



ARAFURA RESOURCES NL

ACN 080 933 455

1 February 2004

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

Attn: Mr Jerry Whitfield

Dear Jerry

Dept. Business, Industry
& Resource Development

- 2 FEB 2004

Received: Titles Division
Minerals & Energy Group

**Re: Annual Report Year Ended 22 January, 2004
Exploration Licences 9709 – Elkedra**

We wish to advise that no on-ground exploration was conducted on EL9709 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 completed this task in early November and is now listed on the ASX. The IPO was fully subscribed to the extent of \$3.5 million and this will be applied to exploration of the Company's tenements which are all in the Northern Territory.

Administrative expenses of the Company in the past year totalled approximately \$412,000 which amount excludes tenement rent. All of this is attributable to efforts to raise exploration funds to service the Company's exploration titles.

We estimate that some \$10,000 of these costs can be allocated to EL9709. This does not satisfy the Expenditure Covenant for Year 2 of the title (\$65,000). 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 whatever amount 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.

We propose that the same exploration programs and expenditure covenants as proposed in the applications now apply for the third year of the licence, which has been reduced by 50%.

Yours Faithfully

ARAFURA RESOURCES NL

John Gouleitch
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EXPLORATION MANAGER

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