



ARAFURA RESOURCES NL

ACN 080 933 455

13 September 2004

The Director of Titles
NT Department of Business Industry & Resource Development
GPO Box 3000
DARWIN 0801

Dept. Business, Industry
& Resource Development

13 SEP 2004

Attn: Ms Simone Moore

Received: Titles Division
Minerals & Energy Group

Dear Simone

**Re: Annual Report, Year Ended 18 August, 2004
Exploration Licence 10004 – Coronet Hill**

No on-ground exploration was conducted on EL 10004 during the past year. The lack of field activities was a result of delays in Arafura's attempt to finalise an Initial Public Offering of shares (IPO) to raise exploration funds.

We are very pleased to report that the Company successfully overcame that obstacle in early November, 2003, and is now listed on the ASX. The IPO was fully subscribed to the extent of \$3.5 million and this is currently being applied to exploration of the Company's tenements which are all in the Northern Territory.

In 2004, the Company commenced a comprehensive literature review of previous exploration activity over EL 10004 but this was incomplete at the anniversary date. Nevertheless, what work had been completed did allow us to select sufficient blocks to relinquish in accordance with the statutory requirement at the end of the second year of the licence.

We estimate that some \$5,000 of the administrative costs incurred by the Company on its IPO process in the latter part of 2003 can be allocated to EL 10004. This and the funds applied to date to the literature search are not sufficient to meet the Expenditure Covenant of \$10,000 for Year 2 of the title. As a consequence, in accordance with Section 45 of the Mining Act, we hereby apply to the Minister for a variation of the covenant to the amount that was actually spent on the title during the term. Please find attached our cheque for \$50.00 being in respect of the fees applicable to this request.

CR20040436

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We propose that following exploration program and expenditure covenant apply for the third year of the licence, which has been reduced by 50% at the anniversary date:

ACTIVITY	\$
Complete the literature review and incorporate data into digital format for planning purposes	3,000
Geological reconnaissance	3,500
Stream sediment sampling	3,000
Analytical services	1,000
Reporting	1,000
Native title meeting/processes	2,500
Administration	2,000
TOTAL	15,000

We propose that the expenditure covenant for Year 3 be set at \$15,000

Yours Faithfully

ARAFURA RESOURCES NL



John Goulevitch

EXPLORATION MANAGER

Cc: Arafura Resources NL, Perth