



22 November 2006

Chairman's Address

This is our second AGM as King Island Scheelite Ltd.

We acquired Australian Tungsten Pty Ltd, owner of the King Island Scheelite Mine re-development project, in May 2005. Since then we have completed a Feasibility Study on the project, the results of which were announced to the ASX on 3 October, 2006.

Conditions in the tungsten market remain tight, with China continuing to limit output of concentrates. Prices remain at levels that would deliver very good returns to KIS shareholders if the project were operating now. Our analysis of the market supply and demand factors suggest that the market will remain under-supplied for some years to come. The tungsten industry seems to accept that price levels of US\$150 per mtu will be required to encourage sufficient new supply to meet market requirements.

The company announced on 8 September 2006 that we have entered into a non-binding Letter of Intent with Xiamen Tungsten Ltd in relation to establishing an unincorporated Joint Venture to develop the King Island Scheelite Mine Re-Development project. The terms of the LOI provide for KIS to contribute the tenements, rights to exploit the resources on the tenements and related assets, and the Feasibility Study, while XTC will provide the capital to develop the project. Each party will have a participating 50% interest in the project, taking their 50% share of output in kind. Operating costs will be covered by each party by monthly calls.

We delivered the Feasibility Study to XTC in early October, and they have allocated resources to evaluate the study. Our technical and commercial teams have engaged in discussions with XTC with a view to finalising the Joint Venture Agreement and financing arrangements as soon as practically possible.

Our dealings with XTC have confirmed our initial impressions of XTC's considerable technical and commercial capabilities and we value the opportunity we have to work with them.

The KIS project is one of two advanced western tungsten mines approaching development. The other, Tiberon's Niu Phao project, has recently announced that their start-up will be delayed until 2009. If all goes well, KIS can commission the mill in early 2008. There are numerous other emerging projects, some in Australia, and elsewhere. However, most of these are still at a relatively early stage of development. It will take some time before these projects can enter the market.

The finalisation of the arrangements with XTC is advancing in parallel with advancement of the permitting arrangements and planning for the project. We expect that XTC will suggest some improvements to the project concept given their strong technical capability.

Both XTC and KIS are committed to responsible development, and are concerned to ensure that the interests of the local and King Island community, the people of Tasmania, and the environment are respected and dealt with responsibly.

I will now address some board and management changes. KIS appointed Nick Lambeth, formerly with Rio Tinto, as CEO and Nick commenced his duties in early October. We are delighted to welcome Nick into the company, and look forward to working with him to develop the project and to build the company.

Insofar as the Chairman's role is concerned, I will step down as Chairman effective at the end of today's AGM, and Tony Haggarty will assume that role.

Tony will be well known to most of you here as the primary driver behind the successful Excel Coal Ltd company which has recently been taken over by Peabody Coal in a manner that has delighted all Excel Coal shareholders. Tony, along with the other founding Excel Coal shareholders, is a significant shareholder of KIS, and I am sure that the company will prosper under his guidance.

I plan to remain a director of the company, for the time being.

In closing, I would like to thank our capable project team led by Project Manager Rob Yeates. We have been fortunate indeed to access such a capable team to advance the project at a time when demand in Australia for such talent is intense. Rob and the team can be proud of the project, and I am sure look forward to it being successfully developed.