

30th January 2009

KING ISLAND
SCHEELITE



KING ISLAND SCHEELITE LIMITED (“KIS”)

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2008

Management changes

Simon Bird **appointed new Chief Executive Officer** following the resignation of Nick Lambeth, effective 31 December 2008. Simon brings a wealth of listed company experience and strong financial management skills.

Lindsay Newnham fills the role of **Project Manager for the Dolphin Joint Venture** to redevelop the Grassy mine on King Island. Lindsay is an experienced geologist with a strong track record in leading the development of a number of well known metalliferous mines in Tasmania.

In order to focus our project efforts on King Island and re-establish corporate activities in Sydney, the Launceston office will be closed and associated costs removed from the business.

Dolphin Joint Venture (DJV)

This joint venture with Hunan Nonferrous Metals Corporation (HNC) to develop the tungsten deposit on King Island has been the main focus during the quarter. The DJV Committee has been established and a work program agreed for the first quarter of 2009. Funding, as set out joint venture and loan agreement with HNC, is being implemented to ensure this project is fully funded.

A program of geotechnical drilling designed to further test ground conditions, both in the eastern end of the planned open-cut pit and beneath the cut-off wall, commenced during the reporting period.

Exploration Activities

Further tungsten exploration potential associated with KIS tenements on the island, including Bold Head & Dolphin South, will be reviewed by the new DJV Committee. KIS continues to assess other exploration potential and to that end has agreed to establish an unincorporated joint venture with Pleiades Resources Pty Ltd to explore for tin and tungsten within its Balfour tenements in western Tasmania.

Tungsten Market

During the quarter the AUD value of tungsten concentrates dropped approximately 23% due to lower USD prices offset by a weaker Australian dollar. Since December, however,

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improved prices and a further weakening in the Australian dollar have seen a recovery of about 10% in AUD terms.

Outlook

With cash reserves of \$4.3 million, annual operating costs estimated at \$1.8 million and all future project costs being funded through the existing joint venture and loan agreements with HNC, the company is well-placed to focus on both the King Island redevelopment and future growth opportunities. Data from the geotechnical drilling program will be assessed to determine if any design modifications or further work are required. In parallel with this, it is planned to complete further metallurgical test work in China, incorporating the latest scheelite recovery technology.

Results of this work may lead to improvements in the current mill flow sheet design which, in turn, would have beneficial impacts on mill performance and costs. Once this work is completed the Dolphin Project will be well positioned to move quickly towards detailed engineering design and procurement of major long lead time items of equipment.

For further information, please contact:

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