7 August 2003

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

Dear Sir

Exploration Licence 10137 - Frances Creek - Arafura Resources NL

On behalf of our client, Arafura Resources NL, the holder of this licence, we advise that no on-ground exploration was conducted on the licence area during the past year.

This is a result of delays in Arafura’s attempt to finalise an IPO to raise exploration funds. We can report that near the end of 2002 the Company successfully raised additional working capital to meet the administrative costs of the IPO. This is now planned for completion toward the end of October, 2003, subject of course to a favourable investment climate at that time.

Administrative expenses of the Company in the 2002-2003 financial year are estimated to total approximately $412,000 which amount excludes tenement rent. All of this expenditure is attributable to efforts to raise exploration funds to service the Company’s exploration titles, all of which are in the Northern Territory.

We estimate that some $8,000 of this amount can therefore be allocated to EL 10137. The total of $8,000 satisfies the Expenditure Covenant for Year 1 of the title which was set at $7,000.

We propose that the same exploration program and expenditure covenant as was detailed in the application for the title now apply for the second year.

Yours Faithfully

John Goulevitch
MANAGING DIRECTOR

Cc: Arafura Resources NL, Perth