

FINAL RELINQUISHMENT REPORT

For One Sub-block within the Area of MDL 355

EXPLORATION PERMIT FOR MINERALS (EPM) 13278

"Wateranga"

Environmental Authority No. M 5448

Queensland Industrial Minerals Limited

Contact details:

Queensland Industrial Minerals Limited
C/- Environmental & Licensing Professionals Pty Ltd
Level 27, 288 Edward St
Brisbane Qld 4001

Prepared by:

Environmental & Licensing Professionals Pty Ltd
Ph: 07 3239 9700
Fax: 07 3220 2135

Date: 1 September 2004

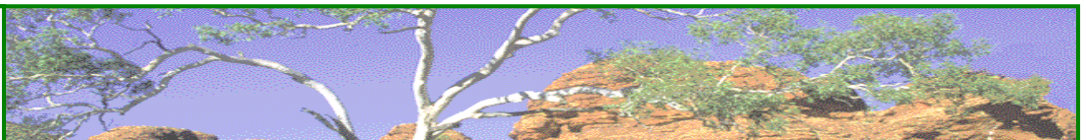
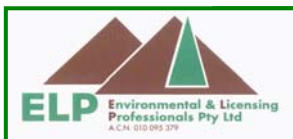


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SUMMARY

The Wateranga Project is focussed on the exploration of industrial minerals such as high alumina feldspar, ilmenite, muscovite, phlogopite, apatite, zircon, corundum, rutile and scandium.

The sub-block being relinquished (V – BRIS 1103) is a requirement pursuant to the grant of Mineral Development Licence (MDL) 355 over the entirety of the one sub-block.

Queensland Industrial Minerals Limited ("QIM") has carried out literature reviews and has also conducted extensive field work and ore analysis during the last three years of exploration, including grab sampling, drilling, bulk sampling and testwork.

Exploration undertaken by QIM since the last anniversary date (6 March 2004) was dedicated to performing reserve calculations, off-site testwork and analysis. Accordingly, no new site-based exploration work has been undertaken on the sub-block since 6 March 2004.

1.0 INTRODUCTION

The Wateranga project is located 80 km southwest of Bundaberg. It is approximately 25 kilometres southeast of the town of Mount Perry, 25 kilometres northwest of the town of Biggenden and straddles the Burnett River approximately five kilometres northeast of Mingo Crossing.

The Project currently comprises one EPM (13278). Prior to this final one sub-block relinquishment, this EPM consisted of 26 sub-blocks (as shown in Figure 1).

This Exploration Permit was originally granted to Goody Investments Pty Limited on 6 March 2001 for a term of four years over 29 blocks. On 18 July 2003, an assignment was approved for EPM 13236 the tenement was subject to a transfer from Goody Investments to Queensland Industrial Minerals Limited ("QIM"). The EPM was successfully transferred and is now held 100% by QIM.

The EPM is covered by a Standard Environmental Authority ("EA"). This EA, number M 5448, was granted by the Environmental Protection Agency ("EPA") and took effect on 6 March 2001.

QIM wishes to relinquish one sub-block from EPM 13278, to which this Final Relinquishment Report ("FRR") relates. This will reduce the total number of sub-blocks to 25 sub-blocks. This FRR is to remain confidential by the Department of Natural Resource and Mines ("DNRM").

2.0 TENEMENT DETAILS

The tenement comprises a sequence bearing industrial minerals located on the Mount Perry 1:100,000 topographic sheet. EPM 13278 has been granted predominately over freehold tenures.

The relinquished area comprises one sub-block on the Brisbane block identification map attached (Table 1).

Table 1: Sub-block to be Relinquished from EPM 13278

BIM	Block	Sub-Blocks
BRIS	1103	V

3.0 TOPOGRAPHY

The topography of the site is variable. The northern banks of the Burnett River have highly incised, narrow banks which rarely permit flooding of the adjacent alluvial plains. The relative levels for most of the site vary between 80-200m. Most of the site subject to exploration is on gently sloping, undulating land, to relatively flat topography. The landform is dissected by two tributaries to the east and west of the

proposed exploration areas.

The Goodnight Scrub National Park occurs on the eastern boundary of EPM 13278. The landscape of the project area is highly altered as a result of farming practices which includes intensive cattle grazing as the most predominant primary industry of the immediate project area. In general, there is minimal tree and shrub development within the project area, which is dominated by grasslands with scattered Eucalyptus and small patches of remnant forest/woodland.

4.0 GEOLOGY

The dominant rock type within EPM13278 comprises a folded sequence of clastics, volcanics, chert and limestone of the Lower Permian Goodnight Beds (previously known as Biggenden Beds in this region) which have been intruded by several episodes of mafic and granitic plutonism. Robertson (1971) has described the Goodnight Beds as having undergone at least two and possibly three folding episodes. Low-grade regional metamorphism of the Beds is extensive and has been superimposed by thermal metamorphic effects adjacent to both the Wateranga Gabbro and Triassic granites. Hornfels is found in close proximity to the igneous intrusions and as xenoliths within them.

The Upper Permian Wateranga Gabbro intrudes the Goodnight Beds in the central regions of the EPM the saucer-shaped complex consists of an inward-dipping layered sequence of gabbro norite, anorthosite, pyroxenite and picrite. Triassic granite intrusives have altered the northern and western margins of the complex and introduced pegmatitic dykes along shears in the layered sequence.

A number of granitic intrusives, possibly all equivalents of the Triassic Hogback Tonalite, outcrop in the north and west of the EPM area; compositional variation is from adamellite to granodiorite. Numerous dykes to the north of the Wateranga Gabbro, ranging from quartz feldspar porphyries to medium grained dolerites, most likely represent latter phases of Triassic igneous activity. The Hogback Tonalite is considered to be a high-level, unfoliated pluton, intruded in post-orogenic times (Robertson, 1971).

Following intrusion of the Lower Triassic granites a suite of subaerial volcanics, the Aranbanga Beds, were deposited over a wide area north-west of EPM13278. The volcanics comprise andesitic, rhyolitic and trachytic flows and pyroclastics with minor tuffaceous: sediments and basalts. These felsic volcanics host the large low-grade Mt Rawdon gold deposit (28.6Mt of 1.0 g/t Au and 4.0 g/t Ag, Placer Pacific Ltd, 1986).

Mafic volcanism during the Pleistocene produced basalt flows along the Burnett River drainage system (Barambah Basalt). In EPM13278 these flows are restricted to the Burnett River, Kalliwa Creek and several minor tributaries. Conglomerates and sandstones of the Mingham Beds were deposited within lakes formed from damming of natural drainage paths by the Barambah Basalt.

5.0 WORK DONE

5.1 Summary for Previous Terms of Exploration

QIM have carried out extensive investigations into all previous exploration carried out in the immediate area of Wateranga. This review was based on the extensive Mines Department's records. It included drill assays, rock chip sampling, petrology and a very detailed airborne Helicopter Magnetic Survey of the area.

Following on from the initial investigations, Goody identified the extent of the mineralized area and further identified the three major mineralized zones referred to above.

Two grab sampling programs were carried out together with three (3) drilling programs and a bulk sampling program.

These programs have targeted the Surface to 15 metre easily mineable "**soft section**" contained in the alluvial, colluvial and eluvial material derived from the Wateranga Gabbro. Exploration of the much larger potential resource of the Wateranga Gabbro Hard Rock has been limited to six (6) diamond drill holes and a number of surface rock assays, the results of which have been very encouraging.

5.2 Summary for Current Term of Exploration

5.2.1 Geological Data

During this period of reporting, desktop studies (reserve calculation and analysis) were conducted. The focus was specifically within and around the one sub-block with which this Final Relinquishment Report is concerned. Detailed geological investigation on the ground was conducted in previous annual reports (2002 – 2004).

5.2.2 Geophysical Data

There is no geophysical data for the one relinquished sub-block because the exploration activities did not extend to performing geophysical surveys or assessment of existing data.

5.2.3 Drilling Data

A total of 31 hand drilled exploration holes have been drilled within the sub-block subject to relinquishment. The drilling data and analytical results are shown in Appendix 1. No drilling has been undertaken within the project area since the last anniversary date.

5.2.4 Geochemical Data

Geochemical data for the sub-block subject to relinquishment has been collected for the purpose of ore characterization and testwork. Assay Results (Heavy Media, Modal Mineralogy and Chemical Assays) are included in Appendix 1.

5.2.5 Remote Sensing Data

No assessment of remote sensing data was conducted.

5.2.6 Resource Statement

Exploration of the sub-block since the last anniversary date was restricted to desktop assessment (reserve calculation and analysis). However, previous exploration activities concluded that the area was prospective for industrial mineral development. Subsequently, an application for Minerals Development Licence (MDL) was applied over the sub-block and parts of others sub-blocks and was granted, effective 2 July 2004 for a period of five (5) years. The sub-block referred to in this relinquishment report is being relinquished as a result of the grant of MDL 355.

An application for Mining Lease (ML) over the same area subject to the MDL application was also lodged on 21 July 2004.

The widespread nature of the visible mineralisation, the results of the assays and petrology tests from the various drilling and sampling programs together with the known geoscientific evidence from previous exploration data and extent of the underlying gabbro are sufficient to allow a reliable and systematic estimation of the ore potential.

The following resources are applicable to EPM 13278, and are not restricted only to the one sub-block subject to relinquishment.

(i) General Resources

Calculations of the Wateranga Project, based on extensive drilling, and bulk sampling to date has confirmed a deposit of 142 million tonnes, in the unconsolidated section, of a Proved Reserve and Measured and Indicated Resource with a recovered grade of 5% Ilmenite and 20% High Alumina Feldspar (65 million) tonnes are in the Proved Ore category). This equates to 7.1 million tonnes of Ilmenite and 30 million tonnes of Feldspar.

Other minerals shown to be present in the deposit include Scandium (at 30 grams to the tonne, equal to 4 million kilograms of contained Sc), Muscovite and Phlogopite occurs at approximately 16.6% for the combined products, which equates to 23.5 million tonnes, and Apatite at approximately 0.8% which equates to about 1.1 million tonnes. Zircon occurs as a minor by-product at 0.2% and equates to approximately 284,000 tonnes. Corundum is also known to occur in significant amounts at up to 18

kg per tonne. Rutile has been assayed at up to 0.46% and averages 0.1%.

The above identified resource is sufficient for a mine life in excess of 30 years at an annual production rate of 4.5 million tonnes, with the potential to radically expand production to whatever circumstances warranted. However only approximately 30% of the known mineralised section has been drilled and the final Ore Reserve figure, for the unconsolidated section, is expected to exceed 200 million tonnes down to an average depth of 4.5 metres.

In addition to the above Resource/Reserve Wateranga has an Inferred Resource of approximately 84 m/t grading 20% Feldspar, 4.3% Ilmenite, 10% Mica, 0.8% Apatite and 30 ppm Scandium. This brings the total Reserve and Resource, in the unconsolidated section, at Wateranga to 225 million tonnes with a grade of 4.8% Ilmenite, 20% Feldspar, 12% Mica, 0.8% Apatite and 30ppm Scandium.

(ii) Hard Rock Resources

The hard rock section immediately below the unconsolidated section in what is now the northern part of the Wateranga **Proven Ore Body** has been tested with Diamond Drill Hole NS5. This hole was open hole without sample between 0 and 21 m, and between 21 m to 38 m assayed 4% apatite and between 38 m and 56 m assayed 11.2 % apatite. Grades averaging 15% ilmenite were received in the same interval 21 to 56 m.

It is anticipated that, upon the commencement of mining of this section of the hard rock, Wateranga will produce, an additional 200,000t of Apatite, 150,000t of Ilmenite and 600,000t of High Alumina Feldspar per year.

In addition to the above Hard Rock resource, the central core of the Wateranga Gabbro outcrops as a ridge 120 m above the eluvial surface. This ridge is 1600 m in length and averages 600 m in width. Surface sampling of this outcrop as well as diamond drilling of the gabbro has outlined an **Indicated Mineral Resource** for the hard rock deposit of 345 million tonnes with feldspar ranging in grade from 17% to 70%. The average recovered grade is 34.3% feldspar.

These grades are higher than the feldspar grades found in the eluvial deposits and equates to 111 million tonnes of Feldspar. Ilmenite grades, in this section of the Hard Rock, are lower than in the eluvial deposit, this hard rock returning 1% ilmenite and 33ppm Scandium. This area has not been assayed for Apatite or Mica at this stage although visual estimates of the Mica content are similar to the 10% assayed elsewhere in the deposit.

An arithmetic calculation of the gabbro down to a depth of 200 metres equals 21 billion tonnes at a minimum grade of approximately 35% high alumina feldspar. This equates to approximately 7.35 billion tonnes of feldspar containing approximately 2.57 billion tonnes of alumina (Al_2O_3). Diamond drilling has shown that the gabbro extends to a minimum of 350 metres in depth. Calculations using the dip of the layering suggest a depth of the gabbro in the centre of the deposit of at least 2000 metres.

6.0 Conclusion

The area subject to relinquishment is considered to hold significant potential for developing industrial mineral resources. It is being relinquished because a Mineral Development Licence has been granted over the sub-block to enable QIM to undertake further studies in preparation for a future mining operation.

This partial relinquishment of the EPM is a requirement of QIM to fulfil obligations under the *Minerals Resources Act 1989*, pursuant to the grant of MDL 355. The resources identified to date are sufficient to warrant an application for a Mining Lease, and to further develop the site.

APPENDIX 1

Drilling Hole Locations for Sub-block V-BRIS 1103

APPENDIX 2

Assay Results (Heavy Media, Modal Mineralogy and Chemical Assays) for Sub-block V-BRIS 1103 and EPM13278

Figure 1
Area Subject to Relinquishment (EPM 13278)