A R A F U R A
RESOURCES NL

ARAFURA RESOURCES NL

ABN 22 080 933 455
Unit 1, Level 2, 9 Bowman Street
South Perth WA 6151
Tel: (08) 9367 1433, Fax: (08) 9367 1944
arafura@arafuraresources.com.au
www.arafuraresources.com.au

QUARTERLY REPORT

September 2005

Highlights

Continued success from Nolans Bore drill program with downhole intercepts totaling up to 60 metres in individual holes containing 3-4% REO, 20% P_2O_5 and 0.5-0.7 lb/T U_3O_8.

- Commencement of metallurgical test-work for Nolans Bore at ANSTO.
- Lagoon Creek Joint Venture with Laramide completes aerial survey
- Sale of Coronet Hill to Segue Resources completed ($50,000 cash and 500,000 shares at an offer price of $0.50).
- Territory Iron pays $375,000 as a second prepayment option on Frances Creek Iron Project.
- Cash at Bank at 30 September 2005, $2.7 million.
- Expansion of uranium tenement holdings with the addition of Burt Plain and Sandover prospects.
- Completion of $1.8m placement

1. NOLANS BORE DEVELOPMENT

Results continue to demonstrate the extent and grade of mineralisation substantiate that Nolans Bore has the potential to be a major world resource of rare earths with by products of uranium and phosphate.

Assay results from the 2005 drill program will be finalized in October 2005 with 80% of results completed and published to date.

Best results include mineralized intersections of 61m at 3.42% REO and 0.55 lb/T U_3O_8 with smaller intervals grading 5.3% REO and 0.98 lb/T U_3O_8.

NOLANS BORE 2005 DRILLING - ASSAY INTERVALS (to 23/09/05)

Using a 1% Total REE Cut-Off

NBRC 039, 043, 051, 057, 063 and 066

HOLENO*	MGA E	MGA N	RL	INCL	AZIM	EOH	FROM	TO	INT	REO**	P_2O_5**	U_3O_8**
	M	m	m	°	°	M	m	m	m	%	%	lb/T***
NBRC039	318773.2	7502207.3	656.96	-60	145	198	35	36	1	2.75	11.46	0.437
							41	43	2	2.53	10.97	0.431
							44	45	1	1.70	6.62	0.177
							51	59	8	4.21	18.51	0.675
							63	69	6	1.31	4.63	0.174
							136	152	16	2.94	14.12	0.537
							160	180	20	3.28	15.85	0.585
							192	195	3	3.16	15.59	0.484
								TOTAL	**57**	**3.04**	**14.13**	**0.520**
NBRC043	318947.1	7502099.9	657.05	-60	145	108	10	12	2	1.25	4.26	0.090
							31	36	5	1.60	11.46	0.344
							46	86	40	3.48	21.95	0.612
							90	104	14	4.22	19.97	0.488
								TOTAL	**61**	**3.42**	**20.06**	**0.545**
NBRC051	318936.2	7502184.5	656.67	-60	145	192	3	7	4	2.83	10.95	0.277
							99	103	4	2.59	12.09	0.374
							114	118	4	1.48	9.58	0.257
							132	150	18	3.35	22.32	0.579
							156	180	24	2.43	14.79	0.414
								TOTAL	**54**	**2.71**	**16.43**	**0.445**
NBRC057	318415.6	7502097.6	658.92	-60	145	150	26	27	1	1.39	4.63	0.213
							29	35	6	1.42	6.33	0.175
							52	58	6	2.21	8.64	0.267
							67	87	20	3.72	16.17	0.425
								TOTAL	**38**	**2.84**	**12.36**	**0.347**

HOLENO*	MGA E	MGA N	RL	INCL	AZIM	EOH	FROM	TO	INT	REO**	P_2O_5**	U_3O_8**
	M	m	m	°	°	M	m	m	m	%	%	lb/T***
NBRC063	318733.5	7502194.9	657.0	-60	145	210	53	56	3	6.12	26.19	0.879
							93	96	3	5.15	22.56	0.568
							98	100	2	5.48	24.74	0.842
							109	110	1	1.70	7.13	0.159
							138	153	15	2.77	11.16	0.410
							188	189	1	2.30	11.29	0.374
							191	196	5	2.94	14.32	0.449
							198	201	3	3.20	16.10	0.509
								TOTAL	**33**	**3.47**	**15.20**	**0.499**
NBRC066	318914.2	7501660.7	657.9	-60	145	198	6	16	10	5.11	23.81	0.507
							18	27	9	4.77	25.71	0.566
							40	42	2	1.73	7.70	0.151
							155	160	5	2.07	8.98	0.34
							185	186	1	3.18	22.09	0.639
								TOTAL	**27**	**4.11**	**20.44**	**0.474**

*NBRD holes extended with core tails – sampling and assaying incomplete
**Analytical data subject to confirmation by duplicate sampling and inter-laboratory analyses.
*** 1lb/T U_3O_8 equals 0.0454% U_3O_8

Metallurgy test-work commenced during the quarter at ANSTO (Australian Nuclear Science and Technology Organisation) at Lucas Heights in NSW. ANSTO is the preeminent authority in rare earth and nuclear metallurgy in Australia.

Initial results from the test-work anticipated to be competed by January 2006. ANSTO has a rare earth pilot plant facility at Lucas Heights that can be used to continue test-work through the feasibility phase.

2. LARAMIDE – LAGOON CREEK JV

The planned geophysics survey over the Lagoon Creek tenement has been completed and is currently being evaluated. Unprocessed data has already identified what appear to be prospective targets for uranium mineralisation. Drilling of these targets will be completed over the coming 9 months (Northern Australia wet season dependent) with an underlying commitment of 2,000m by 30 June 2006 as part of the JV agreement.

Completion of the formal JV agreement progressed during the quarter with a second payment of $50,000 and the successful raising of CAN$13m by Laramide to facilitate the expenditure commitments underlined in the JV agreement.

3. DIVESTMENT AND INVESTMENTS

In October 2005 Arafura and Segue Resources Ltd. completed the transfer and sale of the Coronet Hill tenement. Segue Resources have completed the payment of $50,000 and the scrip for 500,000 shares. The offer price of these shares is $0.50 each. All documentation for the transfer of the tenements ownership has been completed.

A payment of $375,000 has been received from Territory Iron Ltd. for the extension of the mining rights to the Frances Creek iron resources. Territory Iron is in the process of making all necessary applications for a mining lease over the tenement area. In addition, significant progress has been made by the Territory government with the construction of the bulk handling facility at the Darwin Port. Territory Iron is planning to commence mining in 2006 with the first shipments of iron to be completed by the end of 2006.

Arafura has continued to review its tenement holdings. Applications have been made for tenements at Burt Plain which is located 60 km north-west of Alice Springs and Sandover which is located 110 km north of Alice Springs. These tenements target redox style of uranium mineralisation in Tertiary Basins that have accumulated from the erosion of uranium bearing basement host rocks.

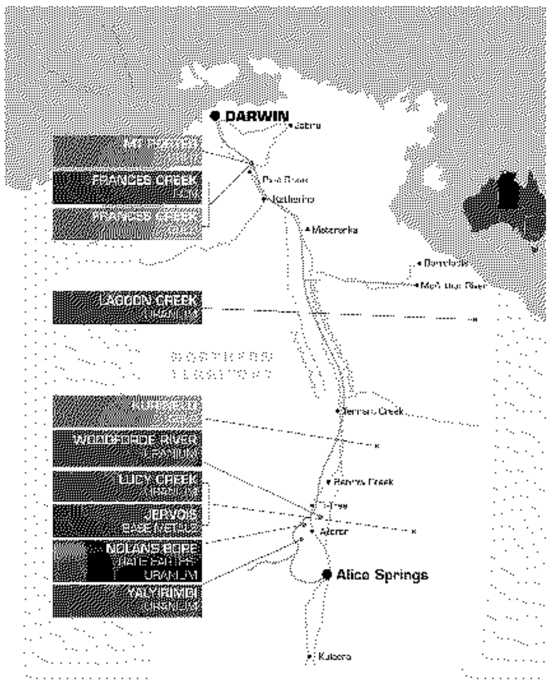
4. EXPLORATION

During the quarter, work continued on finalizing the 2005 drilling program at Nolans Bore.

Regional geological mapping and exploration reconnaissance progressed on the Aileron/Reynolds Range district.

Finalization of the follow up soil sampling program at Kurinelli was progressed and will be conducted over the coming 3 months.

A geophysical survey of Lucy Creek and Jervois were designed with the contract finalized for the survey to occur in the December quarter.



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5. CORPORATE

In September 2005, Arafura raised $1.8m through the placement of 5.8million shares at an issue price of $0.24 per share. This capital will be used for exploration of the company's uranium, rare earths, gold, and base metals projects.

In September, Mr George Bauk joined the company in a dual role as Business Development and Marketing Manager and Chief Financial Officer.

Mr Bauk brings to Arafura extensive experience in marketing and commercial functions from previous roles in companies like Tiwest, Outokumpu, WMC, Mitchells Transport and View Resources. Mr. Bauk will be instrumental in developing relationships and agreements with customers for rare earth, uranium and phosphate products from our Nolans Bore project.

6 PROMOTIONS

To assist in promoting the profile and quality of Arafura as an investment a number of conferences and promotional activities were undertaken during the quarter. These included;

- Presentation and Booth at Diggers and Dealers
- Presentation and Booth at Australian Uranium Conference
- Panel Member and Booth at Sydney Mining Club Conference
- Articles in Resource Stocks, advertising in the Australian Financial review in a special addition on Mining in the Northern Territory and advertising in Paydirt.

The information in this report that relates to drilling and geological interpretation is based on information compiled by Mr John Goulevitch of Exploremin Pty Ltd who is a Fellow of the Australian Institute of Geoscientists. Mr Goulevitch has sufficient experience relevant to this style of mineralization to qualify as a Competent Person as defined in the 1999 edition of Australian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) and consents to the inclusion in this report of the matters based on his information in the context in which it appears. Mr Goulevitch is Exploration Manager of Arafura Resources NL.

Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

ARAFURA RESOURCES NL

ACN or ARBN	Quarter ended ("current quarter")
080 933 455	30 September 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr $A'000	Year to Date (3 months) $A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(980)	(980)
(b) development		
(c) production		
(d) administration	(237)	(237)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	23	23
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	(109)	(109)
Cost reimbursement		
GST Refund/(Paid)		
Net Operating Cash Flows	(1,303)	(1,303)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments		
(c) other fixed assets	(7)	(7)
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	(7)	(7)
1.13 Total operating and investing cash flows (carried forward)	(1,310)	(1,310)

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1.13 Total operating and investing cash flows (brought forward)	(1,310)	(1,310)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	1,818	1,818
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		
Net financing cash flows	1,818	1,818
Net increase (decrease) in cash held	508	508
1.20 Cash at beginning of quarter/year to date	2,204	2,204
1.21 Exchange rate adjustments		
1.22 **Cash at end of quarter**	2,712	2,712

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	95
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 & Super (28) Salaries & Super (67)

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

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

Financing facilities available

Add notes as necessary for an understanding of the position

	Amount available $A'000	Amount used $A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	$A'000
4.1 Exploration and evaluation	200
4.2 Development	
Total	200

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	62	13
5.2 Deposits at call	2,650	2,191
5.3 Bank Overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (Item 1.22)	2,712	2,204

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		EL9701	158 blocks	79 blocks
6.2 Interests in mining tenements acquired or increased		EL24956 EL24955		

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**	58,132,507	41,973,335		
7.4 Issued during Quarter	7,575,000		24 cents	
7.5 **Convertible debt securities** (description)				
7.6 Issued during quarter				
7.7 **Options** (description)	25,840,000	11,940,000	Exercise Price 20 cents	Expiry Date 30/6/2008
7.8 Issued during Quarter				
7.9 Exercised during Quarter	10,000		20 cents	
7.10 Expired during Quarter				
7.11 **Debentures** (totals only)				
7.12 **Unsecured notes** (totals only)				

Statement

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

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

Sign here: .... Date: 25/10/2005

Ross Arancini
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.

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