

Annual Report

Australian Tungsten Pty Ltd

Annual Report for EL16/2002

The twelve months to May, 2004 saw substantial progress in commercialising the tungsten (scheelite) resource on King Island. The period was characterised by rising tungsten prices which has aided Australian Tungsten's efforts. EL 16/2002 covers the postulated seaward extensions of the tungsten resource at Grassy.

Directors have prepared a plan for a feasibility study with a budget of \$3.5m. This program includes exploration, further technical studies, mine design, environmental permitting and detailed financing negotiations. The company plans to begin this work by mid 2004, after finalising offtake arrangements in the first half of 2004.

Upon successful completion of the bankable feasibility study, ATPL plans to begin mine construction. Assuming the BFS can begin by mid 2004, the mine could enter production in mid-late 2006.

As part of its feasibility study, ATPL proposes to test the Teredo and Window targets, which lie along the Grassy River Fault in EL 16/2002. Each will be tested by one hole plus two wedges from each hole using drilling positions 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:

Window prospect:	\$258,000
Teredo prospect:	\$236,000
Total:	\$494,000

Site activities have been limited to inspections by ATPL directors, potential customers and interested parties. No site exploration work has been conducted as the marketing and pre-feasibility studies have taken priority. Site work is not expected to begin until the bankable feasibility study begins. Exploration work has been confined to literature review, data compilation, target selection, cost estimation and budgeting.

Total expenditure for EL16/2002 for the period under review, including directors' time at a nominal rate, was \$2,000.

Peter Gibson
Director
Australian Tungsten Pty Ltd
21 March 2004