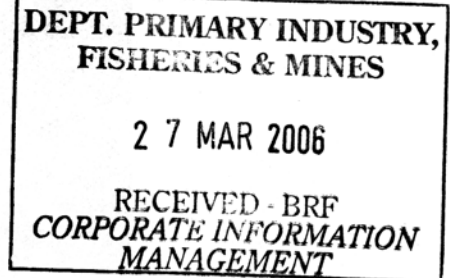




23 March 2006

Attention: Mr Jerry Whitfield  
Director Titles Division  
Department of Primary Industry, Fisheries and Mines  
GPO Box 3000  
Darwin NT 0801



Dear Jerry

*CR 20060064*

**Mineral Estates Pty Limited – Mineral Lease 23348  
Annual Report for the year ending 23 February 2006**

**Background**

The purpose of this report is to summarise the overall activities undertaken by Mineral Estates Pty Limited ("the Company") in relation to Mineral Lease 23348 for the calendar year ending 23 February 2006.

The above-mentioned mineral lease was granted on 24 February 2005. The Company applied for this mineral lease in order to proceed to the next stage of development, after incurring expenditure of more than \$3 million during the previous 10 years of tenure under EL 8413.

**Activities undertaken during the 2005 year**

During the 2005 year, the Company did not undertake any activities under ML 23348. Instead, all exploration and development activities and related expenditure occurred within Exploration Licence 23531 (refer EL 23531 Annual Report for the 2005 calendar year, as lodged on 22 March 2006).

Stanton Resources Limited ("Stanton Resources") held its purchase option for the exploration and development of the mining project until 1 July 2005. At this time, Stanton Resources decided to relinquish the right of purchase due to the decline in the LMB cobalt price and the lower than expected quantity of cobalt ore from the ML area.

Accordingly, a conservative approach has been adopted by the Company in relation to its activities undertaken under the ML.

## Future developments

Since the expiration of the Stanton Resources purchase option, the Company has continued to pursue further joint venture partnerships for the development of the mineral lease, with the intention of a future public listing. In light of this, any future and continued geological and technical assessments in relation to infill drilling activities, ore body analysis etc will depend on the outcome of discussions with potential joint venture partners.

It is therefore difficult to quantify the extent of expenditure over the ML area for the 2006 calendar year. As such, we have not provided a detailed expenditure report in relation to this.

Should you have any queries in relation to the above, please do not hesitate to contact me on 02 4271 1822.

Yours sincerely



Dr Lakshman Jayaweera  
Chairman/Technical Director

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