



nu power
RESOURCES LTD

ACN 120 787 859

9 May 2007

The Director of Titles
NT Department of Primary Industry, Fisheries and Mines
GPO Box 3000
DARWIN 0801

Attn: Mr Jerry Whitfield

Dear Jerry

Dept. of Primary Industry
Fisheries and Mines

17 MAY 2007

Received: Titles Division
Minerals & Energy Group

**RE: Exploration Licence 24741 – Woodforde
First Annual Report**

We advise that no on-ground exploration was conducted on the licence area during the past year.

Despite this a total of about \$3,547 was spent on EL 24741 during the past year. These incurred expenses can be attributed to an Independent Geologist's Report and helicopter reconnaissance associated with the Arafura-NuPower uranium demerger, administration costs, the cost of data acquisition and office based studies.

This licence area forms an integral part of our holdings in the Aileron Basins project area which are considered prospective for uranium. EL 24741 was part of Arafura's uranium demerger package and it was not appropriate to continue with exploration while the demerger was in progress. Application was made to transfer the title of EL 24741 to NuPower Resources in March 2007.

We understand that our direct costs on EL 24741 did not meet the proposed minimum expenditure covenants for this title (\$29,000) in the first year. However, the commitment to exploration by both companies involved in the demerger process can be judged by the administration costs for that process totalling more than \$1 million. Where, if that was to be apportioned across the affected tenements, the attributed cost to EL 24741 would exceed the 2006 covenant, considerably. During the demerger process Arafura continued to maintain a high level of exploration expenditure on other properties throughout the Northern Territory expending more than \$2.0 million.

HEAD OFFICE

Level 4, 16 St Georges Terrace, Perth, WA 6000.
PO Box 3328 Adelaide Terrace, Perth, WA 6832.
Ph: 61 (08) 9221 7540, Fax: 61 (08) 9221 7966
Email: info@nupowerresources.com.au

DARWIN OFFICE

Level 2, 43 Mitchell St, Darwin, NT 0800.
GPO Box 1657, Darwin, NT 0800
Ph: 61 (08) 8941 1405, Fax: 61 (08) 8942 2788
Email: warrick.rafferty@nupowerresources.com.au

The expenditure statement for the first year of the term of the licence is given below.

EL 24741, Expenditure Statement, Year 1	Expenditure
Consultants	\$1,215
Helicopter	\$800
Data acquisition and office based studies	\$1,000
Sub-Total	\$3,015
ADMINISTRATION COSTS (15%)	\$532
TOTAL	\$3,547

As the Expenditure Covenant of \$29,000 was not met we hereby request that the Expenditure Covenant for Year One (1) be reduced to \$3,547. Our payment of \$50 being the applicable fee is included.

Now that the demerger has been completed NuPower is planning an extensive airborne geophysical survey over the more prospective parts of our tenements in the Aileron region, and reconnaissance geological mapping and sampling

Our proposed exploration expenditure for Year two (2) of EL 24741 is as follows.

EL 24741, Proposed Programme, Year	Expenditure
Geological services, including consultants, reconnaissance exploration	\$30,000
Airborne geophysical surveying	\$70,000
TOTAL	\$100,000

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We therefore propose the Expenditure Covenant for the second year be set at \$100,000.

Yours Faithfully

NUPOWER RESOURCES LTD

Warrick Rafferty
EXPLORATION MANAGER

Encl. Variation of Covenant Fee \$50

Cc: Arafura Resources NL, Darwin.
Arafura Resources NL, Perth.
NuPower Resources L, Darwin.
NuPower Resources L, Perth.

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