

10 February 2006

KING ISLAND SCHEELITE



ASX Announcement

KING ISLAND SCHEELITE LODGES DEVELOPMENT PROPOSAL FOR KING ISLAND PROJECT

King Island Scheelite Limited (ASX:KIS) today announced it has lodged a Development Proposal and Environmental Management Plan (DPEMP) with the King Island Council and the Tasmanian Department of Primary Industries, Water and Environment (DPIWE), for the redevelopment of the King Island Scheelite Mine on King Island in Bass Strait.

As previously announced, the King Island Scheelite Mine Redevelopment involves the reopening of the previously closed and rehabilitated mine to make it a fully operational open pit mine. Long-term there is the potential to develop into an underground mining operation out of the pit bottom.

Processing on-site and a nearby tailings dam will be established in the initial stages of redevelopment.

KIS aims to commence construction of the mine in 2006. It is envisaged that production will commence in early 2007, at a mining rate of approximately 600,000t of ore per annum and life of approximately ten years with the potential to extend to 20 years depending on further exploration and planning.

The mine could be expected to employ more than 75 mine and plant workers and contribute significantly to the economies of King Island and Tasmania.

The potential benefit of a new Grassy Port is not part of the current proposal but the development of a new port could be advanced in tandem with the mine redevelopment.

Due to the nature and scale of the mine redevelopment, the project will be formally assessed by the Tasmanian Department of Primary Industries, Water and Environment (DPIWE) and the Commonwealth Department of Environment and Heritage (DEH). The DPEMP is also available to the public, which has the opportunity to make representations relating to the application.

The DPEMP lodgement follows more than 10 months of detailed mine planning and environmental impact studies. The biophysical, cultural and community impacts have been assessed and are summarised along with commitments for the management of these impacts.

"King Island Scheelite is committed to developing and operating the proposed mine redevelopment in a responsible manner with respect to the environment and local communities," KIS Chairman Mr Ray Soper said.

"This includes not only meeting the specific regulatory requirements of the relevant agencies, but where possible and appropriate, achieving best practice environmental management for mining.

"As already discussed with the local community, we are committed to working closely with the community of King Island to ensure any concerns (environmental, economic and social) regarding the mine redevelopment are adequately addressed.

"We consider ourselves to be an integral part of the island community and wish to become 'good neighbours' to the Grassy Township.

"The potential environmental impacts that may arise from the mine redevelopment are detailed in the DPEMP. Appropriate actions and procedures have been committed-to, which will be instigated to prevent and/or minimise these impacts," he said.

KIS will continue to communicate openly with the community throughout the life of the mine through a variety of forums, including the Community Consultative Committee, so that any issues of concern are quickly and effectively addressed.

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About the King Island Scheelite Development

King Island is located about 140km off the northwest corner of Tasmania between 390 35' and 400 09' S and 1430 52' and 1440 08'E in Bass Strait.

Scheelite was discovered at Grassy, King Island by Tom Farrell in 1911. Between 1917 and 1920, a small mine and plant operated on the site. The operation expanded in 1942 for the supply of tungsten during the war effort. After a short care-and-maintenance period, between 1958 and 1960, production recommenced along with further exploration leading to the opening of the Bold Head mine in 1972 and Dolphin mine in 1973. Peko-Wallsend acquired the company in 1970 and changed the name to King Island Scheelite Ltd. In 1974, mining proceeded underground and the open pit closed. Underground mining continued until 1990 when depressed prices led to closure.

During this significant period of mining history, approximately 6.5MT of ore were mined from the open cut and 2.5MT from the underground mine for approximately 75,000T of concentrate. Decommissioning of the mine between 1990 and 1997 included removal of all plant and building infrastructure with burial of some foundations and the pit was allowed to flood with groundwater.

In June 2005 under a retention licence, King Island Scheelite Ltd (KIS) commenced drilling to prove the ore body and a feasibility study was commenced. A pre-feasibility study to investigate viability of a mining and processing

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operation was undertaken during 2004. Environmental baseline surveys of the mine site were also undertaken in 2005, the results of which have been used to develop an environmental management plan for the project.

The potential benefit of a new Grassy Port is not part of the current proposal but the development of a new port could be advanced in tandem with the mine redevelopment. It is noted that in 1972, overburden from the open pit was used to develop a breakwater and port complex that now comprise the Grassy Harbour. King Island residents are well aware of the beneficial impacts of this development on the now thriving dairy and beef industries. The current Grassy Port was developed to accommodate the 750T ship that then serviced the island. Grassy is now serviced by a 4,000T ship and the port is strained to accommodate it. Shipping costs (fuel for power generation, motor vehicles and supplies) are higher on King Island due to the less than optimal size of the ship.

The development of the open pit mine at Grassy will provide an opportunity to develop, at a low cost, a new breakwater and port that can accommodate substantially larger ships, which already service other ports in Bass Strait. Larger ships could enable the development of bulk tonnage silica sand mining, ilmenite exports and lower costs of fuel, supplies and transport of island beef and dairy exports.

