

**ARAFURA
RESOURCES NL**

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ACN 080 933 455

4 October 2005

The Director of Titles
NT Department of Primary Industries Fisheries and Mines
GPO Box 3000
DARWIN 0801

Attn: Mr Jerry Whitfield

Dear Jerry

**Re: Annual Report Year Ended 11 September, 2005
Exploration Retention Licence 116 (Mt Porter)
Arafura Resources NL**

Activity on the area of ERL 116 during the past year was restricted to the area under application for ML 23839 for which a Right To Occupy was issued by your Department in February, 2005.

Operations conducted in the past 12 months include:

- Maintenance of existing access tracks to and across the project area.
- Completion of RTN process and execution of Native Title Compensation Agreement with registered Native Title Claimants in December, 2004.
- Survey of the boundary of ML 23839 and submission of survey to The Department of Planning and Infrastructure on 9 September, 2005.
- Appointment of MBS Environmental to coordinate the Public Environmental Report process.
- Conduct of surveys required for PER as per Guidelines issued by the Office of Environment and Heritage in October, 2004, including:
 - Mount Porter gold mine site, Pine Creek, NT: Archaeological Survey by R G Gunn
 - Environmental Survey of Landscape, Flora and Fauna of the Proposed Mt Porter Project Area (ML 23839) by Low Ecological Services Pty Ltd
 - Mount Porter Wastes Characterisation and ARD Management by MBS Environmental

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Information gathered to date in relation to the PER is currently still in draft form and will be submitted formally when all other PER-related investigations are completed. This includes groundwater investigation estimated to cost in excess of \$200,000 which will only be conducted after the near-by Union Reef mill is recommissioned.

No work is planned in the next 12 months for that part of the ERL which remains surrounding ML 23839.

The following table contains a statement of estimated expenditures incurred on the permitting process for ML 23839 in the first year of the current term.

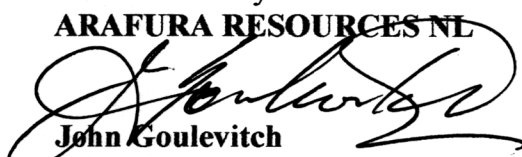
Activity	\$
Earthmoving	2,000
PER Management Consultant & WRD-AMD Geochemistry (to 31/08/05)	22,011
Ecological Study	19,900
Archaeological Study	16,313
Geochemical Study - Analyses	8815
Administration 15%	10,356
TOTAL	79,395

The expenditure covenant for the current 2-year term of the ERL is \$72,000.

We trust this satisfies all of the reporting requirements.

Yours Faithfully

ARAFURA RESOURCES NL



John Goulevitch
EXPLORATION MANAGER