

Annual Report 2002

Australian Tungsten Pty Ltd

Joint Annual Report for EL19/2001 and RL2/1998

Note: Joint reporting for these tenements has been adopted, with permission of MRT, as the anniversary dates are 14 December and 18 December, respectively.

The year to December, 2002 saw substantial progress in commercialising the tungsten (scheelite) resource on King Island. ATPL acquired RL2/1998 by virtue of the King Island Scheelite Sale Agreement from North Mining Ltd in February 2002. Tenement transfer was approved by the Minister in June 2002.

The period was characterised by depressed tungsten prices, however, Australian Tungsten Pty Ltd (ATPL) still managed to discuss the mine's re-development with several large tungsten consumers. Tungsten has no terminal market, so any new source of supply requires customer support before it can be brought into production. On the basis of discussions to date, ATPL is confident it will secure sufficient support to underwrite the capital investment required to re-open the King Island tungsten mine.

Marketing activities during the half year included presenting details of the proposed development to various potential customers, discussing development scenarios and financing structures and reviewing possible commercial arrangements.

Directors have prepared a scope of work for a \$3.5 million work program over 12-18 months. This program includes exploration, feasibility studies, environmental review and financing negotiations and upon a successful completion should allow ATPL to begin a commercial mine development. Directors have prepared a scoping study detailing possible project parameters including capital costs, operating costs and preliminary treatment plant design. This study is currently being used in marketing and preliminary financing discussions.

Exploration expenditure in the year to date has been confined to data and literature review, target selection, budgeting and planning. No site exploration expenditure has been incurred.

Proposed Exploration Program

As part of its feasibility study, ATPL proposes the following exploration program commencing with the extension of mineralised bodies adjacent to the decline, viz

Southern and Decline orebodies. A program of four holes with two wedges from each hole will test these established mineralised positions.

The postulated extensions Teredo and Window, which lie along the Grassy River Fault to the south-east, will be tested by one hole each (plus two wedges from each hole) from a drilling position on the Grassy Harbour breakwater. This drilling location has been previously suggested by Brown (1982) "An assessment of the overall tungsten potential of King Island" (KI/82/3).

The estimated all-in cost of this work is as follows:

Southern/Decline prospects:	\$720,000
Window prospect:	\$258,000
Teredo prospect:	\$236,000
Total:	\$1,214,000

For the Bankable Feasibility Study (BFS), ATPL plans to commission a consultant to digitise and review the existing data set and prepare detailed orebody models, at an estimated cost of \$100,000.

This work will lead into the drilling program at Grassy.

Following the drilling and results interpretation, ATPL will begin mine design and detailed technical studies.

Environmental permitting work will be conducted on a parallel track with the on-site exploration. ATPL plans to use one consultant to manage all site aspects of the BFS.

Total expenditure for the year to date is as follows:

Peter Gibson 225 hours @ notional \$100 per hour	\$22,500
Robin Morritt 50 hours @ notional \$100 per hour	\$5,000
Travel (PER-SYD)	\$503
Travel (PER-KI-HOB)	\$1920
Accommodation et al (TAS trips)	\$3151
Accommodation et al (SYD)	\$414
Tungsten Conference Papers	\$1821
Rent	\$2626
Total	\$37,935

As ATPL is owned by parties associated with its two directors, the directors have, for the time being, elected to devote their time at a notional cost to ATPL.

Peter Gibson
Director
Australian Tungsten Pty Ltd
10 December 2002

