



**ARAFURA
RESOURCES NL**

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ACN 080 933 455

25 January 2005

The Director of Titles
NT DBIRD
GPO Box 3000
DARWIN 0801

Attn: Ms Simone Moore – Mining Registrar

Dear Simone

Dept. Business, Industry
& Resource Development

28 JAN 2005

received. Titles Division
Minerals & Energy Group

RE: Exploration Licence 23571 – Reynolds Range Annual Report Year 1 – 08/12/03 To 07/12/04

No exploration was conducted on the licence area in its first year of grant as the Company's resources were directed to its other prospects in the Northern Territory. Minor costs were incurred on tenement maintenance and administration.

Since November, 2003, when it was listed on the Australian Stock Exchange, 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 deposit in EL 23671 which abuts EL 23571; 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 systematic grass roots geochemical exploration programs over our titles around Frances Creek and at Kurinelli, southeast of Tennant Creek.

As the expenditure covenant for Year 1 (\$30,000) was not met, we hereby request the approval of the Minister to vary the expenditure to the amount actually spent. Our cheque for \$50, being the prescribed fee, is attached.

Proposed Exploration Year 2

In year 2 of this licence, Arafura plans to carry out exploration for new REE/P and U prospects along the Reynolds Range and investigate known deposits of hematitic sandstone as a source of iron ore. Details of investigations are provided in the following table:

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| ACTIVITY | \$ |
|--|---------------|
| Geological Reconnaissance and Preliminary Native Title Meeting | 5000 |
| Stream Sediment Sampling | 8000 |
| Analytical Services | 3000 |
| Trial Spectral Mapping for alteration systems associated with REE/P and U deposits | 8000 |
| Reporting | 2000 |
| Sub-Total | |
| ADMINISTRATION COSTS (15%) | 3900 |
| TOTAL (Year 2) | 29,900 |

The proposed expenditure covenant for Year 2 is \$30,000.

Yours Faithfully
ARAFURA RESOURCES NL



John Goulevitch
EXPLORATION MANAGER

Cc: Arafura Resources NL, Perth