

02_4662

CF.
1

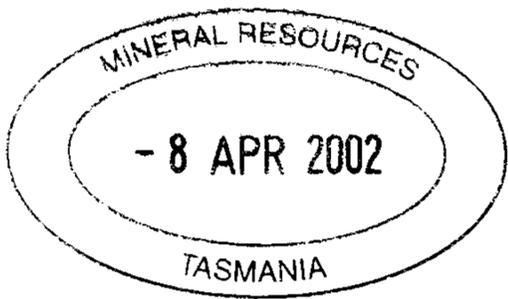
Annual report to 28 March 2002 - RL2/1996 -
Champion Road
Cominex Proprietary Limited*; Mineral Holdings Austral
Nolan, H.D. RL2/1996

ANNUAL REPORT

To 28 March 2002

RETENTION LICENCE 2/1996

CHAMPION ROAD



MINERAL RESOURCES		
FILE REF RL9602 PT 1		
- 8 APR 2002		
OFFICER		
OFFICER	REF ACTION	NO. INFO
See folio 64		
RESUBMIT TO		DATE

Prepared by: H. D. Nolan Cominex Pty Ltd

March 2002

02_4662

ANNUAL REPORT RL 2/1996 CHAMPION ROAD

INTRODUCTION

Mineral Holdings Australia Pty Limited is the registered holder of RL 2/1996. In June 2001 Cominex entered an option agreement in regard to silica flour occurrences within the tenement.

The purpose of the option agreement was to enable Cominex to investigate the commercial potential of these silica flour occurrences.

Cominex currently mines a high purity silica flour from deposits located in the vicinity of Corinna N.W. Tasmania. Prior to export the silica undergoes washing, particle sizing, drying, magnetic separation and bagging at a plant located in Burnie Tasmania, owned by The Index Group Pty Limited.

At the time this option agreement was taken out with Mineral Holdings Australia, Cominex was negotiating with The Index Group for the purchase of their Burnie processing plant.

Unfortunately the purchase of this plant did not proceed. Consequently we have been unable to conduct bulk sample processing of the Champion road material and have not had access to a local dedicated silica laboratory. Our assessment of this material has been limited to the chemical and physical properties of laboratory size raw material field samples.

We have however continued with market research into end use demand, customer specifications and pricing.

MARKET DEMAND

The world wide use of silica sands is enormous and diverse. The overwhelming bulk of it being large volume, low grade and low value. In this area of demand the silica resource is usually close to the customer and is a low cost extraction and processing operation.

Demand for high purity silica sands such as the Cominex Corinna deposits and possibly the Champion road deposits, is quite modest, being less than 0.01% of the global silica sand market. As Australia does not have a sophisticated glass or ceramic product industry, this demand is located off-shore.

Within this sector of the market the value of the raw material is generally determined by customer specifications. The more stringent or comprehensive the specification, the greater the value.

At the lower end of this sector are end uses such as glass fibre, fillers and extenders. Tasmanian silica flour will generally meet customer specifications for such end use, however international freight costs undermine our ability to be price competitive.

Tasmanian silica flour has only managed to be price competitive in the more refined product lines such as optical and electronic. Silica mining at the Cominex Corinna deposits was established specifically to supply Japanese manufacturers of optical lenses for such products as cameras, microscopes, telescopes, and binoculars and lead crystal glass.

MARKET CHANGES

Since Tasmanian operations commenced in 1987, demand for optical quality silica has reduced considerably due to the development and substitution of polycarbonate materials. Plastic has replaced glass in the lower value lines of optical products.

Fortunately the reduction in silica demand for optical products has been offset by a recent growth in demand for high purity silica sands in the liquid crystal display (LCD) market. Whilst traditional markets requiring high purity silica have been depressed, demand for LCD products in computers, television and other information displays is growing at 30% per annum.

LIQUID CRYSTAL DISPLAYS (LCD)

Cominex silica is suitable for the manufacture of each of the three LCD types; Twisted Nematic (TN), Super Twisted Nematic (STN) and Thin Film Transistor (TFT). TFT LCD is the most technically advanced of the types and is presently only manufactured in Japan, Korea and the USA.

CUSTOMER SPECIFICATIONS – LCD GLASS

Physical and chemical properties sought by LCD glass manufacturers are stringent. The feed material must be of a high silica purity. Impurities, or accessory chemicals have upper tolerance levels measured in parts per million. Specifications vary between manufacturers, but basic requirements are for high silica purity, low iron, low alkalinity and good meltability. Manufacturers also require a tight particle size distribution (PSD) with upper, lower and intermediate tolerances.

CHAMPION ROAD SILICA

As previously mentioned Cominex has been unable to fully research and test the potential of the Champion Road material. Nor has adequate proving-up been conducted to establish a commercial resource.

Laboratory analyses has confirmed our understanding that Champion Road silica does not meet TFT LCD glass chemical specifications as a stand alone raw material. The material does have a favourable particle size distribution and we had considered bulk trials, blending Champion Road with the purer Corinna silica. It being possible that blending could result in a satisfactory chemical specification and enhance the processing yield within the finer particle size spectrum.

RECOMMENDATIONS

The Champion Road silica occurrence is favourably located given its proximity to a shipping port and the soon to be realised arrival of natural gas. The availability of gas may in itself present new opportunities.

The potential for the development of the Champion Road silica occurrence should not be dismissed. Cominex continues to investigate the market for development opportunities.
