

7<sup>th</sup> September 2006

Mr. Timo Lindborg  
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Finland

Dear Sir

### **Kalvinit's Ilmenite Project – Mineral Resources**

Micon International Co. Limited (Micon) is pleased to present a Mineral Resource Statement for the Kalvinit Ilmenite Project (KIP) in Finland. The statement is based upon mineral resource models created by Micon for two deposits, namely Kairi and Koivu. In developing the Mineral Resource Statement Micon has followed the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2004), the most widely recognised international standard for reporting mineral resources.

The Kalvinit ilmenite deposits are hosted within steeply dipping gabbro and gabbronorite intrusions. The Koivu deposit occurs in a 2 km long intrusion that ranges up to 110 m wide. The Kairi intrusion is 400 m long and extends up to 50 m wide. The geological interpretations and assay databases used to generate the mineral resource models are based upon exploration work completed by the Finnish Geological Survey (GTK) and included geological mapping, rock sampling and diamond drilling.

Primary sample analysis was conducted at the GTK laboratory at Espoo, which is an ISO 17025 accredited laboratory. A limited number of samples were re-analysed at the GTK laboratory and further samples were re-submitted to an independent laboratory at Kemira. Micon has carried out a sufficient number of checks of the assay database and has analysed the quality control assay data and is satisfied that the data used for mineral resource estimation meets international standards for quality and integrity, and is representative of the Kalvinit deposits.

Micon has delineated separate massive and disseminated ilmenite zones within the gabbro and gabbronorite during the mineral resource modelling process. Barren pyroxenite dykes that crosscut the mineralised zones have been modelled separately from the ore zones. Mineral resource envelopes were interpreted for each distinct mineralised zone band separately at cut-off grades of 4% TiO<sub>2</sub> and 6% TiO<sub>2</sub> using the assay data.

Micon has estimated Kalvinit mineral resources by three-dimensional block modelling. Block model grades were interpolated using the inverse distance squared method. Three search ellipses were defined: the first ellipse with a 300 m radius was used to interpolate the grade of each mineralised block within the model wireframes. A maximum limit of three samples was used to avoid excessive smoothing of grade. A second search ellipse of 75 m radius was used to interpolate block grades utilising 3 to 6 samples from at least 2 drill holes. A third search ellipse of 50 m radius and a minimum of four and a maximum of 8 samples were used. Mineral resource blocks that satisfied the primary search criteria of 75 m were assigned to the indicated mineral resource category. All remaining blocks within the mineralised zone were assigned to inferred mineral resource category.

Bulk density was calculated on a block by block basis in the block model using interpolated TiO<sub>2</sub>% and Fe<sub>2</sub>O<sub>3</sub>% grades. The calculation was based on the correlation equation derived using the drill hole sample assays for TiO<sub>2</sub>% and Fe<sub>2</sub>O<sub>3</sub>% and specific gravity determinations on assayed core samples. The equation developed is:

$$\text{Bulk Density} = 0.018 \times (\text{TiO}_2\% + \text{Fe}_2\text{O}_3\%) + 2.6545$$

Mineral resources above a cut-off grade of 4% TiO<sub>2</sub> have been classified following the guidelines of the JORC Code (2004). A JORC Code compliant mineral resource statement is presented in Table 1 below.

**Table 1 Kalvinit Mineral Resources at 1<sup>st</sup> January 2006**

Category	Deposit	Tonnage (Mt)	TiO <sub>2</sub> (%)	Magnetite (%)	Metal Content (kt)	
					TiO <sub>2</sub>	Magnetite
Indicated	Koivu	32.16	7.8	5.0	2,494	1,617
	Kairi	6.44	10.0	9.8	645	630
	<b>Total</b>	<b>38.60</b>	<b>8.1</b>	<b>5.8</b>	<b>3,139</b>	<b>2,247</b>
Inferred	Koivu	29.99	6.7	4.5	1,998	1,358
	Kairi	0.10	7.3	7.3	8	8
	<b>Total</b>	<b>30.09</b>	<b>6.7</b>	<b>4.5</b>	<b>2,005</b>	<b>1,366</b>

Notes:

1. Mt means million metric tonnes.
2. kt means thousand metric tonnes
3. The mineral resources were estimated above a 4% TiO<sub>2</sub> cut-off grade.
4. Data is stored in Access database with results cross checked from original certificates and hard copies.
5. Geological Interpretation is based on the drill hole database and geological maps.
6. Inverse distance squared method was used to interpolate grades.
7. Bulk density was calculated using a correlation equation derived from SG determinations and the Fe<sub>2</sub>O<sub>3</sub>% and TiO<sub>2</sub>% content.
8. Indicated mineral resources are defined as those resources calculated using 3 to 6 samples from at least 2 drill holes within a 75 m search radius of the block centre. Inferred mineral resources are defined as those resources that satisfy the search criteria beyond the 75m search radius but within a 300m radius.
9. The mineral resource has been calculated following the guidelines of JORC Code (2004) with the data supplied by Kalvinit and verified by Micon International Co. Limited. The competent person responsible for the mineral resource estimate is Stanley C Bartlett, PGeo., Senior Economic Geologist and Managing Director of Micon International Co. Limited, Norwich, UK.

If you require any further clarifications of this statement, please do not hesitate to contact me.

Yours sincerely,  
Micon International Co Limited

**Stanley C Bartlett, PGeo**  
**Managing Director**

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