



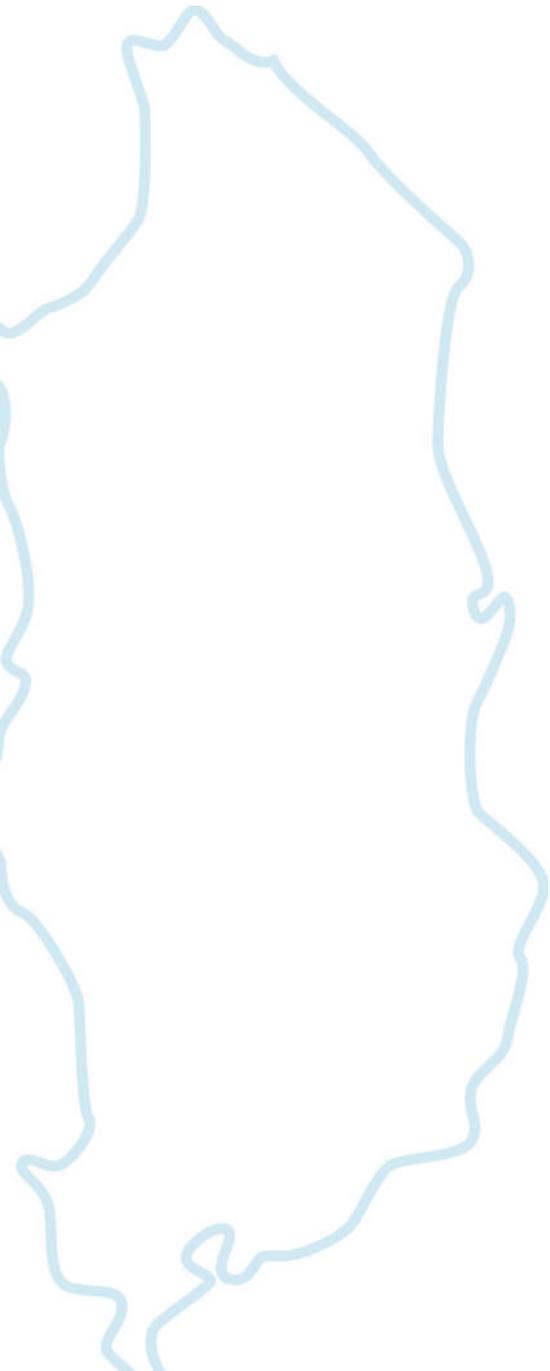
# **KING ISLAND PROJECT**

**EL 16/2002**

# **ANNUAL REPORT 2007**

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## 1. Summary

The scheelite deposits at Grassy on King Island were mined from 1917 through to 1990. In 2005 King Island Scheelite Limited commenced a programme of assessment to determine if the deposit could be viably re-opened as an open cut operation. This programme led to a feasibility study completed in September 2006 that confirmed the viability of a new operation based on higher prevailing tungsten prices.

EL 16/2002 lies adjacent to the known scheelite deposits to be mined during the proposed new operations. The rock formations that host the known deposits are interpreted to continue in a southerly direction and at depth into EL 16/2002. Extensions of the deposit into the EL represent a long term opportunity to develop an underground mining operation accessed from the bottom of the ultimate pit.

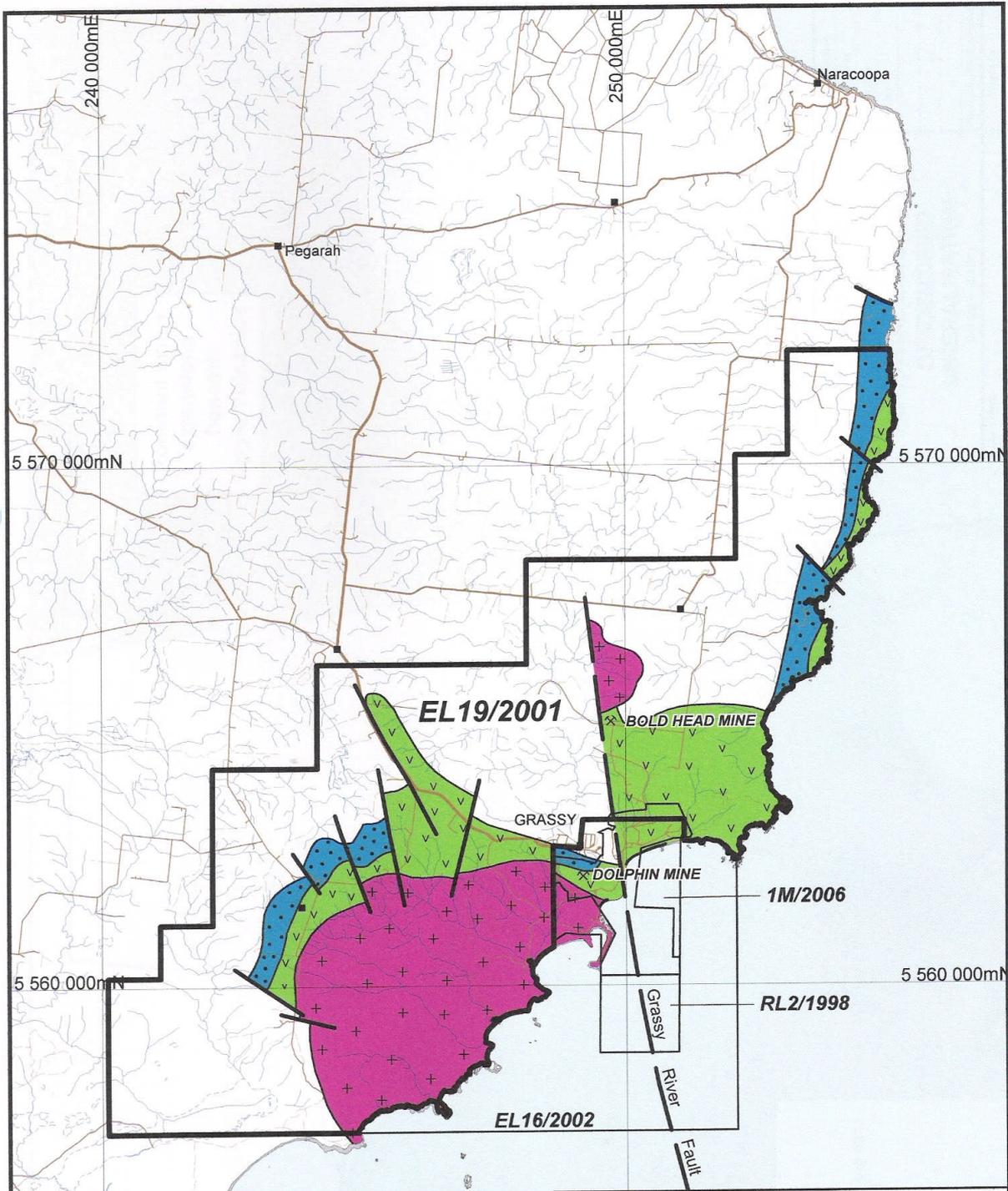
Once the final decision is made to proceed with the re-development of the open pit, the direction of exploration in EL 19/2002 will be determined. However, it is anticipated that interpretation of existing data, together with further aeromagnetic survey work will be undertaken in 2007, with an estimated cost of \$50,000.

## 2. Tenure

EL 16/2002 is held by Australian Tungsten Pty Ltd, a wholly owned subsidiary of King Island Scheelite Limited, and covers an area of 18 square kilometres.

The EI was granted for metallic minerals, and has a final date of 9<sup>th</sup> of May 2008, subject to extension.

The licence lies entirely off shore to the south east of Grassy, and the land tenure is Crown Land and Crown Land – Tasmanian Territorial Waters.



**LEGEND**

Mine Series Rocks

- Upper-Volcanics
- Calcareous Sediments
- Carboniferous Granite

Topo base data supplied by the LIST - [www.thelist.tas.gov.au](http://www.thelist.tas.gov.au)

**KING ISLAND SCHEELITE LIMITED**

**KING ISLAND PROJECT**

**EL 19/2001**

**LOCAL GEOLOGY**

DATUM = GDA94

Scale: 1:100,000

0 1 2 4 km

Compiled: L. Newnham
Drawn: G. Bennett
Date: 28/03/2006
Revisions:
File: KI Tenement Base.wor
Figure No 4

### **3. Exploration Objectives**

The mineral principal target in EL 16/2002 is scheelite ore. The previous mining operations from 1917 to 1990 in the adjacent area produced 9.7 Mt of ore, averaging 0.65% WO<sub>3</sub>. This was from a combination of open pit and underground mining in the Dolphin deposit, and in addition underground mining from the nearby Bold Head mine yielded 2.5 Mt averaging 0.85% WO<sub>3</sub>.

Given the substantial recovery in tungsten prices over the past few years King Island Scheelite Limited is proposing to re-open the Dolphin mine as an expanded open cut operation. This could potentially have a life of 20 years. If economic ore resources are found in EL 16/2002 it is possible that they could be accessed by establishing a decline at the bottom of the pit once it reaches its ultimate depth.

The Grassy area is underlain by a sequence of NeoProterozoic – Lower Cambrian sediments which is a younger sequence than that found in the rest of King Island. Overlaying this is a sequence of mafic volcanic rocks. These formations were intruded in the Lower Carboniferous period by a granite, resulting in extensive metamorphism and metasomatism, as well as folding and faulting in the sediments and volcanics. The alteration resulted in the formation of garnet-pyroxene skarns, which bear scheelite mineralisation. These occur primarily in two carbonate beds, referred to as the B and C lenses.

The Grassy River Fault which trends NNW terminates the skarns to the east, and is thought to have controlled both the nature of the granite intrusion as well as the mineralising fluids.

During previous underground mining operations exploration activity was undertaken to identify mineralisation between the Grassy River Fault and the North South trending Decline Fault. These faults diverge as they enter EL 16/2002. This activity confirmed the existence of mine series rocks between the two faults, but it was not pursued to any great degree due to the deteriorating state of the tungsten market and the pending closure of the mine.

The potential for discovery of resource within EL 16/2002 is dependent on the relationship between the granite intrusion, and the Decline and Grassy River Faults. If mine series rocks have been regionally domed up by the granite intrusion they may well exist on the south side of the granite in a structural setting very similar to the Dolphin deposit.

### **4. Work Completed 2006-2007**

The major focus of King Island Scheelite over the past two years has been to produce a feasibility study on the proposal to re-develop the Dolphin mine. This has involved a number of studies including extensive core drilling, resource and reserve estimations, metallurgical test work, mine design and scheduling studies, civil engineering reviews, marketing studies and environmental investigations. This has

led the company to conclude that the project is feasible, and is now attempting to procure finance and off take agreements for the product.

No active field work was undertaken during the year on EL 16/2002, although some limited assessment was made of the data at depth in the South section of the Dolphin mine. This work has highlighted the potential for additional resource discovery in the area.

## **5. Work Planned 2007-2008**

It was originally planned to fly an aero magnetic survey of EL 16/2002 in the first quarter of 2007. However, limited availability of aircraft prevented this from occurring. This is scheduled to be completed during the second quarter of 2007, with an estimated cost of \$50,000.

Follow up work will be undertaken with the results of the survey.

