METAL SANDS Pty LTD
A.C.N. 095 423 551

P.O. Box 1692 West Perth, WA. 6872
Telephone: (61) 8 9388 9604 Facsimile: (61) 8 9388 9605

ANNUAL REPORT

KING ISLAND PROJECT

15 February 2006 to 14 February 2007

E56/2004

Author:	Lindsay Cahill
Tenement Holders:	Metal Sands Pty Ltd
Operator:	Metal Sands Pty Ltd
Report Date:	15 February 2007
Distribution	Department of Infrastructure Energy and Resources Tasmania
	MSPL Library

LIST OF FIGURES

1 SUMMARY

This report describes the work undertaken by Metal Sands Pty Ltd (MSPL) in assessing granted exploration licence located on King Island Tasmania.
The tenement reported on is E56/2004

During the reporting period, from 15 February 2006 to 14 February 2007, MSPL completed the following activities:

- Undertook compilation of all available data and reports.
- Undertook a review of the previous data and exploration reports.
- Carried out a field programme of reconnaissance geological mapping and beach sand sampling.

2 LOCATION AND ACCESS

The MSPL tenement is granted in two portions located in Sea Elephant Bay on the South East Coast of King Island near the town of Narracoopa.

Access to the Southern portion is along the beach at low tide from the town of Naracoopa. Access to the Northern portion is by sand tracks from the car park at the mouth of the Sea Elephant River to Cowper Point and thence along the beach at low tide.

3 TENURE

E56/2004 was granted to MSPL on 15 February 2006 and comprises the following areas. On co-ordinate datum AGD 1966 AMG zone 55

Part 1 (North)
Commencing at the north east corner at grid co-ordinates 254 500 metres E 5 588 000 metres N thence grid south to 5 586 000 metres N grid west to 254 000 metres E again grid south to 5 584 500 metres N again grid west to the LOW water mark on the east coast of King Island thence in a general northerly direction along that LOW water mark to 5 588 000 metres N aforesaid thence grid east to the point of commencement.

Part 2 (South)
Commencing at the north east corner at grid co-ordinates 253 500 metres E 5 580 000 metres N thence grid south to the LOW water mark on the east coast of King Island thence in a general northerly direction along that LOW water mark to 5 580 000 metres N aforesaid thence grid east to the point of commencement.

The licence was originally granted to the high water mark, but the description was amended to read Low water mark by letter of variation of area dated 30/01/2007

4 CONSULTING GEOLOGISTS REPORT

KING ISLAND PROJECT

Introduction

Metal Sands' King Island Project is for zircon- and rutile-rich heavy minerals that are known to be present in the surficial seafloor sediments of Sea Elephant Bay, on the east coast of the island (Figure 23). Previous exploration has shown the heavy mineral content of the top 1.5m of the unconsolidated material to be as high as 25%. Additional targets are mineralised strands that may be present beneath the surficial layer.

Tenements

The project consists of the tenement EL56/2004, granted to Metal Sands on 15th February 2006. The tenement, which has a total area of 3km^2, consists of two separate sections, located immediately offshore at either end of Sea Elephant Bay. The annual exploration commitment for the tenement is $10,000. Full tenement details are set out elsewhere in this Prospectus.

Location and Access

King Island, part of the state of Tasmania, is situated in the Bass Strait, about 200km south-southwest of Melbourne and 200km northwest of Burnie. The island is about 60km north-south and 25km east-west. Sea Elephant Bay is on its east coast. The jetty at the town of Naracoopa, about a kilometre to the southeast of the southern section of the tenement, provides access to the waters of the bay.

Geological Setting

King Island contains a similar suite of rocks to the northwest of Tasmania, some 200km to the south. Precambrian metamorphic rocks and granites comprise the majority of the island's bedrock. Cambrian volcanics and Devonian granites are present in the southeast, where the world-class King Island scheelite – molybdenite deposits occur as skarns near the margins of intrusive granite stocks.

Quaternary beach deposits occur along the east coast adjacent to Sea Elephant Bay. They include strand, dune, and paralic sediments. Heavy minerals are concentrated in now-onshore strands at both the north and south ends of Sea Elephant Bay and the active beach to the north of Naracoopa was mined for rutile and zircon (Figure 23). Strand-line sediments will have also been deposited to the east of the present coastline during Quaternary regressions and transgressions. Portions of these strands are expected be present offshore, buried beneath recent surficial marine deposits.

Mining

Placer mining is recorded in the Naracoopa area since 1905, when approximately 5t of cassiterite and 1.5oz of gold were separated from heavy mineral beach sands immediately north of the mouth of the Fraser River.

HM mining took place from the southern section of the Sea, Milford and Lanherne Beach Deposits from 1969 to 1977, with the production of approximately 20,000t of rutile and 23,000t of zircon. These deposits are onshore from the southern portion of the project area. The average HM grades of remaining mineralisation in the three deposits was estimated in 1989 as being respectively 17.5%, 11%, and 5%. The grades increase markedly towards the south of the deposits, with the Milford Beach

deposit averaging 39% HM at its southern end, 18% in its central portion, and 4% at its northern end.

It is understood that Tasmanian Titanium Pty Ltd is intending to begin mining mineral sands in the near future from its leases on the island.

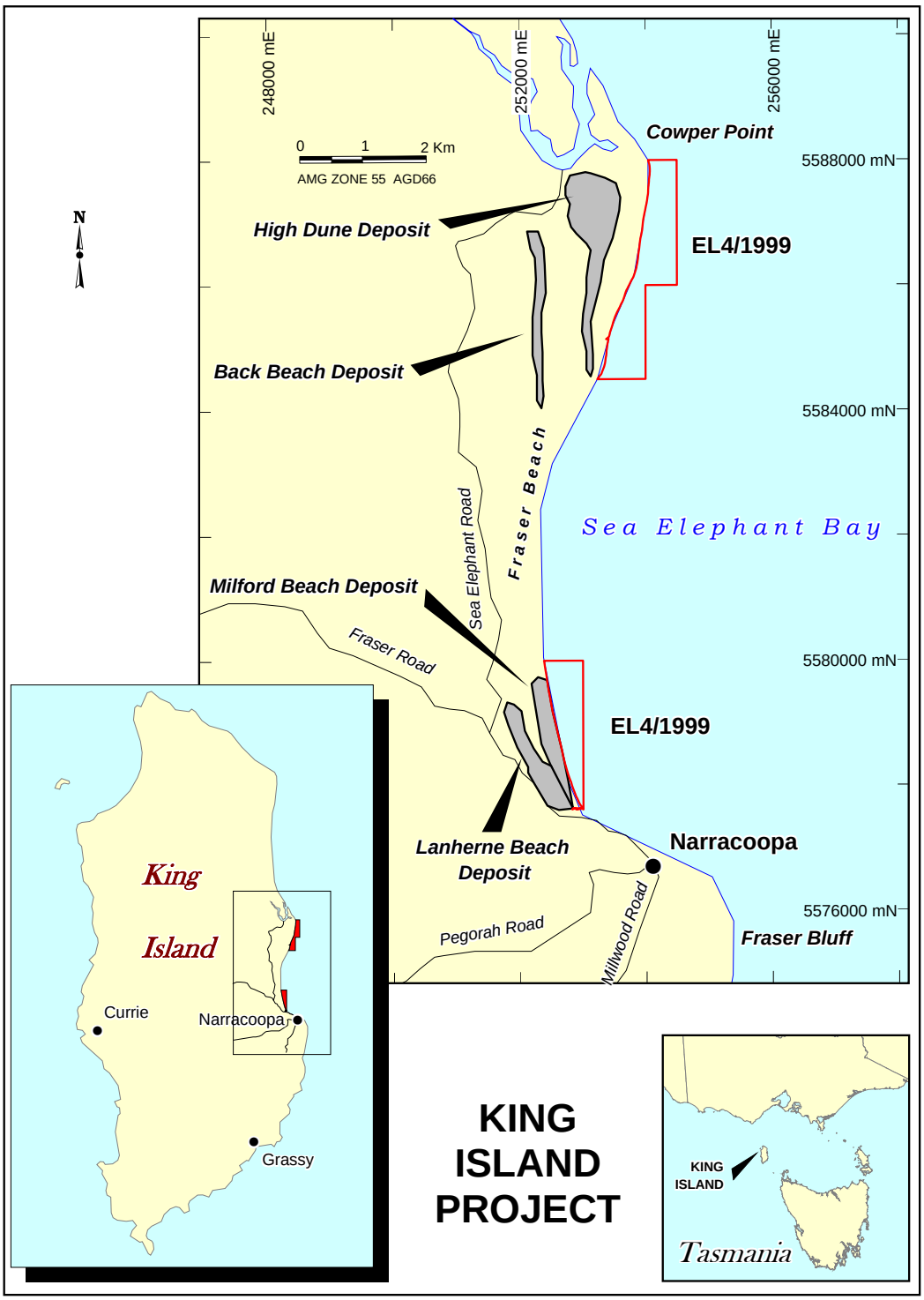


Figure 23 King Island Project – Tenement map

Previous Exploration

Reconnaissance exploration of the floor of Sea Elephant Bay has been carried out by a number of companies. The HM grades of drill samples from the various programmes are shown on Figure 24.

Ocean Mining AG, in 1966, carried out bathymetry, seismic reflection, and shallow sub-sea drilling around King Island. Twelve holes were drilled in the Sea Elephant Bay area, but all were well offshore from the Metal Sands' tenement areas. The work established the presence of both a general thin blanket of surficial sediment and of underlying, thicker sediment bodies with channel- and bar-like morphologies.

Amdex Mining Ltd drilled 25 holes into the seafloor sediments at the southern end of Sea Elephant Bay during 1976. The holes were between 0.5 and 1.5 m in length. Nine of them were sited within Metal Sands' project area. The HM grades within the sediments varied from 1.0% to 8.3%.

Additional 1.5m deep holes were drilled in the bay by Australian Zircon Pty Ltd in 1992. The five with the highest visual HM contents underwent mineralogical testwork. The HM contents of these samples varied from 5.7% to 15.3%. One sample, with 6.2% HM came from within Metal Sands' tenement. A composite HM sample contained 16% ilmenite, 22% altered ilmenite, 5% leucoxene, 10% rutile, and 22% zircon for a valuable HM total of 75%. The HM was reported to be, although rather fine with d_{50} = 90-100µm, of a size reasonably amenable to conventional gravity separation.

A 20m hole was drilled at the seaward end of the Naracoopa Jetty in 1997 as part of a geotechnical investigation by Stephenson EMF Consultants. The hole intersected silty sand and minor gravel to a depth of 2.4m, followed by better sorted but more indurated sand to 8.5m, "harder" sand to 11.8m, and finally stiff hard clay.

In 1997, Australian Titanium Minerals Ltd carried out seafloor sampling at 20 sites within the southern portion of the bay, obtaining a maximum grade of 24.7% HM. The two samples that were collected from within Metal Sand's area returned 1.05% and 7.1% HM. Composite concentrates from the samples averaged 9% ilmenite, 12% altered ilmenite, 5% leucoxene, 8% rutile, and 7% zircon.

Mineralisation

The testwork that has been carried out by previous explorers has shown that the HM mineralisation in the southern section of Seal Elephant Bay:

- Tends to increase in grade towards the coast
- Tends to increase in grade towards the south
- Tends to decrease in grade with depth within the seafloor
- Contains the valuable heavy minerals zircon, rutile, leucoxene, and altered ilmenite
- Also contains ilmenite. Ilmenite concentrates from the Naracoopa area have, however, been found to have chrome contents higher than normal specifications, due, at least in part, to the presence of chromite.

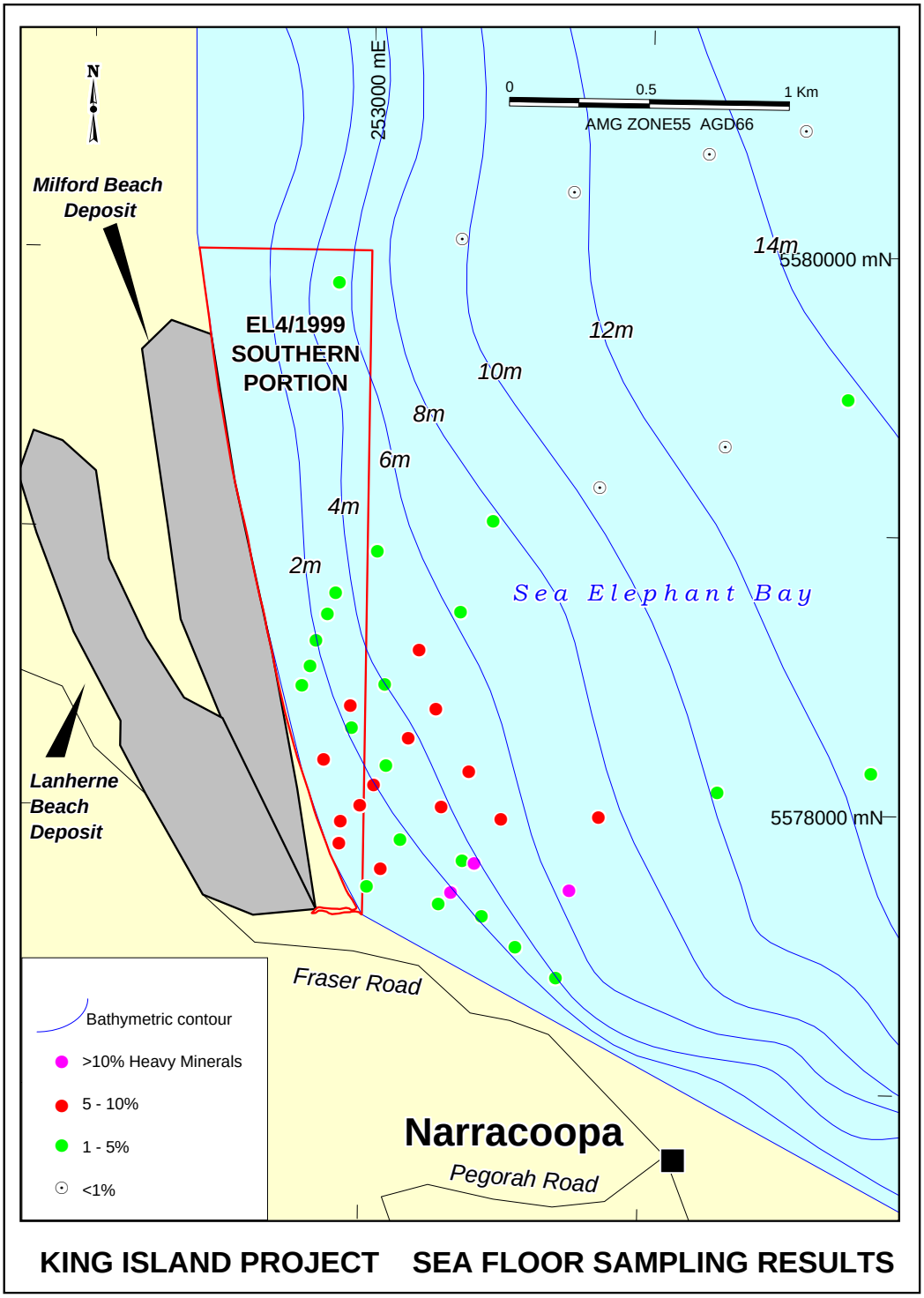


Figure 24 King Island Project – Seafloor sampling

Current Exploration

Exploration Potential

There is clear potential for the establishment of a HM resource within the seafloor sediments in the southern section of the tenement. All twelve holes drilled into the surface sediments in this area returned grades of >1% HM.

The seafloor has not been tested in the northern section of the tenement, to the south of Cowper Point, and potential exists for the discovery of mineralisation in this area. Onshore strand-line mineralisation is present at both ends of the bay and mineralisation could well also be present offshore in both locations.

The sediments have not been tested beneath a depth of 1.85m within the tenement and potential exists for the discovery of buried and mineralised strand-lines or channels. The relatively small area of the tenement should allow focused exploration and efficient delineation of the HM mineralisation.

Proposed Exploration and Budget

1 CURRENT EXPLORATION

1.1 General

MSPL completed the compilation of all previous data and reports and constructed a GIS database.

A consultant Geologist was engaged to analyse the data and reports and to design an exploration program for the tenement.

A field trip was then planned for the spring but was postponed until December due to inclement weather conditions.

In mid December the area between the high and low water marks was traversed and sampled and photographed at 100m intervals in areas of mineralisation, and 250m in other areas as shown in the table.

1.2 Sample Locations

TABLE of SAMPLE POINTS

POINT	LONGITUDE	LATITUDE	NORTHING	EASTING
	WGS	84	GDA	94
POI004	144.1116	-39.9139	253115	5577802
POI005	144.1107	-39.9130	253039	5577900
POI006	144.1101	-39.9121	252984	5578000
POI007	144.1097	-39.9112	252948	5578010
POI008	144.1093	-39.9103	252911	5578199
POI009	144.1090	-39.9094	252882	5578300
POI010	144.1087	-39.9085	252853	5578399
POI011	144.1085	-39.9076	252827	5578500
POI013	144.1082	-39.9067	252802	5578600
POI014	144.1080	-39.9057	252782	5578701
POI015	144.1077	-39.9048	252756	5578800
POI016	144.1076	-39.9039	252738	5578900
POI017	144.1074	-39.9030	252719	5579001
POI018	144.1071	-39.9021	252689	5579100
POI019	144.1068	-39.9013	252662	5579186
POI021	144.1066	-39.9003	252638	5579300
POI022	144.1063	-39.8994	252615	5579401
POI023	144.1059	-39.8976	252574	5579600
POI024	144.1058	-39.8967	252564	5579700
POI025	144.1057	-39.8958	252547	5579801
POI026	144.1055	-39.8949	252532	5579900
POI027	144.1054	-39.8940	252517	5580000
POI028	144.1280	-39.8225	254196	5588000
POI033	144.1271	-39.8247	254125	5587749
POI034	144.1270	-39.827	254126	5587499
POI036	144.1264	-39.8292	254077	5587250
POI037	144.1260	-39.8314	254054	5587001
POI038	144.1254	-39.8337	254010	5586751
POI040	144.1239	-39.8381	253902	5586249
POI041	144.1224	-39.8404	253782	5585999
POI042	144.1208	-39.8426	253647	5585750
POI043	144.1197	-39.8448	253560	5585499
POI044	144.1189	-39.847	253503	5585251
POI045	144.1185	-39.8493	253477	5585000
POI046	144.1176	-39.8515	253404	5584750

1.3 Photo Control

Photo control was undertaken at the sample sites for future reference.

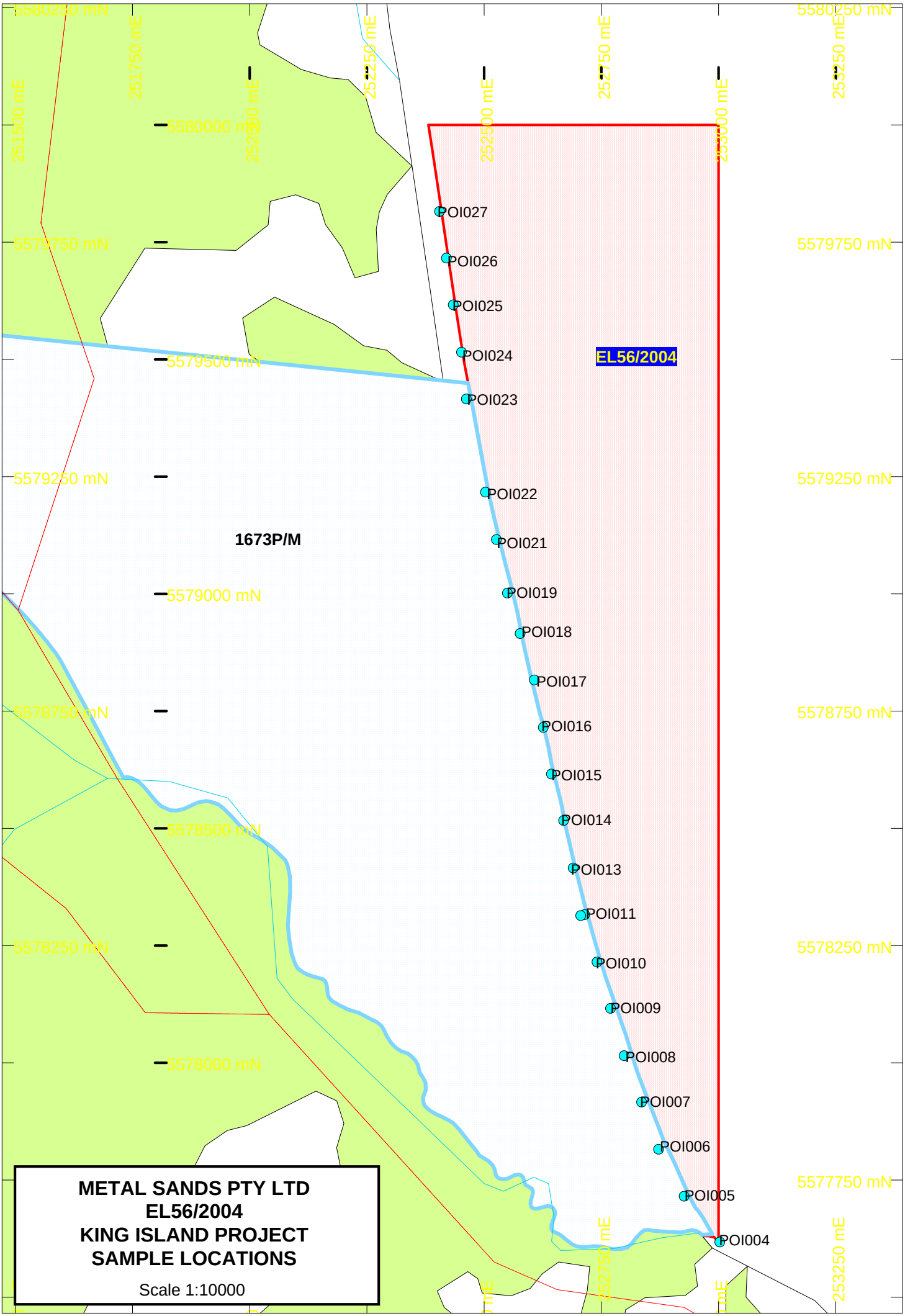
1.4 Analysis

The results of the sample program are not yet available due to the unavailability of the atomic spectrometer.

2 REFERENCES

Shackleton, I., 1999, Annual and Surrender Report for the Period 9 December 1997 to 8 January 1999 Exploration Licence 70/1200 Glenarty Creek Project South West Mineral Field. BHP Titanium Minerals PTY LTD Western Australia DMPR Open File Item No 10732 Report A57262.

Continental Resource Management 200 Independant Geologists report to the Directors Metal Sands Pty Ltd


5580250 mN
5580000 mN
5579750 mN
5579500 mN
5579250 mN
5579000 mN
5578750 mN
5578500 mN
5578250 mN
5578000 mN
5577750 mN
251500 mE
251750 mE
252000 mE
252250 mE
252500 mE
252750 mE
253000 mE
253250 mE
POI027
POI026
POI025
POI024
POI023
POI022
POI021
POI019
POI018
POI017
POI016
POI015
POI014
POI013
POI011
POI010
POI009
POI008
POI007
POI006
POI005
POI004
EL56/2004
1673P/M
METAL SANDS PTY LTD
EL56/2004
KING ISLAND PROJECT
SAMPLE LOCATIONS
Scale 1:10000

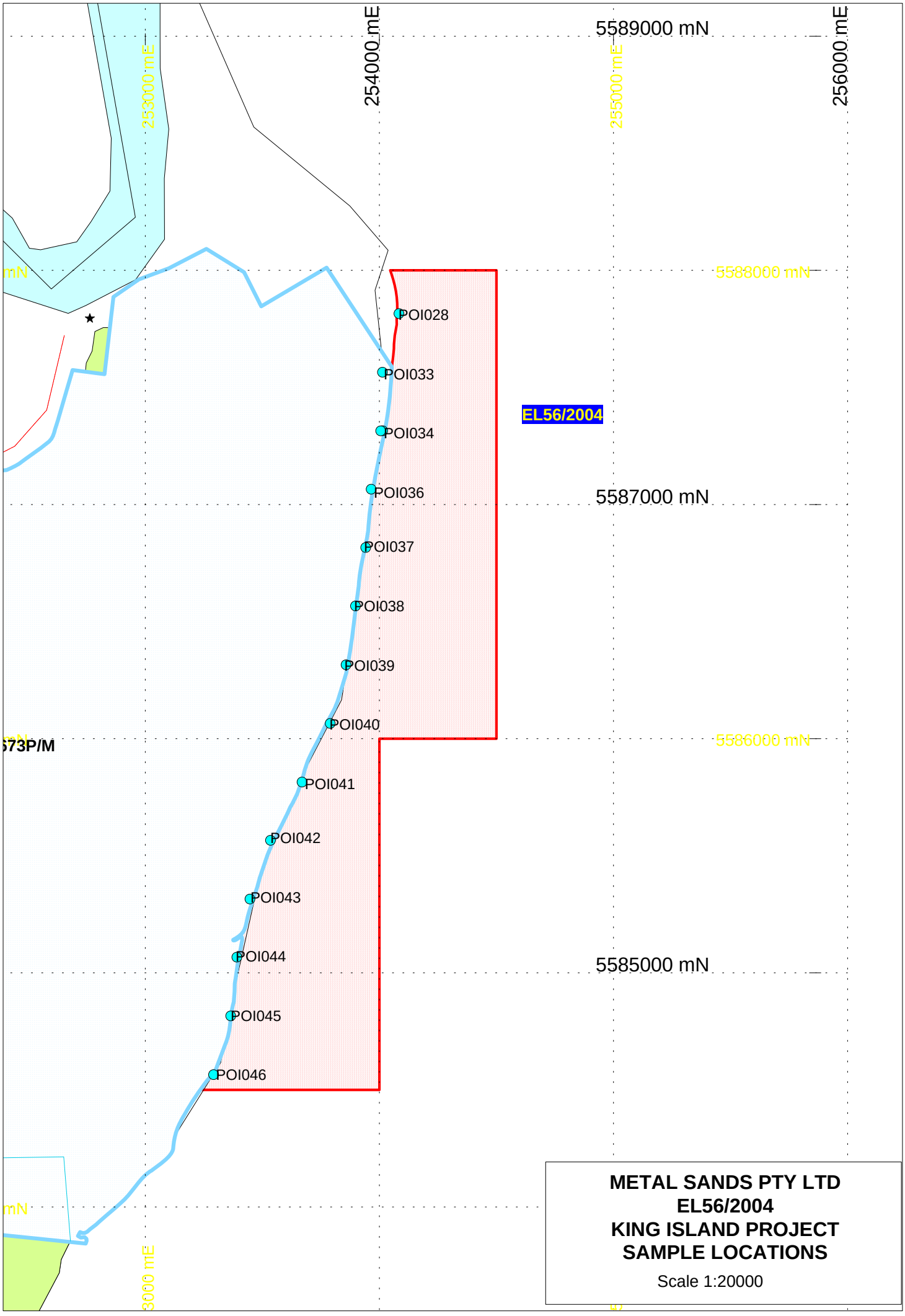

254000 mE
255000 mE
256000 mE
253000 mE
5589000 mN
5588000 mN
5587000 mN
5586000 mN
5585000 mN
EL56/2004
POI028
POI033
POI034
POI036
POI037
POI038
POI039
POI040
POI041
POI042
POI043
POI044
POI045
POI046
573P/M
METAL SANDS PTY LTD
EL56/2004
KING ISLAND PROJECT
SAMPLE LOCATIONS
Scale 1:20000

Figure 3: Photo Control

5580000n Looking South

POI033 - 5587750N Sample

POI034 - 5587500N Sample

5578000N Looking South

5578000N Looking North

5578000N Sample

5578800N Sample

5579100N Looking North

5579100N Sample

5579185N Rock with Shell Inclusions

5579500N Sample

5579500N Looking West

5579900N Sample