

31 July 2008

**King Island Scheelite Ltd (“KIS”)  
King Island Scheelite Mine Redevelopment Project  
Report for the Quarter ended 30 June 2008**

**King Island Scheelite joint venture agreement with Hunan Nonferrous Metals Corp (“HNC”)**

Following the signing of the joint venture documentation in December 2007, both KIS and HNC have worked towards fulfilling the conditions precedent contained in the agreements. While most of these have been satisfied for some time now, the one significant condition precedent outstanding is approval from the Chinese regulatory authorities.

Positive indications have been received from HNC that the approvals may be imminent. However, given that over seven months have passed since the agreements were signed, KIS has advised HNC that it is appropriate for KIS to consider seeking expressions of interest from other parties that may be interested in participating in the re-development of the King Island scheelite mine. In the event that approvals have not been granted in the meantime, this process will start in mid August.

The joint venture agreement with HNC remains unaffected, and KIS is still very hopeful that the relevant approvals will be granted, and that the joint venture can subsequently proceed as originally intended.

**Exploration Update**

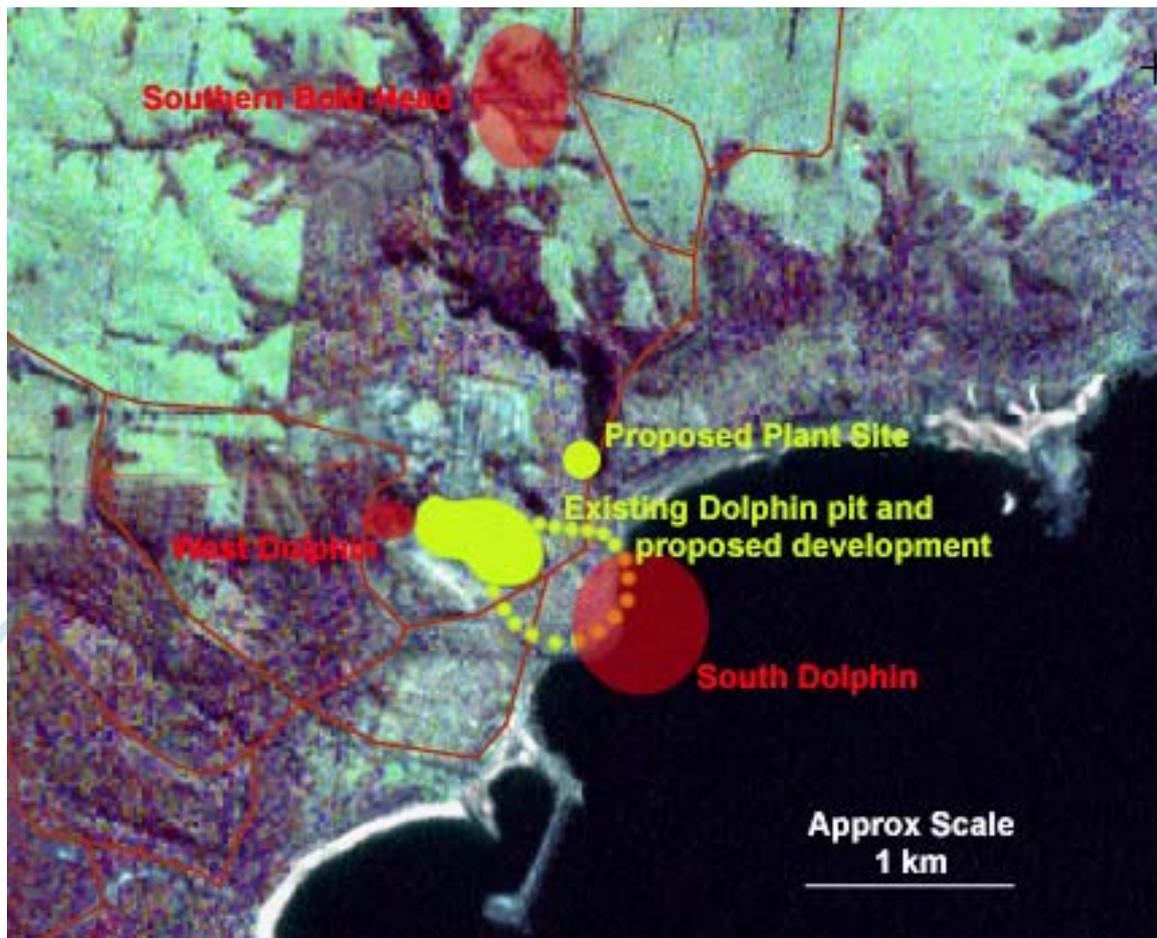
In late 2007 the Company contracted Fugro Airborne Surveys Limited (Fugro) to undertake a high resolution airborne aeromagnetic survey over part of its King Island tenement portfolio. This survey covered the Dolphin and Bold Head scheelite (tungsten) mining areas, as well as off-shore. Approximately 1,000 line km (at 20m line spacing) magnetic data was acquired and processed by Fugro. Fugro also undertook advanced processing and interpretation utilising this magnetic data, along with the Dolphin mineralisation data and open source data such as magnetics, gravity, geology and bathymetry.

Prospective areas and drill-ready exploration targets have been identified within close proximity to the planned mill site.

The high resolution magnetic data have also been used to establish depths-to-basement. Used in conjunction with bathymetry this has provided the Company with valuable information in respect to the off-shore unconsolidated sediments, important information required for engineering purposes.

The approximate locations of the prospect areas are indicated on the following map:

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Scheelite within the Dolphin mining area occurs within carbonate-rich Mine Series rocks in close proximity to the Grassy Granite and against controlling faults. The scheelite mineralisation is the result of chemical interaction between mineralising fluids from the intruding granite and the Mine Series rocks.

### **West Dolphin**

Located immediately west of the Dolphin pit within Mine Series rocks, this area is interpreted to host strike extensions to Dolphin. Previous operators of the mine undertook limited diamond drilling in this area, but did not fully drill-test the approximately 250m by 200m prospective contact area.

### **South Bold Head**

Interpretation of the magnetic data in conjunction with gravity data indicates that Mine Series rocks may be found at relatively shallow depths immediately above a granitic body. Key mineralisation bounding faults extending between the historic Bold Head and Dolphin mining areas cut the approximately 500m long target area.

## South Dolphin

Mine Series rocks and key mineralising faults are interpreted to occur under Grassy Bay immediately off-shore from Dolphin. This mineralisation could plunge in excess of 500m to the SSE within the Mine Series rocks and adjacent to the Grassy Granite contact.

### Exploration Activities Going Forward

KIS intends pursuing drill targets within each prospect area as a way to potentially rapidly increase its resource base. This will occur in conjunction with the mine re-development.

### Tungsten Market

During the quarter tungsten concentrates were trading in US dollar terms at levels in the mid US\$190's per metric tonne unit (1 mtu = 10kg), with the Australian dollar trading at an average of 94 cents.

### Outlook

KIS is hopeful that the relevant approvals from the Chinese authorities will be granted shortly, and that work can begin soon thereafter on preliminary construction activities. In the absence of this, KIS will commence discussions with parties concerning the re-development of the King Island project and the drill-testing of associated exploration targets. KIS will consider a number of options, including various combinations of joint venture arrangements, and debt and equity funding. Announcements will be made to update the market as progress is made.

For additional information about King Island Scheelite please visit the company's website – [www.kingislandscheelite.com.au](http://www.kingislandscheelite.com.au)

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