

12 October 2005

The Manager
Company Announcements Office
Australian Stock Exchange Limited
4th Floor, 20 Bridge St
SYDNEY NSW 2000

by e-lodgement

Dear Sirs,

LETTER TO SHAREHOLDERS

We enclose a copy of the covering letter accompanying the Annual Report 2005, Notice of Annual General Meeting and Proxy Form that were dispatched to shareholders today.

Yours faithfully,



Christopher Reed
EXECUTIVE DIRECTOR/SECRETARY



1 October 2005

Dear Shareholder,

The past year has seen your company move from an explorer to an emerging producer, gold production commencing in December should underpin our financial requirements for the future.

During this year the Company entered into Production Joint Venture with mining contractors Kingsrose Pty Ltd to develop the Sand Queen Mine, as operators Kingsrose are currently preparing the 2 Level for development and stoping of the Sand Queen South orebody which should see the first ore broken in December.

In February the Company commenced a Pre-Feasibility Study for the production of vanadium from its Barrambie deposit. The metallurgical test-work has been extremely encouraging and the study should be completed by December, at which time the board will decide on the how best to develop the project.

In March the Company entered into an agreement with local iron ore producer Portman Limited, whereby Portman could acquire an 80% interest in the iron ore prospects at Mount Finnerty. Portman will commence this quarter an extensive mapping programme over the +500 sq.km of tenements covering the 50 km strike of Banded Iron Formation, host to their Koolyanobbing operations some 65 km west of Mount Finnerty. This surface geology combined with geophysical data will be used to generate additional targets for an extensive drilling programme early in the new year.

Your company has completed several regional exploration programmes on its projects during the year. At Comet Vale, comprehensive auger drilling has generated several highly anomalous gold, nickel and copper geochemical targets to be followed up with RC drilling later this year. Resource delineation drilling of nickel laterite has commenced, along strike from Heron Resources' Goongarrie Deposits, an inferred resource is expected to be calculated this quarter. At Mount Finnerty, the company has completed auger and RAB drilling and a ground electromagnetic survey for nickel and we expect to be RC drilling several prospective targets this November.

I feel this coming year will be an exciting time in your Company's short history and with gold production and solid joint venture operators we look forward to a re-rating by the investing community. No doubt you are aware of your Company securing a three month option over a substantial shareholding in Titan Resources Limited (ASX:TIR). At this preliminary stage we are conducting a due diligence program to evaluate Titan's nickel assets.

In closing, I must thank my fellow Directors, employees and consultants for their excellent contribution towards the continued success of your Company.

Yours sincerely,



David Reed
EXECUTIVE CHAIRMAN

