder market showing particular promise.

Prices for key rare earth minerals are back to 2008 levels with those minerals used in phosphors and magnets holding up most strongly. Prices for neodymium oxide (99%, bulk, FOB, kg), which is widely used for neodymium glass bulbs, crystal and glass colouring, remain unchanged at $14.50. Prices for praseodymium oxide (99% bulk, FOB, kg), a chemical used as a colourant to produce yellows, stands at $14.50.

Pricing for other light rare earths have weakened most notably. Prices for cerium oxide (99%, bulk purchases, FOB China, kg), which can be used alone or together with other substances as a polishing agent for glass, are down. Prices for lanthanum oxide (99%, bulk, FOB, kg), which is used to make optical glasses, is priced slightly lower.

Papers presented at the recent Metal Pages Minor Metals and Rare Earths conference in Beijing stated that Japanese 2009 REO imports from China are only a fraction of the 2008 volumes. This is not sustainable and we are likely to see an increase in demand as Japanese importers seek to replenish their stockpiles.
The growth of demand in hybrid cars and other industrial and high-tech applications is expected to power demand longer term.

**Source:** Metal Pages October 2009

| REO | 2008 | | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | July | August | September | Q3 | Dec | July | August | September | Q3 |
| Lanthanum Oxide | $9.25 | $8.95 | $8.75 | **$8.98** | $7.75 | $5.65 | $5.65 | $5.15 | **$5.48** |
| Cerium Oxide | $4.75 | $4.75 | $4.75 | **$4.75** | $4.25 | $3.55 | $3.55 | $3.75 | **$3.62** |
| Praseodymium Oxide | $30.50 | $27.25 | $22.00 | **$26.58** | $14.60 | $14.25 | $14.25 | $14.25 | **$14.25** |
| Neodymium Oxide | $30.75 | $27.25 | $22.75 | **$26.92** | $14.60 | $14.00 | $14.25 | $14.25 | **$14.17** |
| Samarium Oxide | $4.50 | $4.50 | $4.50 | **$4.50** | $4.50 | $4.50 | $4.50 | $4.50 | **$4.50** |
| Europium Oxide | $480.00 | $480.00 | $480.00 | **$480.00** | $480.00 | $480.00 | $485.00 | $485.00 | **$483.33** |
| Gadolinium Oxide | $10.25 | $10.25 | $10.00 | **$10.17** | $7.75 | $6.75 | $6.55 | $6.15 | **$6.48** |
| Dysprosium Oxide | $117.00 | $113.00 | $113.00 | **$114.33** | $105.00 | $107.00 | $110.00 | $108.00 | **$108.33** |
| Terbium Oxide | $730.00 | $730.00 | $650.00 | **$703.33** | $440.00 | $350.00 | $350.00 | $350.00 | **$350.00** |
| Yttrium Oxide | $16.00 | $15.85 | $15.75 | **$15.87** | $15.25 | $15.25 | $14.00 | $11.00 | **$13.42** |
| | | | | | | | | | |
| Lanthanum Metal | $13.25 | $13.25 | $13.25 | **$13.25** | $11.50 | $9.65 | $9.65 | $9.65 | **$9.65** |
| Neodymium Metal | $40.50 | $32.50 | $28.75 | **$33.92** | $19.25 | $19.00 | $19.90 | $20.00 | **$19.63** |
| Mischmetal (Low Zn/Mg) | $15.00 | $15.75 | $14.50 | **$15.08** | $13.75 | $11.25 | $11.25 | $11.25 | **$11.25** |
| | | | | | | | | | |
| RE Carbonate | $4.80 | $4.55 | $4.50 | **$4.62** | $4.00 | $3.55 | $3.55 | $3.55 | **$3.55** |

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

***Phosphoric acid***

According to a recent Credit Suisse industry report, the phosphoric acid supply/demand balance is the key driver for the strength of phosphate fertiliser markets. Demand is expected to outpace supply growth through 2011 and subsequently gradually tighten markets as a result. While demand growth is expected to exceed supply growth in 2010, existing and new production should meet incremental demand through much of 2010, limiting the potential for price recovery next year. The balance of power is predicted to shift to the producers in the course of 2010 and into 2011.

***Uranium Industry Update***

The nuclear debate in Australia has been stepped up by a declaration from the Chairman of ANSTO, Mr Ziggy Switkowski, that there is no impediment to the country using 50 reactors for power by mid-century. Mr Switkowski said it would "solve our greenhouse gas challenge in the electricity sector completely." The first reactor should be planned to come online in 2020, with ten operational in 2030 to meet 25% of electricity needs. By 2050, the 50 large reactors would be meeting 90% of demand, producing hydrogen for a variety of uses and charging electric vehicles overnight. Mr Switkowski

concluded his speech with a call for government to be clear on energy strategy and goals, achieve bipartisan support for nuclear and begin preparing an appropriate regulatory structure for a nuclear sector to grow. (World Nuclear News Sept 15 2009

## EXPLORATION

In September 2009, an initial on-ground exploration program commenced in the Reynolds Range region (EL 23571 and SEL 23671). The primary target for this program is apatite-hosted rare earths mineralization, similar to the Nolans deposit.

Zones of high potential for mineralization have been generated from airborne hyperspectral and geophysical data sets acquired by Arafura during 2008. The assessment of target areas within EL 23571 is expected to be completed during the December quarter, with initial geochemical results anticipated by the end of 2009.

## FUTURE ACTIVITIES

Arafura considers the following are priority activities for the next quarter:

- Progress the Jervois joint venture negotiations with ECE.
- Progress the optimum chemical plant location study for the Nolans Project.


# ARAFURA RESOURCES LTD

ABN 22 080 933 455

## CORPORATE OFFICE

Level 5, 16 St Georges Terrace, Perth WA 6000

T: + 61 8 6210 7666 F: + 61 8 9221 7966
E: arafura@arafuraresources.com.au

## DARWIN OFFICE

18 Menmuir Street, Winnellie, Darwin, NT, 0820

T: + 61 8 8947 5588

## NANJING REP. OFFICE

1004 Hua Xin Building, 10218 Shimenkan, Guang Hua Road, Baixia district Nanjing PRC 210007
T: + 86 25 84688210

## BOARD

| | |
|---|---|
| Ian Laurance | Chairman |
| Irvin (Mick) Muir | Director |
| Ian Kowalick | Director |
| Terry Jackson | Director |
| Steve Ward | Director |
| Shasha Lu | Director |
| Alex Losada-Calderon | Director |
| Gavin Lockyer | Company Secretary |

## MANAGEMENT

| | |
|---|---|
| Alistair Stephen | Chief Executive Officer |
| Gavin Lockyer | Chief Financial Officer |
| Steven Mackowski | GM – Project Development |
| Richard Brescianini | GM – Strategy & Exploration |
| Brian Fowler | GM – Sustainability |
| Shasha Lu | EM – Chinese Operations |

## SHARES & OPTIONS

Shares 259.2 million ordinary shares

## ASX CODE

ASX: ARU

## STRATEGY

Arafura has an exploration and development program to grow its position in rare earth projects that are consistent with additional growth beyond the Nolans Project. The Company will focus on the identification and development of rare earth projects and specialise in rare earths products and their markets.

## GROWTH – DEVELOPMENT

Arafura's primary focus is the development of its Nolans rare earths-phosphate-uranium project. The deposit has a resource to sustain a mine life of over 30 years and Arafura has developed a processing flowsheet that optimises the extraction of rare earths, phosphoric acid and uranium.

## GROWTH – EXPLORATION

Long term sustainable development and the creation of shareholder wealth can also be realised through exploration success. Arafura has exploration projects in rare earths, gold, base metals and iron-vanadium, and will assess other exploration opportunities that are consistent with additional growth beyond the Nolans Project.


**Appendix 5B**

**MINING EXPLORATION ENTITY QUARTERLY REPORT**

| **ARAFURA RESOURCES LTD** | |
|---|---|
| ACN or ARBN | Quarter ended ("current quarter") |
| 080 933 455 | 30 September 2009 |

***Consolidated statement of cash flows***

| | Current Qtr $A'000 | Year to Date (3 months) $A'000 |
|---|---|---|
| **Cash flows related to operating activities** | | |
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for: (a) exploration and evaluation | (3,949) | (3,949) |
| (b) development | (511) | (511) |
| (c) production | - | - |
| (d) administration | (1,959) | (1,959) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 57 | 57 |
| 1.5 Interest and other costs of finance paid | (2) | (2) |
| 1.6 Income taxes paid | - | - |
| **Net Operating Cash Flows** | (6,364) | (6,364) |
| **Cash flows related to investing activities** | | |
| 1.8 Payment for purchases of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | (81) | (81) |
| 1.9 Proceeds from sale of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.10 Loans to/from other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| **Net Investing Cash Flows** | (81) | (81) |
| 1.13 Total operating and investing cash flows (carried forward) | (6,445) | (6,445) |

| | | |
|---|---|---|
| 1.13 Total operating and investing cash flows (brought forward) | (6,445) | (6,445) |
| **Cash flows related to financing activities** | | |
| 1.14 Proceeds from the issue of shares, options, etc. | 14,440 | 14,440 |
| 1.15 Proceeds from the sale of forfeited shares | - | - |
| 1.16 Proceeds from borrowings | - | - |
| 1.17 Repayment of borrowings | - | - |
| 1.18 Dividends paid | - | - |
| 1.19 Other – Capital Raising Expenses | (2) | (2) |
| **Net financing cash flows** | 14,438 | 14,438 |
| **Net increase (decrease) in cash held** | 7,993 | 7,993 |
| 1.20 Cash at beginning of quarter/year to date | 11,114 | 11,114 |
| 1.21 Exchange rate adjustments | - | - |
| 1.22 **Cash at end of quarter** | 19,107 | 19,107 |

**Payments to directors of the entity and associates of the directors**
**Payments to related entities of the entity and associates of the related entities**

| | Current Qtr $A'000 |
|---|---|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 | (186) |
| 1.24 Aggregate amount of loans to the parties included in item 1.10 | Nil |

1.25 Explanation necessary for an understanding of the transactions

Directors fees, salaries & superannuation

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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 | 20,000 | Nil |

**Estimated cash outflows for next quarter**

| | $A'000 |
|---|---|
| 4.1 Exploration and evaluation | 5,285 |
| 4.2 Development | 435 |
| **Total** | 5,720 |

**Reconciliation of cash**

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to related items in the accounts as follows. | Current Quarter $A'000 | Previous Quarter $A'000 |
|---|---|---|
| 5.1 Cash on hand and at bank | 157 | 203 |
| 5.2 Deposits at call | 18,950 | 10,911 |
| 5.3 Bank Overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| **Total: cash at end of quarter** (Item 1.22) | 19,107 | 11,114 |

**Changes in interests in mining tenements**

| | Tenement Reference | Nature of interest | Interest at Beginning of Quarter | Interest at End of Quarter |
|---|---|---|---|---|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | - | - | - | - |
| 6.2 Interests in mining tenements acquired or increased | - | - | - | - |


**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

| | Number Issued | Number quoted | Issue price per security (cents) | Amount paid up per security (cents) |
|---|---|---|---|---|
| 7.1 **Preference securities** (description) | | | | |
| 7.2 Issued during Quarter | | | | |
| 7.3 **Ordinary securities** | 259,213,979 | 259,213,979 | | |
| 7.4 Issued during Quarter | 36,100,000 | 36,100,000 | $0.40 | $0.40 |
| 7.5 **Convertible debt securities** (description) | | | | |
| 7.6 Issued during quarter | | | | |
| 7.7 **Options**<br><br>ARUAB exp 30-6-10 (75c)<br>ARUAC exp 30-6-11 ($1.60)<br>ARUAI exp 31-12-13 (85c)<br>ARUAM exp 30-6-11 ($1.72)<br>ARUAO exp 31-12-12 ($1.19)<br>ARUAS exp 30-06-11 ($1.31)<br>ARUAZ exp 30-06-11 ($1.70) | <br><br>500,000<br>100,000<br>4,475,000<br>820,000<br>11,640,000<br>300,000<br>200,000 | <br><br>-<br>-<br>-<br>-<br>-<br>-<br>- | | |
| 7.8 Issued during Quarter | - | - | - | - |
| 7.9 Exercised during | - | - | - | - |
| 7.10 Expired during | - | - | - | - |
| 7.11 **Debentures** (totals only) | | | | |
| 7.12 **Unsecured notes** (totals only) | | | | |

**Statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2. This statement does give a true and fair view of the matters disclosed.

Sign here: _____ Date: 29/10/09

Gavin Lockyer
Company Secretary

**Notes**

1. The quarterly report is to provide a basis for informing the market how the activities of the entity have been financed for the past quarter and the effect on its cash position. Any entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The "Nature of Interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4. The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.

5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.