

# China Industrial Resources Co., Ltd

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TO : EXPLORATION AND RESOURCES DEVELOPMENT PTY LTD  
ATTN : IAN JOHNSTONE  
DATE : NOV 20 2008  
FROM : XIAOJUN REN  
REF : ILMENITE112008

Dear Mr. Johnstone

**Re : Testing of ERD Pty Ltd Ilmenite Requirements**

Thank you for your cooperation with supplying samples of ilmenite concentrate sent between May 2007 and May of 2008 and your last visit to our China based organisation in May of 2008 for partnership discussions.

We have batch tested all samples and analysed your drilling and chemistry database for ore quality/quantity and agree with your prognosis that the area know as SILL80 contains a large amount of good quality ilmenite that our organisation would be interested in obtaining. Initial bench testwork has shown a great deal of promise for the smelting of your ilmenite.

We would like to further investigate the use of your ilmenite within our factory to produce titanium slag and to conduct further metallurgical test work to apply your product into our titanium metals unit.

To do this we must "retool" part of our factory in Dalian, China to accept the chemistry of your product into our processing techniques. To make this practical we will need a minimum of 10,000 ton of your product from your identified "SILL80" prospect. Can you please advise us of any time constraints to supplying this material.

Can you please make arrangements to supply us with this material. Our retooling cannot commence until a delivery contract is signed with a deadline of November 2009 for product delivery. This can be discussed and entered after you agree to send the product.

Should your product prove suitable on a large scale for titanium slagging we will require a minimum of 30,000 ton per annum increasing to 100,000 ton per annum over the course of 5 years.

Your sincerely,



XIAOJUN REN

President,.....