24 February 2005

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

Attn: Mr Jerry Whitfield

Dear Jerry

Re: Final Report – 26/11/02-25/11-04
Annual Report Year Ended 251/11/04
Exploration Licence 9823 – Mt Masson

No exploration was conducted on the licence area in its second year of grant as the Company’s resources were directed to its other prospects in the Northern Territory. As previously advised, no work was completed during the first year of grant while the Company progressed towards listing on the Australian Stock Exchange and attended to its initial public offering of shares to raise exploration funds. We also advise that as there has been no on-ground exploration activity during the term of the licence, no rehabilitation was necessary.

Since November, 2003, when it was listed on the ASX, Arafura has invested approximately $1.5 million in exploration in the NT and associated management costs. Most of this was directed towards further drill definition of the Nolan’s Bore REE/P, and towards progressing our Mt Porter gold deposit through the arduous and very time consuming Native Title process to granted mining tenement status. Additional expenditure was incurred on RC drilling programs at our Frances Creek gold reefs, as well as on systematic grass roots geochemical exploration programs over our titles around Frances Creek and at Kurinelli, southeast of Tennant Creek.

As there was no expenditure during the year, the expenditure covenant for Year 2 ($6,500) was not met. We hereby request the approval of the Minister to vary the expenditure covenant accordingly. Our cheque for $50, being the prescribed fee, is attached.

Yours Faithfully,

ARAFURA RESOURCES NL

John Goulevitch
EXPLORATION MANAGER

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Dept. Business, Industry & Resource Development

24 FEB 2005

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