

To: Simon Bird; Chief Executive Officer; King Island Scheelite Limited.

From: Warwick Crowe, Roger Miller and Jennifer Biddlecombe; Interpretation Department; Fugro Airborne Surveys (FAS).

Date: March 17th 2010.

Subject: Interpretation revision due to newly available geotechnical data with respect to the 2008 technical report: '*Geological Interpretation of Airborne Magnetic and Radiometric Data, Grassy, King Island*' prepared by Fugro Airborne Surveys.

Introduction

Between November 2007 and March 2008, Fugro Airborne Surveys (FAS) acquired high resolution airborne magnetic and radiometric survey data for King Island Scheelite Limited, over the Grassy region as part of a regional mine exploration program. Interpretation of this data set was completed by FAS in May 2008 with the objectives:

- To help identify the structural and lithological associations in the region as well as to investigate for possible extensions of the known mineralization.
- To determine depth estimates to magnetic basement over the area east of the pit including the old 'sea dump'.

Further details of this survey and its results can be found in the 'Technical Report on the Geological Interpretation of Airborne Magnetic and Radiometric data, Grassy, King Island', May 2008.

In February 2010, additional geotechnical data was provided to FAS, in order to reassess and further develop the original local interpretation. This brief memo provides the revised results.

Provided Data

The data supplied from Coffey's comprises construction and mining engineering data, geological modelling data and drill hole logs. Primarily this revised interpretation utilises the G### series drill hole data, presenting detailed lithological and structural data to the east of the pit.

Revised Interpretation Summary

The magnetic data resolution at the detailed scale of investigated at the eastern end of the pit was inadequate (at best ambiguous) for the reliable identification of lithostructural features and relationships. The lithological and structural information from the drill hole logs was used to provide constraints and clarity for a revised interpretation of the magnetic data (refer to Figure 1; Revised Local Interpretation and Figure 2; Revised Regional Interpretation).

The drill hole data was initially used in order to calculate average dips and orientation of bedding. Two 'marker beds' were firstly identified (the base of the Upper Volcanics and the base of the B Lens Skarn) that were commonly present within the drill hole logs. The purpose of the dip calculations, assessed in conjunction with the intersection depth of the marker contacts, was to identify incongruous relationships which would help define the position of faults. Calculations are illustrated within Figures 3 and 4.

Interpretation amendments and clarifications:

- Within the interpretation the Upper Volcanics member (Psv1) has been separated from the rest of the Mine Series (Pss1), primarily based on the ability to discriminate the relatively higher magnetic character of the volcanics from the lower mine series.
- The 'Northern Boundary Fault' has been reattributed as a thrust fault. This structure is relatively late and associated with the thrusting of the Naracoopa Group (Prp1) over the North dipping limb of the mine sequence (Upper Volcanics - Psv1a₁) and lower Mine Series (Pss1).
- Drill hole data provided additional verification of outcropping mine sequence (Pss1), located just south of the 'Northern Boundary Fault' which suggested the presence a thrust splay from the main structure to accommodate the juxtaposition of the lower mine sequence units against the upper volcanics.
- Additional late east-west trending minor faults were located from identification of incongruous dip results and depth intersections determined from the drill hole logs.

- Drill hole data provided further constraint of the location of known faults; and relocation of the previously labelled 'Wedge Fault', 'Grassy River Fault' and 'Decline Fault'.
- Granitic dykes within the drill hole logging are considered to indicate the presence of additional faulting within the sequence which could not be identified and resolved within the geophysical data at this scale.

To note:

- Structure to core angle data would have aided significantly with this revised interpretation, allowing more reliable structural dips and orientation to have been calculated.
- Drill log data in drill cores G040, G041 and G042 were absent. This data is important to confirm the presence of the Naracoopa Group (Prp1) to the north of the pit and the nature of its southern contact with the mine series.
- Differentiation between the individual Mine Series members and Upper Volcanic members was beyond the resolution of the data. This resolution also hindered contact location identification at this scale.
- Drill hole data did not provide adequate control in order to constrain the major anticlinal hinge of the mine series.

**Revised interpretation of the Grassy region, King Island.
Detailed area adjacent to pit, displaying
drill hole locations.**

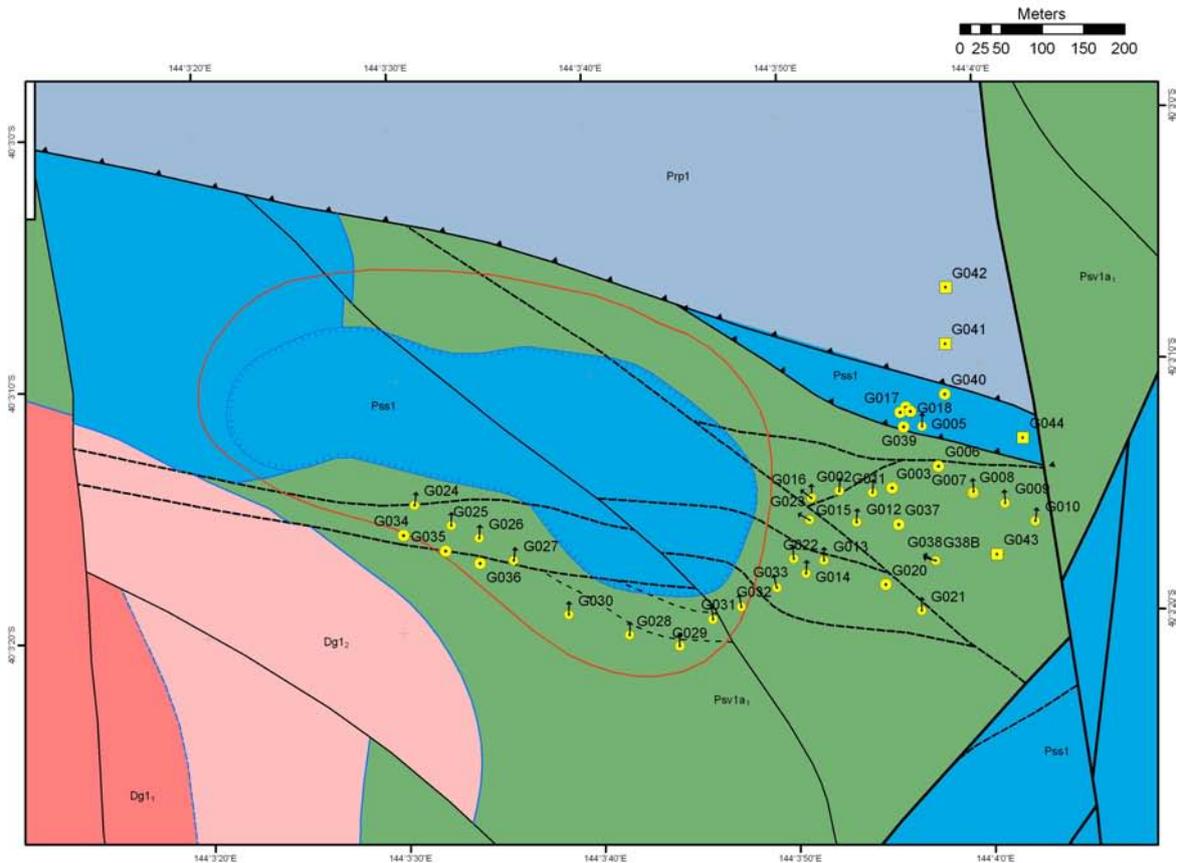
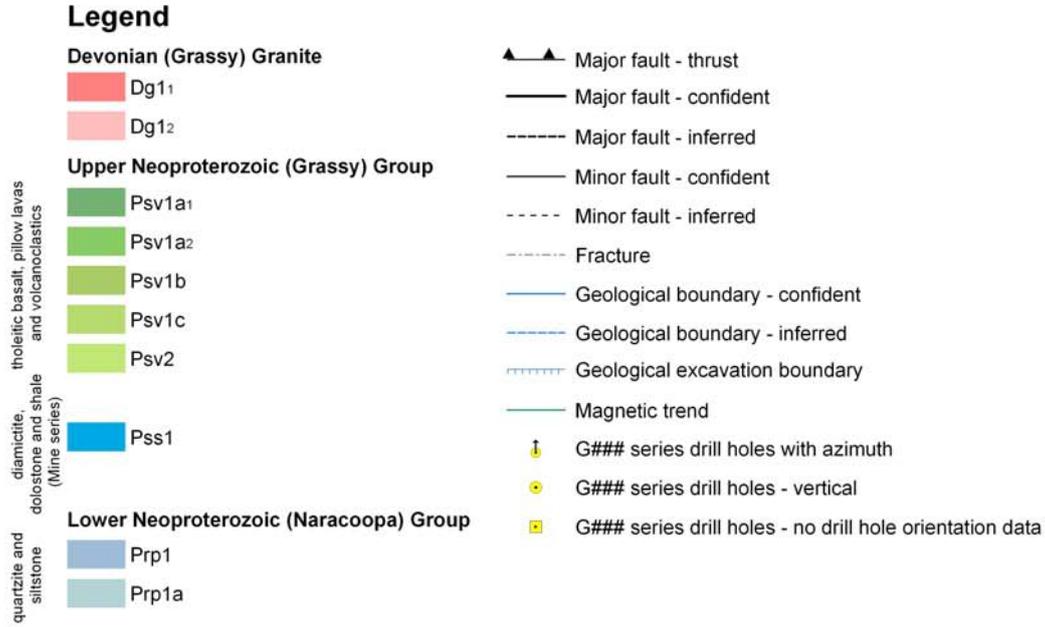


Figure 1: Revised local Geophysical Interpretation incorporating additional results acquired from drill hole data and drill hole localities.

Revised Interpretation of the Grassy region, King Island.

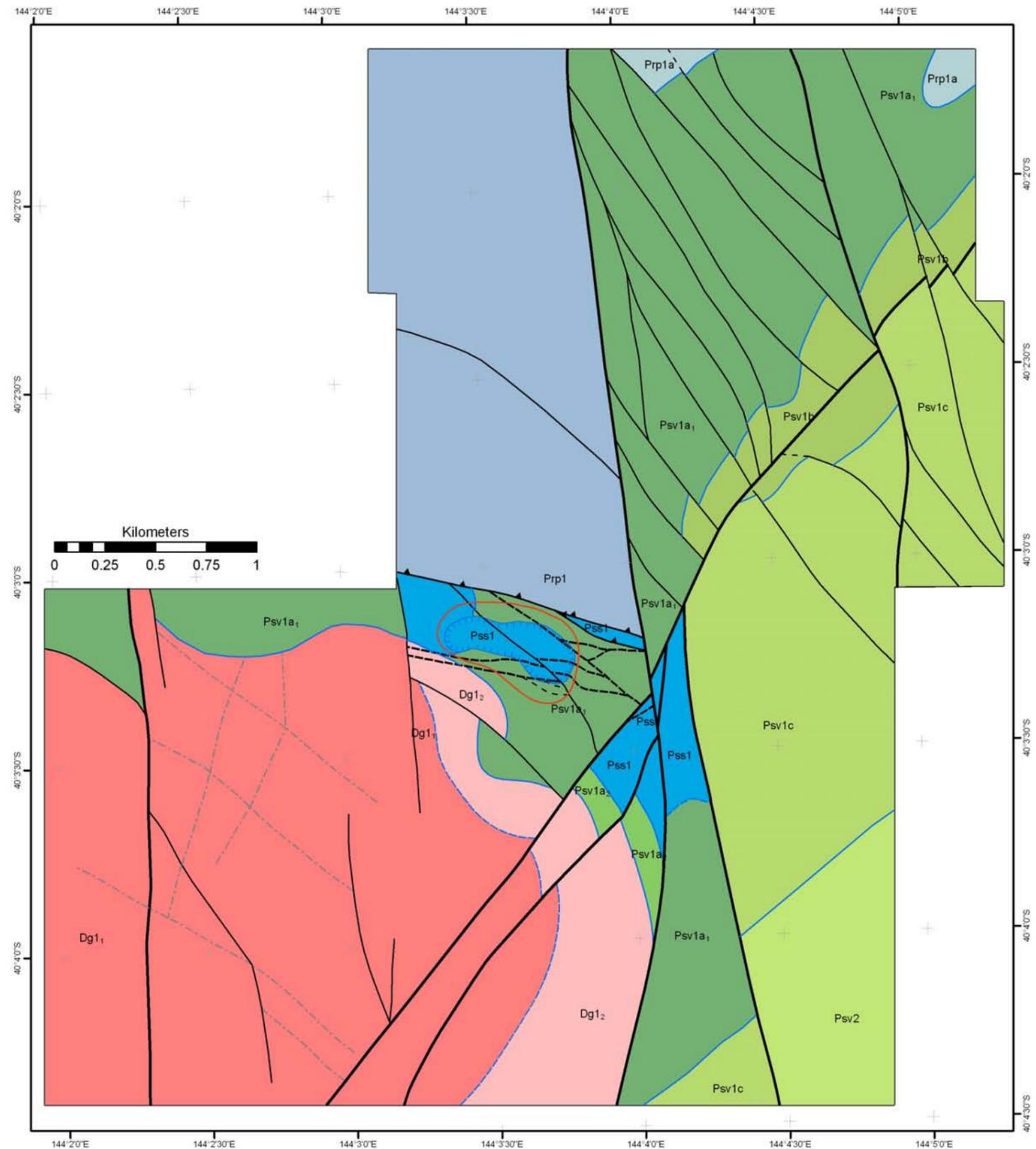
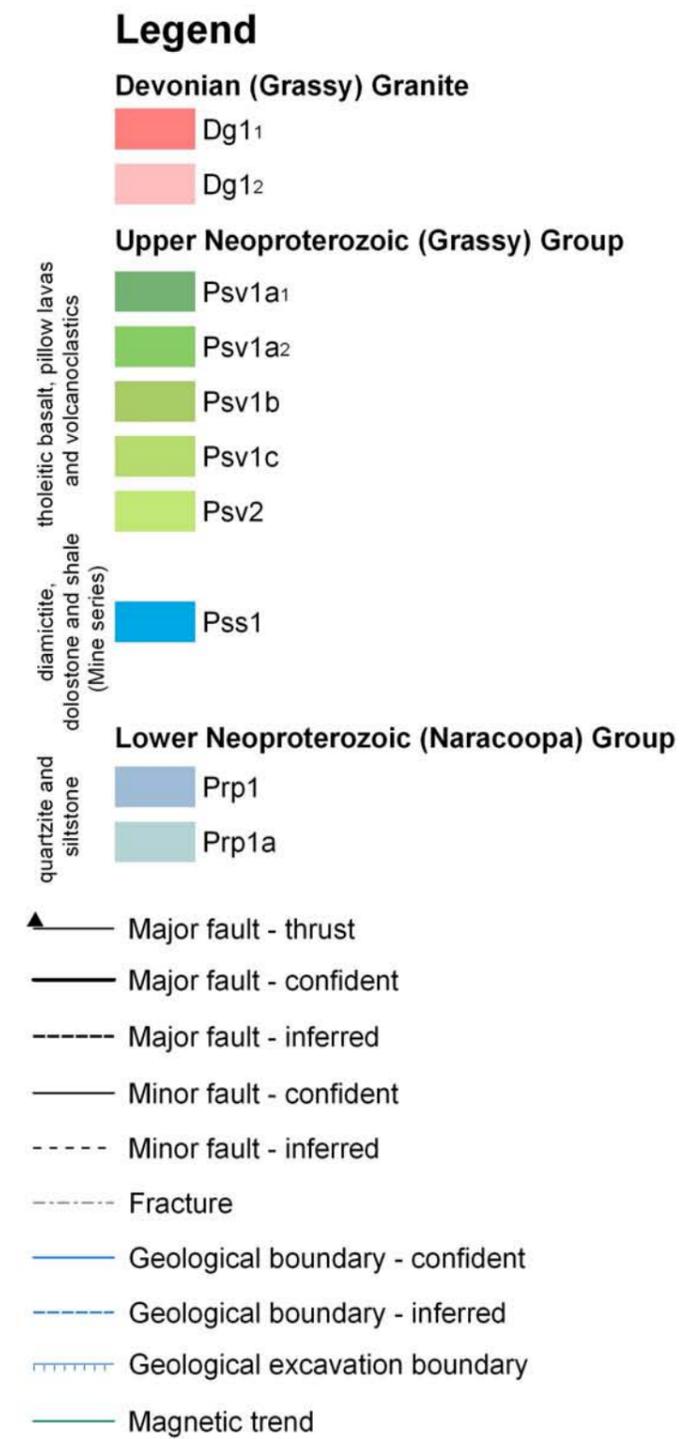


Figure 2: Revised regional Geophysical Interpretation incorporating additional results acquired from drill hole data.

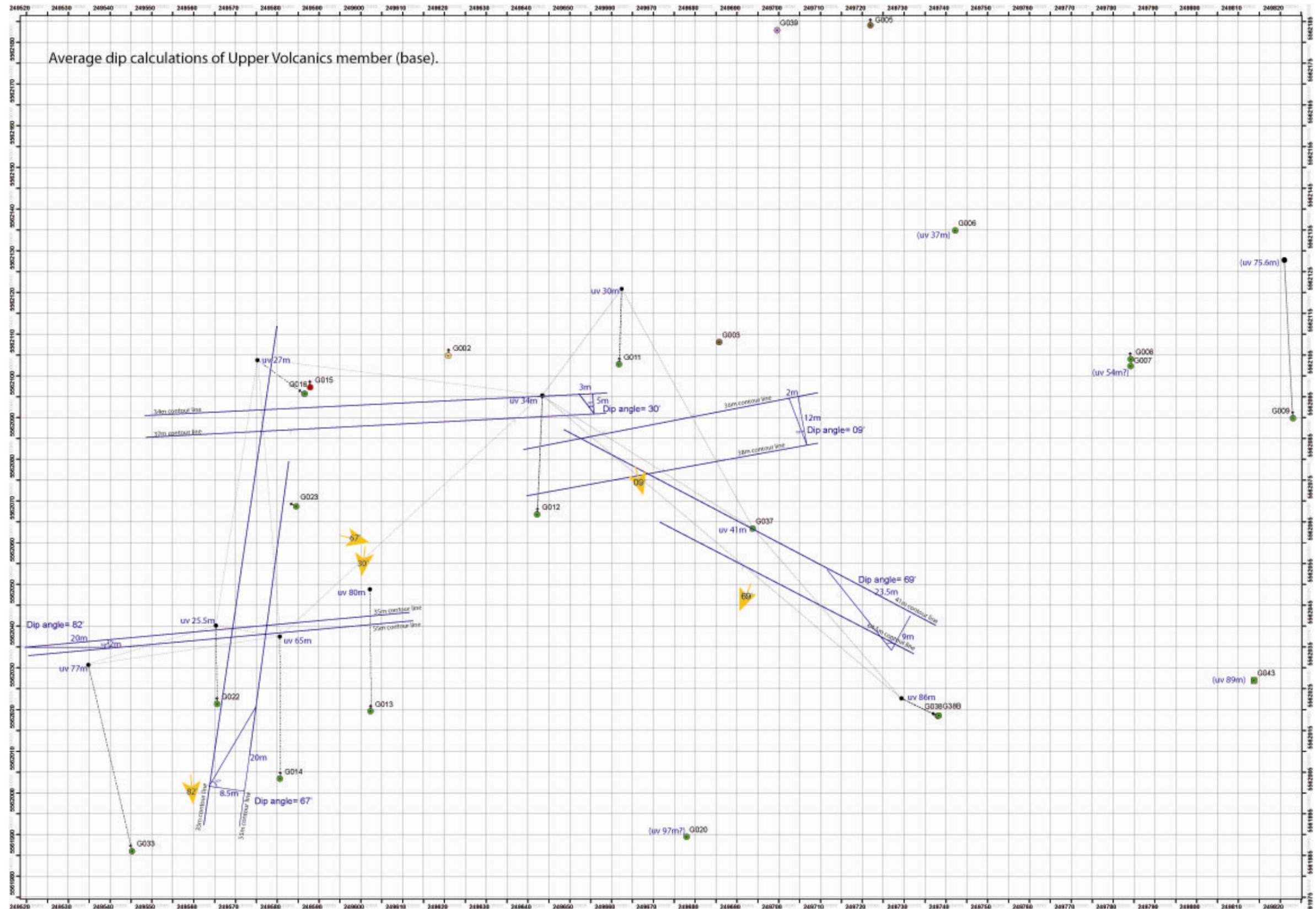


Figure 3: Average dip calculations of the Upper Volcanics member. Dips are centrally located in relation to the contributing drill holes.

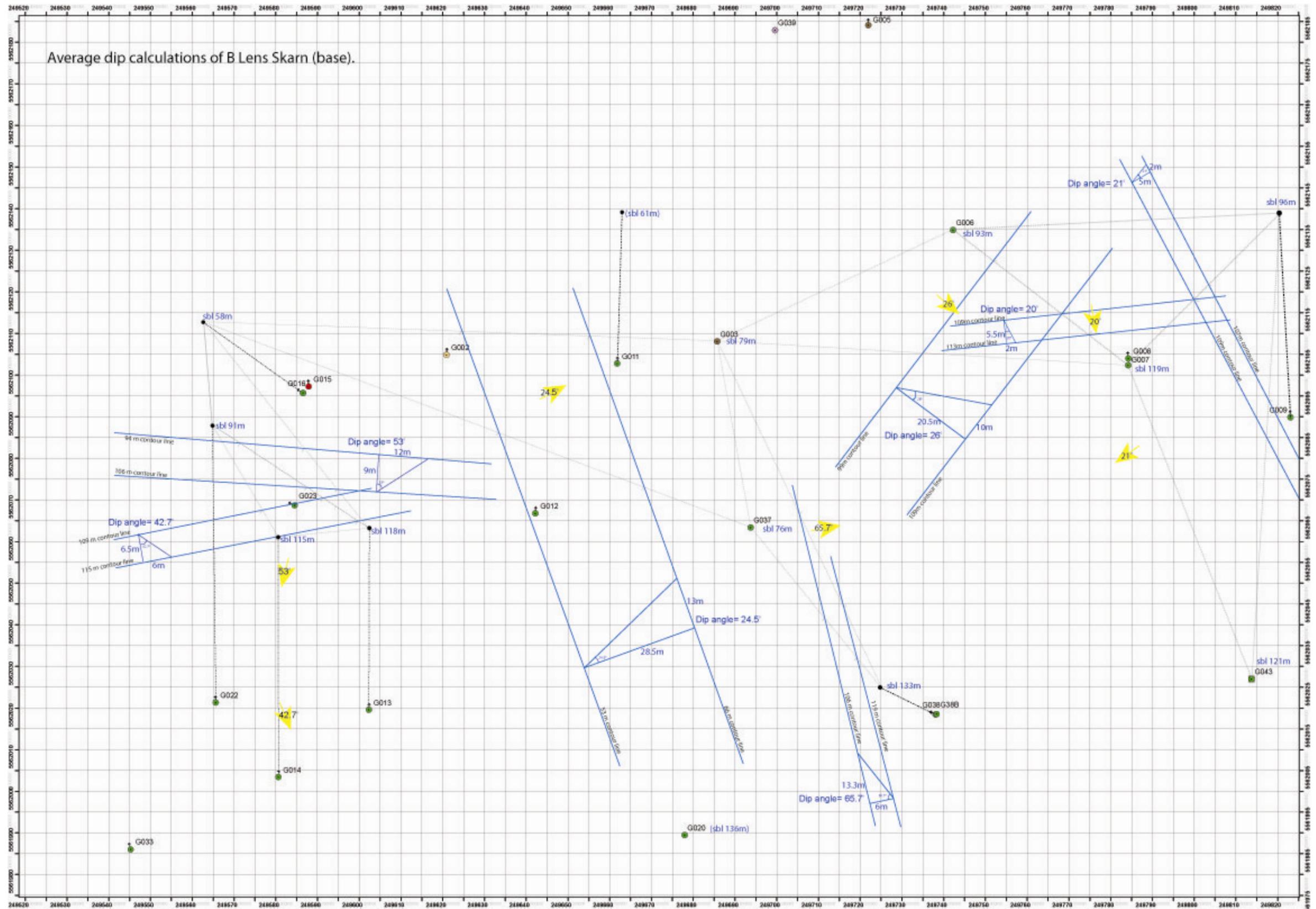


Figure 4: Average dip calculations of the B Lens Skarn member. Dips are centrally located in relation to the contributing drill holes.