



21 November 2007

### **Chairman's Address**

Welcome to this, our third AGM as King Island Scheelite Ltd.

The year just passed has seen a number of significant milestones achieved towards developing the Company's flagship project, the King Island scheelite mine. In September 2006, a Feasibility Study was finalized that demonstrated the attraction in redeveloping the mine.

In the first quarter of 2007, the Company received all of the development approvals necessary from the King Island Council, the Tasmanian and Federal Governments. These approvals highlight the responsible direction taken by KIS in the areas of community relations and environmental management.

In August the Company announced that it had entered into a Principles of Agreement with Hunan Nonferrous Metals Corp, in which the two companies intend to develop the King Island mine by creating a 50/50 joint venture. A substantial benefit to KIS is that Hunan would provide debt funding for KIS's share of construction and development costs. It is also intended that approximately 4.5 million shares in the Company would be issued to Hunan at \$1.00 per share and that a Hunan representative would be granted a seat on the Company's board.

Detailed documentation to create the joint venture has been drafted, and the final details are currently being discussed between the Company and Hunan. The Company expects the documentation to be signed next month. Following this, we expect there to be a short period while final approvals are processed by the Chinese regulatory authorities.

Given that the Company has all necessary development approvals in place, we expect to be able to commence construction activities immediately the joint venture is finalized and the Chinese approvals are received by Hunan.

### **Feasibility Study Update**

The Company has continued to review and refine the estimates for construction of the project. In October 2007, the Company announced that the construction cost is estimated to total A\$85 million.

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Mining costs during the construction period are estimated to total A\$22 million and pre-production administrative costs A\$3 million. These costs include pre-stripping of waste from the ore body, the generation of stockpiles of ore for the first year of operation and all administrative costs prior to the production of first concentrate output. Total cash requirements up to and including commissioning are therefore estimated to total A\$110 million.

The total construction schedule is estimated to take 21 months from the start of detailed engineering.

Following the change to a contractor based mining operation and other revisions made to the operating cost estimates, cash operating costs are now expected to average over the life of the project. A\$110 per mtu (one mtu = 10 kilograms) of tungsten oxide (WO<sub>3</sub>) produced.

### **Tungsten Market**

In US dollar terms, the tungsten concentrate market remained strong during the year at levels around US\$200 per mtu. The Australian dollar however has strengthened considerably against the US dollar to levels around 90 cents, which if it were to persist at this level would naturally reduce revenue in Australian dollar terms. Demand for tungsten concentrate continues to be healthy, with customers both within China and elsewhere keen to lock in major sources of long term supply, which the King Island project would be able to deliver.

### **Outlook**

The Company anticipates finalizing the joint venture agreement with Hunan before the end of 2007, and receiving final Chinese approvals in the first quarter of 2008. Construction activities would then begin immediately.

The Company is continuing to seek other development projects and corporate opportunities where the Board considers that KIS shareholder value can be enhanced.



AJ Haggarty  
Chairman