ARAFURA RESOURCES LIMITED

ABN 22 080 933 455

Half-Yearly Report
For the Period Ended 31 December 2009

CORPORATE OFFICE

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PROJECT & EXPLORATION OFFICE

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Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Arafura Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

Directors

The following persons were directors of Arafura Resources Limited during the whole of the half-year and up to the date of this report:

I J Laurance
A J Stephens
I G Muir
I J Kowalick
T R Jackson
S Ward
S Lu
A Losada-Calderon

AJ Stephens resigned as a director on 17 September 2009.
S Lu was appointed as a director on 22 July 2009.
A Losada-Calderon was appointed as a director on 25 September 2009.

Review of operations

A summary of consolidated expenditures, revenues and results for the half-year by significant segments is set out below:

	Segment expenditures		Segment revenues		Capitalised		Segment results	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Project evaluation & development	(7,772,591)	(9,996,067)	-	623,316	(7,334,591)	(6,122,480)	(438,000)	(3,250,271)
Exploration	(472,487)	(1,160,213)	-	-	(472,487)	(1,160,213)	-	-
Other	(3,534,378)	(3,665,056)	205,663	232,617	-	-	(3,328,715)	(3,432,439)
Total(s)	**(11,779,456)**	**(14,821,336)**	**205,663**	**855,933**	**(7,807,078)**	**(7,282,693)**	**(3,766,715)**	**(6,682,710)**

Segment results are adjusted earnings/ (losses) before interest, tax, depreciation, share option expense gains/losses on disposals of assets and exchange rate gains/losses. For reconciliation to (loss) before income tax refer to note 2.

(a) Project evaluation and development.

Arafura's Nolans Project is underpinned by a world-class rare earths-phosphate-uranium deposit with current total resources of 30.3 million tonnes. The mineralisation is hosted over an area of about 150 hectares and is exposed at surface. The resource contains 848,000 tonnes of rare earths (REO), 3.9 million tonnes of phosphate (P_2O_5) and 13.3 million pounds of uranium (U_3O_8).

Rare earth carbonate production from the pilot plant is completed with commercial grades achieved. Arafura has now moved to the next planned phase of the development program with a focus on production of Rare Earth Oxides as part of the Bankable Feasibility Study. When this is complete, samples for market assessment by potential customers will become available.

Progress on the Bankable Feasibility Study (BFS) is scheduled for completion by the end of 2010. Production of 20,000 tonnes of REO per annum is expected to commence in 2013.

(b) Exploration

Arafura completed a reconnaissance geochemical exploration program over most of its Reynolds Range tenements, targeting phosphate-hosted rare earths mineralisation. Encouraging results at several sites necessitates additional on-ground follow-up in 2010.

The Company acquired five Exploration Licences in the Northern Territory during the reporting period as part of its strategy to consolidate a quality rare earths-focused exploration portfolio in central Australia.

BHP Billiton withdrew from the Hammer Hill Joint Venture. Mithril Resources retains the right to continue exploration to earn an initial 51% interest in the project.

(c) Other

In September, the company issued 36,100,000 fully paid ordinary shares at $0.40 per share by way of a placement, being the second tranche to Jiangsu Eastern China Non-Ferrous Metals Investment Holding Company Limited, taking their total holding to 24.86% of the issued capital in Arafura (ASX:ARU). Total money raised from this placement was $14.440m. The funds raised will be used to fund the ongoing work on the Bankable Feasibility Study for the Nolans Rare Earths Project.

Matters subsequent to the end of the half-year

(a) Share Placement

On 24 February 2010, Arafura placed 28,225,806 shares of the company at a price of $0.62 per share to accredited institutional investors and sophisticated investors for gross proceeds of $17.5 million, less total fees of 4.5%.

(b) Renounceable Rights Issue

On 23 February 2010, Arafura issued a prospectus with ASIC for a pro-rata renounceable rights issue to eligible shareholders, of 1 New Share for every 10 Shares held on record date (04 March 2010) at an issue price of $0.62 per New Share. Closing date for acceptances will be 23 March 2010 with allotment and issue of New Shares 3 days later.

Funds raised from the Share Placement and to be raised from the Renounceable Rights Issue will be used for:

- Resources Definition Drilling;
- Administration on Arafura's existing tenements;
- Environmental Impact Studies;
- Nolans Bankable Feasibility; and
- Corporate and working Capital.

(c) Jervois JV Letter of Intent

On 22 February Arafura announced the Jervois Letter of Intent (LOI) with the Jiangsu Eastern China Non-Ferrous Metals Investment Holding Co. Ltd (ECE) in which ECE would sole fund up to $8m on exploration of the Jervois tenements had lapsed. Consequently, Arafura and ECE have agreed to discontinue discussions on Jervois and Arafura will pursue other interested parties.

Audit independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Directors.

S Ward
Managing Director & Chief Executive Officer

Perth
16 March 2010

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PO Box 700 West Perth WA 6872
Australia

16 March 2010

Arafura Resources Limited
Level 5
16 St George's Terrace
PERTH, WA 6000

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF ARAFURA RESOURCES LIMITED

As lead auditor of Arafura Resources Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Arafura Resources Limited and the entities it controlled during the period.

Peter Toll
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

		Half-year	
		2009	2008
	Notes	$	$
Revenue from continuing operations	3	203,396	232,617
Other income	3	(217,182)	623,316
Employee benefits expense	4	(3,640,402)	(2,745,006)
Project feasibility and evaluation	4	(438,000)	(3,873,587)
Other expenses	4	(2,012,617)	(1,461,542)
Depreciation and amortisation	4	(133,298)	(117,218)
Finance costs	4	(2,673)	(12,074)
Impairment of assets	4	-	(776,732)
Loss before income tax		**(6,240,776)**	**(8,130,226)**
Income tax expense		-	-
Net(Loss) for the half-year		**(6,240,776)**	**(8,130,226)**
Other comprehensive income/(loss)			
Changes in the fair value on assets		1,096,732	(614,645)
Other comprehensive income/(loss) for the half-year		1,096,732	(614,645)
Total comprehensive (loss) for the half-year		**(5,144,044)**	**(8,744,871)**
Total comprehensive (loss) for the half-year attributable to owners of Arafura Resources Limited		(5,144,044)	(8,744,871)
		Cents	**Cents**
Earnings per share for (loss) attributable to owners of Arafura Resources Limited			
Basic loss per share		(2.4)	(5.0)
Diluted loss per share		(2.4)	(5.0)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	Consolidated 31 December 2009 $	Consolidated 30 June 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents		13,055,663	11,113,639
Trade and other receivables		88,162	64,664
Prepayments		28,473	-
Total current assets		**13,172,298**	**11,181,303**
Non-current assets			
Available-for-sale financial assets		1,955,044	858,312
Property, plant and equipment		568,575	705,381
Deferred exploration, evaluation and development costs	5	32,241,863	23,996,786
Total non-current assets		**34,765,482**	**25,560,479**
Total assets		**47,937,780**	**36,741,782**
LIABILITIES			
Current liabilities			
Borrowings		18,527	17,287
Trade and other payables		1,647,212	1,831,356
Total current liabilities		**1,665,739**	**1,848,643**
Non-current liabilities			
Borrowings		28,827	38,409
Total non-current liabilities		**28,827**	**38,409**
Total liabilities		**1,694,566**	**1,887,052**
Net assets		**46,243,214**	**34,854,730**
EQUITY			
Contributed equity	6	70,178,785	55,764,899
Reserves		8,502,370	5,286,996
Accumulated losses		(32,437,941)	(26,197,165)
Total equity		**46,243,214**	**34,854,730**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Consolidated Half-Year 2009	Notes	Share capital ordinary $	Equity reserve $	Revaluation reserve $	Accumulated losses $	Total $
Balance at 1 July 2009		**55,764,899**	**5,155,267**	**131,729**	**(26,197,165)**	**34,854,730**
Total comprehensive income for the half-year						
Loss for the half-year		-	-	-	(6,240,776)	(6,240,776)
Other comprehensive income for the half-year						
Fair value movement of available-for-sale financial assets		-	-	1,096,733	-	1,096,733
Total comprehensive income for the half-year		-	-	1,096,733	(6,240,776)	(5,144,043)
Transactions with owners in their capacity as owners:						
Contributions of equity net of transaction costs		14,413,886	-	-	-	14,413,886
Cost of share based options		-	2,118,641	-	-	2,118,641
		14,413,886	2,118,641	-	-	16,532,527
Balance at 31 December 2009		**70,178,785**	**7,273,908**	**1,228,462**	**(32,437,941)**	**46,243,214**
Balance at 1 July 2008		**37,033,668**	**2,116,911**	**(109,225)**	**(12,515,388)**	**26,525,965**
Total comprehensive income for the half-year						
Loss for the half-year		-	-	-	(7,406,356)	(7,406,356)
Impairment of asset transferred to income statement		-	-	-	(723,870)	(723,870)
Loss of the half-year		**-**	**-**	**-**	**(8,130,226)**	**(8,130,226)**
Other comprehensive income for the half-year						
Fair value movement of available-for-sale financial assets		-	-	(614,645)	-	(614,645)
Total comprehensive income for the half-year		-	-	(614,645)	(8,130,226)	(8,744,871)
Transactions with owners in their capacity as owners:						
Contributions of equity net of transaction costs		7,398,855	-	-	-	7,398,855
Cost of share based options		-	1,318,224	-	-	1,318,224
Transfer to income statement		-	-	723,870	-	723,870
		7,398,855	1,318,224	723,870	-	9,440,949
Balance at 31 December 2008		**44,432,523**	**3,435,135**	**-**	**(20,645,614)**	**27,222,043**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Half-year 2009 $	Half-year 2008 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,756,306)	(3,183,596)
Interest received		203,396	232,617
Payments for feasibility study		-	(4,407,806)
Government grant received		-	654,461
Other revenue		2,267	5,250
Net cash (outflow) from operating activities		**(3,550,643)**	**(6,699,074)**
Cash flows from investing activities			
Payment for property, plant and equipment		(184,698)	(312,961)
Payments for patents and trademarks		(45,143)	-
Payments for exploration and development		(8,649,235)	(8,699,644)
Net cash (outflow) from investing activities		**(8,879,076)**	**(9,012,605)**
Cash flows from financing activities			
Proceeds from issue of shares		14,413,886	7,464,369
Net cash inflow from financing activities		**14,413,886**	**7,464,369**
Net increase/(decrease) in cash and cash equivalents		**1,984,167**	**(8,247,310)**
Cash at the beginning of the financial year		11,113,639	14,829,511
Effects of exchange rates on cash and cash equivalents		(42,143)	-
Cash and cash equivalents at the end of the financial year		**13,055,663**	**6,582,201**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1: Basis of preparation of half-year report

(a) Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Arafura Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Except for as described below the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(1) Segment Reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a ‘Management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director & CEO.

(2) Presentation of financial statements

The Group applied revised AASB 101 *Presentation of Financial Statements*, which became effective as of 1 January 2009. As a result, The Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in this half year financial statement as of and for the six month period ended 31 December 2009. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(b) Going concern

At 31 December 2009 the Group had cash assets of $13,055,663 (30 June 2009: $11,113,639) and working capital of $11,449,259 (30 June 2009: $10,153,563).

Whilst the Group has sufficient cash and assets to meet its current ongoing exploration commitments and administrative expenditure through to the end of the current financial year, the directors recognise the need to raise additional funds to meet working capital requirements into the future. Upon the successful private placement on 24 February 2010, a rights issue with a closing date for acceptances on 23 March 2010 and the known potential to raise additional working capital to this, the directors consider it appropriate that the finance report be prepared on a going concern basis.

Note 2: Segment information

The group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

(a) Description of segments

For management purposes, the group is organised into business units based on the critical activities to the group and most significant areas of expenditure. The operating segments are as follows:

(i) Project development and evaluation segment
(ii) Exploration segment
(iii) Other

Management monitors the expenditure levels of the segments against critical performance evaluations for the purpose of making decisions about resources allocation and performance assessment. Performance assessment is measured consistently with predetermined and static key performance indicators.

From a current geographical perspective the three reportable business segments operate in Australia.

Transfer prices between operation segments are on an arm's length manner similar to transactions with third parties.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

(b) Segment information provided to the Managing Director & CEO

Management has determined, based on reports reviewed by the Managing Director & CEO that are used to make strategic decisions, that the Group assesses the performance of operating segments based on a measure of adjusted EBITDA. As such this measurement excludes the effects of certain expenditure from operating segments as shown in the reconciliation of adjusted EBITDA below.

The segment information provided to the Managing Director & CEO for the reportable segments for the half-year ended 31 December 2009 is as follows:

Note 2: Segment information (cont)

	Project evaluation and development	Exploration	Other	Total
half-year 2009				
segment revenue	-	-	205,663	205,663
segment expenditure	(7,772,591)	(472,487)	(3,534,378)	(11,779,455)
inter-segment expenditure	-	-	-	-
	(7,772,591)	(472,487)	(3,328,715)	(11,573,792)
Adjusted EBITDA	**(438,000)**	**-**	**(3,328,715)**	**(3,766,715)**
Capitalised	(7,334,591)	(472,487)	-	(7,807,077)
	(7,772,591)	(472,487)	(3,328,715)	(11,573,792)
half-year 2008				
segment revenue	623,316	-	232,617	855,933
segment expenditure	(9,996,067)	(1,160,213)	(3,665,056)	(14,821,336)
inter-segment expenditure	-	-	-	-
	(9,372,751)	(1,160,213)	(3,432,439)	(13,965,403)
Adjusted EBITDA	**(3,250,271)**	**-**	**(3,432,439)**	**(6,682,710)**
Capitalised	(6,122,480)	(1,160,213)	-	(7,282,693)
	(9,372,751)	(1,160,213)	(3,432,439)	(13,965,403)
Total segment assets				
31-Dec-09	20,276,735	11,965,130	15,695,915	47,937,780
31-Dec-08	11,206,915	10,617,425	7,675,893	29,500,233

Reconciliation of adjusted EBITDA to operating profit before income tax:

	Consolidated	
	2009	**2008**
Adjusted EBITDA	**(3,766,715)**	**(6,682,710)**
Finance Costs	(2,673)	(12,074)
Depreciation & amortisation	(133,298)	(117,218)
Share option expense	(2,118,641)	(1,318,224)
Loss on disposal of assets	(177,306)	-
Realised exchange rate loss	(22,577)	-
Unrealised exchange rate loss	(19,566)	-
Loss before income tax	**(6,240,776)**	**(8,130,226)**

Note 3: Revenue

	Half-year	
	2009 **$**	**2008** **$**
Revenue from continuing operations		
Other revenue		
Interest received	**203,396**	232,617
	203,396	232,617
Other Income		
Profit/(loss) on disposal of assets	**(177,306)**	-
Profit/(loss) on disposal of tenement	**-**	5,250
Government grant	**-**	616,816
Employee incentive	**-**	1,250
Exchange rate (loss) – realised	**(22,577)**	-
Exchange rate (loss) – unrealised	**(19,566)**	-
Other	**2,267**	-
	(217,182)	623,316

Note 4: Expenses

	Half-year	
	2009 $	**2008 $**
(a) Expenses		
Depreciation		
Depreciation – plant & equipment	**100,155**	61,803
Depreciation – motor vehicles	**25,658**	43,114
Depreciation – leasehold improvements	**7,485**	12,301
Total depreciation	**133,298**	117,218
Finance costs		
Interest expense	**2,673**	12,074
Total finance costs	**2,673**	12,074
Other expenses		
Accounting and other professional fees	**53,623**	71,145
Business development costs	**155,243**	116,044
Audit fees	**42,883**	21,170
Consultants fees	**340,740**	158,971
Employee benefits expense	**1,521,761**	1,426,781
Insurance	**25,242**	22,619
Legal fees	**115,471**	137,314
Promotion expenses	**94,972**	142,979
Share-based benefits expensed	**2,118,641**	1,318,224
Share registry and stock listing fees	**73,634**	52,353
Other expenses	**1,110,809**	738,948
Total other expenses	**5,653,019**	4,206,548
Development expenses		
Feasibility studies	**-**	857,671
Pilot plant	**438,000**	3,015,916
Total development expenses	**438,000**	3,873,587
Impairment of assets		
Exploration & evaluation	**-**	52,863
Available-for-sale financial assets	**-**	723,869
	-	776,732

Note 5: Deferred exploration, evaluation and development costs

	Half-year	
	2009 $	2008 $
Exploration, evaluation and development costs carried forward		
Balance at beginning of half-year	**23,996,786**	14,657,744
Capitalised exploration expenditure	**472,485**	1,160,213
Capitalised evaluation expenditure[(a)]	**7,772,592**	4,962,267
Capitalised development expenditure[(a)]	**-**	1,096,979
Impairment of exploration expenditure	**-**	(52,863)
Balance at end of half-year	**32,241,863**	21,824,340

(a) An assumption of the going concern of the Group has been made in relation to the future recoverability of evaluation and development expenditure. (Refer to note 1: *Basis of preparation of half-year report* (b) going concern).

Note 6: Contributed equity

Issues of ordinary shares during the half-year

	2009 Shares	2008 Shares	**2009 $**	2008 $
Balance at 01-Jul 2009 (2008)	**223,113,979**	157,194,500	**55,764,899**	37,033,668
Employee options exercised	**-**	-	**-**	-
Listed options exercised	**-**	5,000	**-**	650
Rights issue	**-**	26,933,989	**-**	7,541,517
Private placement	**36,100,000**	-	**14,440,000**	-
Capital raising costs	**-**	-	**(26,114)**	(143,312)
Balance at 31-Dec 2009 (2008)	**259,213,979**	184,133,489	**70,178,785**	44,432,523

Note 7: Contingent liabilities

Native title claims have been made with respect to areas which include tenements in which the consolidated entity has interests. The consolidated entity is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the consolidated entity or its projects.

Note 8: Dividends

There were no dividends provided for or paid during the half-year.

Note 9: Events occurring after the balance sheet date

(a) Share Placement

On 24 February 2010, Arafura placed 28,225,806 shares of the company at a price of $0.62 per share to accredited institutional investors and sophisticated investors for gross proceeds of $17.5 million, less total fees of 4.5%.

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DECLARATION BY DIRECTORS

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 19 are in accordance with the *Corporations Act 2001*, including

  (I) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) There are reasonable grounds to believe that Arafura Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration made in accordance with a resolution of the directors.

I J Laurance
Chairman

Perth
16 March 2010

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ARAFURA RESOURCES LIMITED

Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of Arafura Resources Limited for the period ended 31 December 2009 included on Arafura Resources Limited's web site. The disclosing entity's directors are responsible for the integrity of Arafura Resources Limited's web site. We have not been engaged to report on the integrity of Arafura Resources Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Arafura Resources Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Arafura Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Arafura Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Signed in Perth, Western Australia
Dated this 16th day of March 2010.