



3 October 2006

ASX Announcement

King Island Scheelite announces results of Feasibility Study

King Island Scheelite Limited (ASX:KIS) today announced the results of the Feasibility Study for the King Island Scheelite mine re-development project. This Feasibility Study has been carried out over the past 16 months since KIS completed the acquisition of Australian Tungsten Pty Ltd. KIS is the 100% owner of the project.

KIS has invested \$4 million in the Feasibility Study and drilling programme over that period.

Feasibility Study

The Base Case for the project provides for the establishment of a mine and mill complex with capacity to treat 600,000 tpa of tungsten bearing scheelite ore produced from an open pit mine.

In April 2006, KIS released the results of a resource assessment prepared by AMC Consultants that demonstrated the presence of a resource of 13.4 million tonnes grading 0.64% WO₃ potentially recoverable from an open pit mine to a depth of 308 metres below sea level.

The mining plan developed for the Feasibility Study provides for the initial development of an open pit mine to a depth of 180 metres. As further information becomes available during operations together with more detailed design for waste disposal, it is expected that the mining operations will continue to the -248 metre pit subject to obtaining the necessary approvals for the expanded pit requirements at that time. The initial pit will permit the recovery of 6.8 million tonnes grading 0.55% WO₃ over a projected mine life of 10 years.

Selective mining will be practised to maximise the grade of ore presented to the mill over the early years of the project. Lower grade material will be separated and stockpiled for treatment after the mining operations have ceased.

Annual output (WO₃) from the project will range from 100,000 mtu up to a peak of 500,000 mtu, averaging 300,000 mtu over the first ten years of operation. Fluctuations in output reflect changing ore grades as successive high grade or lower grade parts of the deposit are mined.

Overall strip ratio for the initial pit is 8 to 1 on a bcm of ore to bcm of waste basis. Dilution assumption is 10%.

The mine extends the existing open pit mine eastwards toward the sea. The pit will be protected by a sea-wall and reclamation area using overburden from the open pit mine. It is intended to make available to the Tasmanian State Government some of the overburden produced should they decide to build a new breakwater and port to augment the small existing port that was developed using overburden from the open pit mine that operated from 1917 to 1973.

Water ingress to the pit will be controlled by construction of a low permeability "cut-off" wall protecting the perimeter of the pit, using technology widely used around the world in similar situations in civil construction.

The mill will be a 600,000 tpa plant comprising crushing, high pressure grinding rolls, finishing ball mill, gravity section, magnetic separation, and flotation plant.

Tailings from the concentration process will be placed in a tailings dam to be built on top of the old KIS tailings dam.

The anticipated start-up capital cost of the project totals \$85 million. This covers the cost of the mining equipment, mill, associated site requirements, cut-off wall to protect the pit and project costs. In addition, up to \$15 million will be spent on pre-strip over the first year to open up the mine.

In order to restart the mine, approvals and licences are required from the Federal, State and Local Government authorities. To date, mine permit conditions have been issued by the relevant Tasmanian State Government authority. This permit is subject to further approval from the King Island Council, which is also the authority responsible for granting development approval. The Council is well advanced in its assessments of the project application. The Federal government's Department of Environment and Heritage is also well advanced in its assessment of the proposal. Outcomes of these assessments are expected by year-end.

The plant will produce marketable scheelite concentrates with an average grade of +65% WO₃. These will be shipped to market in 20 tonne containers from the King Island port, immediately adjacent to the mine.

During the construction stage of the project, KIS expects that there will be 150 people working on the project. Approximately 100 people will be employed once normal operations are achieved. The workforce will be accommodated in current and new housing in the Grassy township and elsewhere on the island. Some additional temporary accommodation may be required during the construction stage.

Power will be provided by independent contractors using diesel powered generating sets.

Project Economics

Over the first ten years of the mine life, cash operating costs are projected to average A\$40 to \$45 per tonne of ore treated. This translates to an average of US\$65 to US\$75 per mtu of WO₃ produced.

One of the most challenging aspects of the Feasibility Study relates to the appropriate long-term tungsten concentrate price to use for project valuation. There is considerable uncertainty regarding the likely mine-life price. Over the last 12 months the weekly tungsten concentrate price, as quoted by Metal Pages, an industry news service, has averaged US\$200 per mtu WO₃, but has ranged from approximately US\$150 to US\$250 per mtu WO₃. The current market price is approximately \$220 per mtu.

KIS, in collaboration with Xiamen Tungsten Corporation of China (XTC), its planned Joint Venture partner, is also evaluating opportunities to optimise the project configuration and development plan. This work has shown that there is potential to considerably enhance the project economics. However, these optimisation studies require further work and are not included in the current Feasibility Study.

Outlook

The next steps in advancing toward development of the project are:

- Finalisation of the Joint Venture between XTC and KIS
- Finalisation of the Feasibility Study after XTC's review
- Finalisation of required Development Approvals
- Finalisation of financing arrangements.

The project timetable provides for these steps to be completed by the end of December this year. If Financial Close can be achieved at this time, it is expected that detailed design and construction can be completed during 2007, with commissioning and first concentrates being produced in late 2007 to early 2008.

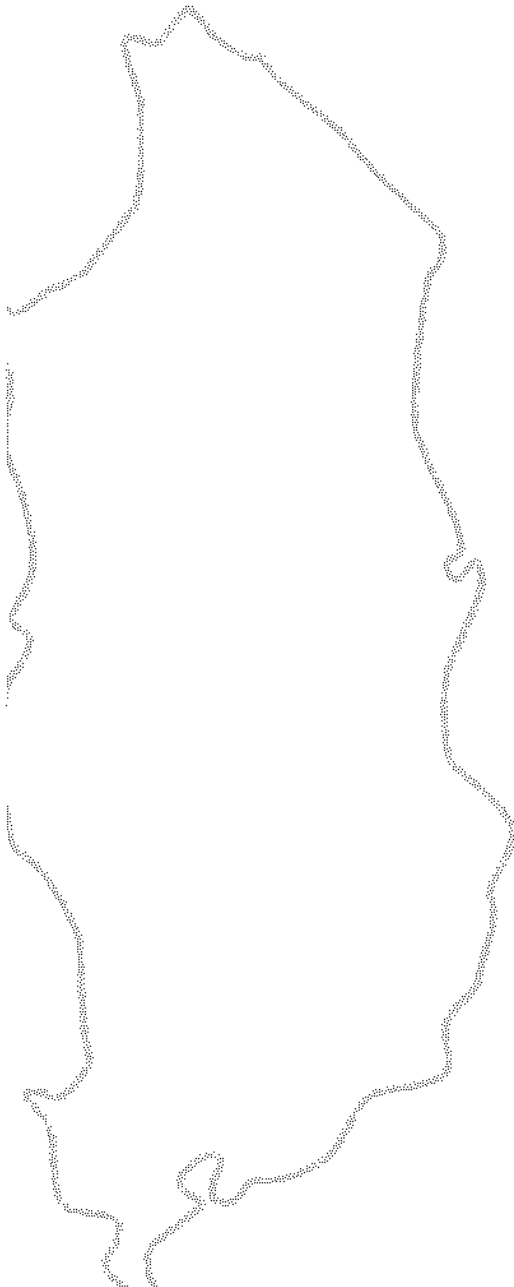
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For additional information about King Island Scheelite please visit the company's website – www.kingislandscheelite.com.au

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