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27 September 2006

NEW MINERAL SAND SPOTLIGHT ON S.A.'s SURGING RESOURCES INDUSTRY

Another significant boost today for South Australia's surging minerals industry occurred with Adelaide Resources Limited announcing first resource estimates for a West Coast mineral sand project showing zircon grades among the richest in the world.

The Adelaide Resources-Iluka Resources joint venture announced today that the first total Inferred Resource for the Tripitaka zircon deposit near Ceduna had been estimated at one million tonnes of heavy minerals containing 650,000 tonnes of zircon.

"The 65% zircon content of the heavy minerals is extraordinarily high and very likely the highest in the world for an existing resource of its size or greater," Adelaide Resources Executive Chairman, Mr Keith Yates, said today.

"It is the highest discovered in the Eucla Basin to date and adds further weight to the already compelling case that the Basin is shaping up as a future world class zircon producing province," he said.

Mr Yates said the zircon proportion of the estimated 600,000 tonnes of heavy minerals in the main sector (Colona Joint Venture) of the deposit was around 390,000 tonnes of contained zircon.

That equates to an in-ground value of A\$388 million based on the current world spot price for zircon of around A\$995 per tonne, without considering the rutile content.

The Tripitaka zircon deposit is located about 100 kilometres north-west of Ceduna and is accessible by road, including 90 km of which is the sealed Eyre Highway.

Mr Yates said the joint venture parties would meet in the near future to agree on the nature and scope of studies required to determine the role that Tripitaka could play in the orderly development of the substantial zircon resources throughout the Eucla Basin.

"Although smaller than other Eucla Basin projects such as the Jacinth and Ambrosia deposits, in Tripitaka's favour is its proximity to established infrastructure and the exceptional, world-class zircon content of its mineral assemblage."

"Of course, that established infrastructure includes the possibility of shipping through the port of Thevenard," he said.

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Tripitaka deposit

The Tripitaka deposit – being appraised by the Colona Joint Venture (Iluka 51% and Adelaide Resources 49%) – was discovered by the JV Manager, Iluka, in November last year.

The deposit is located in an area more than 3 kilometres long by up to 1 kilometre wide, with the depth of sand to the top of the mineralisation generally less than 10 metres and the base of the deposit averaging about 25 metres below surface,

The one million tonnes Inferred Resource estimate announced today is based on holes drilled on a 400 metre by 50 metre grid.

Mr Yates said that in view of the exceptional zircon content in the heavy mineral assemblage a 1% HM cut-off was used in the estimation process. Similar procedures have been adopted in resource estimation for Iluka’s 100% owned Jacinth and Ambrosia deposits which both have similar geological character and setting.

The estimates were subjected to Iluka’s internal audit procedures as well as to an external audit by Snowden Mining Industry Consultants.

“The results of analyses to date, including heavy mineral grainsize and clay content, are very encouraging and indicate that the resource has the potential to generate mineral concentrates using conventional processing technology,” Mr Yates said.

Adelaide Resources is a diversified explorer with interests in SA and the Northern Territory for a range of metals including gold, copper and uranium.

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What is Zircon?

Zircon, the silicate of zirconium ($ZrSiO_4$), is a common accessory mineral in a range of igneous rocks. It is a heavy, very hard, chemically resistant mineral with a high refractive index. Because of its hardness and resistance it is widely transported in the erosion cycle where it may ultimately be concentrated in sand on marine shorelines along with other heavy minerals such as rutile and ilmenite. If these minerals are sufficiently concentrated in the sand then the resultant heavy mineral deposits may be economic to mine.

What is Zircon used for?

More than half of the world's zircon production is used in the manufacture of ceramics, including tiles, sanitary ware and tableware. In this context it is an additive to glazes to provide opacity and abrasion resistance. It also has a range of other applications such as refractory bricks for foundries, glassmaking, aluminium engine block castings and glass for television screens and computer monitors.

Zirconia and zirconium chemicals are used in a variety of high-tech industrial applications, including autocatalysts, fuel cell technology, electronics and abrasives. By virtue of its high melting point and chemical resistance zirconium metal is used in nuclear fuel rods and specialised metal alloys.

Zircon Market

The current world market for zircon is in the order of 1.2 million tonnes. Australia and South Africa are the dominant producers while Iluka Resources Limited is the largest global supplier with a 37% market share.

Since 2002 the zircon price has steadily risen in response to strong demand driven principally by the construction boom in China, which is now a major consumer along with the traditional ceramic markets of Spain and Italy. The average zircon price in 2005 rose 24% to around \$US635 per tonne while Iluka has reported a similar proportionate increase in its contract prices for 2006.

Zircon demand is forecast to remain strong, driven by consumption in developing economies such as China and India. Supply remains very tight and, until the shortage is offset by major new production sources, Iluka's reported view is that zircon prices will continue to rise. It is forecast that over 100,000 tonnes of new production may be required to cover a looming shortfall. This is the opportunity presented by the Eucla Basin.

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