



>> MINING & MINERALS:

Mineral sector overview

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By MINERAL RESOURCES TASMANIA

Metallic mining production is significantly stronger and mineral exploration expenditure is at its highest level for a decade and for greenfields exploration probably longer.

Value of production from the sector in 2005-06 consisted of:

- Metallic minerals \$A882 million (up 57%),
- Non-metallic minerals \$A50 million (down 6%),
- Construction materials \$A45 million (up 3%) and
- Metallurgical products \$A1,201 million (up 19%).

Together mining and mineral processing provided 49.4% of Tasmania's merchandise exports in 2005-06, up from 39.7% the previous year.

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New mines:

- Allegiance Mining is due to commence nickel concentrate production at Avebury in third quarter 2007.
- The Polymetals Pty Ltd-Intec Ltd JV is producing a bulk zinc-silver-lead concentrate from the Hellyer tailings and shipments have been sent to China.
- Bass Metals has approval to mine at Que River and is testing a 2,000 tonne bulk sample at Hellyer and mining

is expected to commence before the end of the FY.

New projects that may start up in 2007-08:

- Metals X Limited is in the last stages of finalising a DPEMP for the resumption of tin mining at Mt Bischoff and has stated it will reopen the Renison Bell mine when it has final approval. It is also looking at the feasibility of recovering tin from the Renison Bell tailings and all testwork so far looks positive.
- King Island Scheelite has completed all State approvals for resumption of scheelite mining at Grassy and the Hunan Nonferrous Metals Corporation is conducting due diligence on a potential financing and uptake agreement. This is hoped to be finalised by the end of July.
- Van Dieman Mines plc is completing the approvals process for alluvial tin and gold production at the Scotia mine in the north East and also plans to recover gem

quality sapphire and spinel for the first time in Tasmania.

- Newly floated Zeehan Zinc Limited plans to bring one or two mines in the Zeehan area into production during the next 12 months and has approvals in place to extract 200,000 tonnes of ore per annum from the Comstock mine.

Government Initiatives

The Government supplies geoscientific information to encourage mineral exploration, including development of the online TIGER databases and the maintenance of a drill core library at Mornington that has been expanded twice in the last 10 years.

The four year TasExplore project commenced in October 2006 and will deliver new geoscientific information and provide effective, targeted promotion to heighten interest in the State.

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It will build on the 3-D geological model of Tasmania, which was the first complete 3-D model produced by any jurisdiction in the world and that generated enormous attention and interest in the mineral exploration community.

It has also enabled Mineral Resources Tasmania to see new things in the geology and inconsistencies with previous mapping. This has led to the TasExplore project that has as its objectives a better understanding of the geology of northeastern and central northern Tasmania and King Island, as part of a four year \$5 million Government geoscientific initiative. The results of this work will be better exploration targeting particularly for gold, tin and tungsten in the North East and a significant upgrading of the 3-D model and other TIGER databases.

Outlook

The outlook for the minerals sector is the best it has been in over a decade. One of the drivers are the new companies that are exploring in the State, with 14 new listings in the last 4 years on the ASX and AIM and another significant player in the State, King Island Scheelite

Limited, morphing from GTN Resources.

These new companies are at the forefront of most of the better recent drill intersections and new mine developments. There is currently strong competition for exploration ground in the State.

At the same time, traditional explorers such as Zinifex, have increased exploration budgets both for mine and greenfields exploration and the continued discoveries at Rosebery are very exciting. In addition there are exploration projects aiming to extend the life of other mines including Henty, Beaconsfield and Mount Lyell. And Stemcor Holdings is seeking a partner to extend the life of the Savage River open cut to at least 2022.

In the longer term, price remains the main driver. In the mid 1980s Tasmania's share of national exploration expenditure suddenly halved as a result of the collapse of the world tin and tungsten markets and has never recovered from that. Stronger prices have led to the resurgence of interest in these commodities that augurs well for the future of the industry and for further improvement in our competitive position.