



31 October 2007

**King Island Scheelite Ltd (“Company”)
King Island Scheelite Mine Redevelopment Project
Report for the Quarter ended 30 September 2007**

**King Island Scheelite and Hunan Nonferrous Metals Corp (“HNC”) proposed
joint venture to re-develop the King Island scheelite mine**

In August the Company announced that it had entered into a Principles of Agreement (POA) with HNC that outlines how the two companies intend to develop the King Island mine. The POA intends that a 50/50 joint venture will be established, and that HNC will provide debt funding to the Company to cover the Company’s share of construction and developments costs. It is also intended that approximately 4.5 million shares in the Company will be issued to HNC at \$1.00 per share, and that an HNC representative will be granted a seat on the Company’s board.

Detailed documentation to give effect to the POA has been drafted, and the final details are currently being agreed between the Company and HNC. The Company expects that the documentation will be signed in December, and following this there will 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, the Company will be able to commence construction activities immediately once the joint venture is finalised.

Feasibility Study Update

The Company has continued to review and refine the estimates for construction of the project. In June, the Company announced that the construction cost was estimated at \$95 million. The latest estimate is now \$85 million. The principal change in the revision downwards is that the Company now intends to develop the mining operation as a contractor based operation, and mining capital has therefore been removed from the estimates.

In addition, mining costs during the construction period are estimated to be \$22 million, and pre-production administrative costs \$3 million. These costs will 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 at \$110 million.

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 \$110 per mtu (one mtu = 10 kilograms) of tungsten oxide (WO₃) produced.

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The Company has continued to progress work on the technical aspects of the development of the project. A geotechnical drilling programme has been undertaken during the quarter, with the aim of validating initial work undertaken on parameters used for preliminary engineering design work for the cut off wall and the process plant site foundations. While the majority of this work has confirmed the initial results, one geotechnical hole drilled in a section through which the cut off wall is intended to pass revealed a greater depth to suitable foundation material than was originally expected and predicted by the geological modelling. This may have some effect on the cost to build the cut off wall, but the Company is not able to estimate this without additional work being performed. The Company will undertake additional investigatory work in the December quarter to assess the impact of this new information.

Tungsten Market

In US dollar terms the tungsten concentrate market remained strong during the quarter at levels around US\$195 – US\$200 per mtu. The Australian dollar however has continued to strengthen, climbing from 85 cents to 89 cents. Demand continues also 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 HNC before the end of 2007, and receiving final Chinese approvals in the first quarter of 2008. Construction activities will begin immediately thereafter, with ordering of long lead time items and detailed engineering being the first activities undertaken.

For additional information about King Island Scheelite please visit the Company's website – www.kingislandscheelite.com.au

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,117)	(1,117)
(b) development	-	-
(c) production	-	-
(d) administration	(310)	(310)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	55	55
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (Research & Development Grant)	-	-
Net Operating Cash Flows	(1,372)	(1,372)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity	-	-
investments		
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity	-	-
investments		
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(1,372)	(1,372)

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1.13	Total operating and investing cash flows (brought forward)	(1,372)	(1,372)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Brokerage costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,372)	(1,372)
1.20	Cash at beginning of quarter/year to date	3,835	3,835
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,463	2,463

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	23
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions	
	Payments to related parties – office sub-rental and office supplies	16
	Directors' Fees	7

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	N/A	N/A
3.2	Credit standby arrangements	N/A	N/A

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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	55
4.2	Development	165
Total		220

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	163	365
5.2 Deposits at call	2,300	3,470
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,463	3,835

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		Nil	Nil
6.2	Interests in mining tenements acquired or increased			
	Retention Licence RL 2/1998 at Grassy, King Island (8 sq kms)	Ownership of mining tenement	100%	100%
	Exploration Licence 19/2001 at Grassy, King Island (91 sq kms)	Ownership of mining tenement	100%	100%
	Exploration Licence 16/2002 at Grassy, King Island (18 sq kms)	Ownership of mining tenement	100%	100%
	Lease 1M/2006 at Grassy, King Island (544 hectares)	Ownership of mining tenement	100%	100%

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	40,015,001	40,015,001		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
First Tranche	437,500	-	\$0.00001	<i>5 years from issue date (4 July 2005)</i>
Second Tranche	562,500	-	\$0.00001	
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

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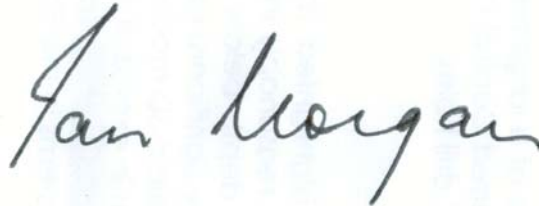
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7.12	Unsecured notes (<i>totals only</i>)		
	Closing Performance Shares (issued 30 May 2005)		
	First Tranche	8,000,000	-
	Second Tranche	8,000,000	-

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 4).

2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

Date: 31 October 2007

(~~Director~~/Company secretary)

Print name: Ian Morgan.....

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

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5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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