

**COBURN MINERAL SAND PROJECT
UPDATE**

HIGHLIGHTS

- Memoranda of Understanding signed with two Chinese consumers for over 40% of the proposed 30,000 tonne per annum initial zircon production, over a 5 year period.
- Zircon offtake agreements above provide for prepayments totalling US\$6 million, which will assist in funding the Coburn mine development. The prepayments will be rebated progressively as refined product is supplied to these key customers.
- Environmental approvals process nearing completion, with agreement on an environmental offset of land to be added to the conservation estate paving the way for environmental approvals.
- Mining approvals now expected by late May.
- Fixed price proposals for all major capital items for the proposed mine received and contracts currently being negotiated.

1 Public Environmental Review

Agreement has been reached with the Environment Minister for an additional concession involving the inclusion of a 42 square kilometre area of land in the conservation estate (offset area). The environmental offset area is contiguous with the Shark Bay World Heritage Property and lies on the south eastern margin of the proposed mine. It will not impact on planned mining operations, however an infrastructure corridor which includes the mine access road, passes through the southern half of the offset area.

Now that agreement in principle has been reached on this conservation offset area, environmental approvals for the mine development are expected by late April. Mining approvals should follow by late May.

2 Capital Costs

On 10th March, consulting firm Proteus Engineers were appointed as managing contractor, responsible for finalising all mine construction contracts and for coordinating the construction phase of the mine development. Proteus plan to finalise fixed price/fixed delivery contracts for the wet concentrator plant, mining equipment, access road, camp and electrical infrastructure by mid May. The power supply is to be provided by a contractor and the water supply by a variety of sub contractors including a specialist water driller.

Because most capital items attracted a number of proposals, some price competition is expected and the final capital expenditure figure will not be known until late May. However, indications are that the minesite capital expenditure will be approximately \$85 million.

3 Product Marketing

Memoranda of understanding with two Chinese zircon consumers have been signed over the past month. Attached to these memoranda are detailed draft offtake contracts in which nearly all of the normal commercial conditions have been agreed.

The main conditions outlined in the memoranda of understanding are:

- a) that they are for fixed tonnages of zircon over a 5 year period from first production and;
- b) that the draft contracts will be finalised 5 days after debt finance for the mine development has been approved.

The agreements encompass over 40% of the proposed 30,000 tonne per annum initial phase zircon production.

Prepayments for the supply of zircon under these two agreements total US\$6 million, which will assist in funding development of the Coburn mine. These prepayments are to be rebated progressively as refined product is supplied to both key customers.

The pricing mechanism in both draft contracts is a *c.i.f.* China benchmark, currently just below US\$800 per tonne but due to rise to well above US\$800 per tonne in the second half of 2006.

Because the current free market price of zircon in China is well in excess of the above benchmark, offtake contracts for most of the remainder of the Coburn zircon production are likely to be above the benchmark price and would not involve prepayments.

Discussions with potential consumers of the Company's titanium dioxide products are continuing, with the aim of resolving contracts by late May.

4 Financing

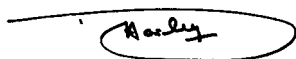
As discussed in the Company's December 2005 quarterly report, formal requests for debt finance have been postponed until all new estimates of capital and operating costs have been received. The estimated timing of this exercise is late May.

In the meantime, the Company will undertake visits to European institutional investment groups between 4th-13th April.

Financial modelling which incorporates the higher capital figure and zircon prices indicated above shows that the financial return of the proposed mine has improved from the figures previously announced by the Company.

5 Overall Schedule

Assuming that mining approvals are received by late May and that sufficient finance can be raised shortly afterwards, the Company has scheduled commencement of the mine access road in June, with commissioning of the mining operation in July/August 2007.



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ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.