



30th April 2009

KING ISLAND SCHEELITE LIMITED ("KIS")

REPORT FOR THE QUARTER ENDED 31 MARCH 2009

Key Points

- *Strong balance sheet maintained with >\$4 million available cash.*
- *Project funding in place to re-develop King Island mine, including a \$63m debt facility.*
- *Re-development of the King Island mine is progressing well, with a solid team of professionals being assembled to progress the design, program and final budget.*
- *Exploration activities in Tasmania, through the Balfour Joint Venture, are well underway with a program of gravity surveys completed this quarter.*

Dolphin Joint Venture (DJV) – 50% interest

A joint venture with Hunan Nonferrous Metals Corporation (HNC) to develop the tungsten deposit on King Island.

This project remains the key focus of the Company's efforts. The redevelopment plan involves mining and processing 600,000 tonnes of ore per annum for the production of 3,000 tonnes of tungsten oxide per annum over a minimum 10 year mine life. Development costs are currently estimated at \$110 million.

Principle DJV achievements this quarter:

- Work program to the end of August 2009 approved by the DJV Committee. This work is underway.
- Funding is being provided in accordance with the DJV agreements.
- Acquisition of freehold land, required to redevelop the mine, is underway with key contracts exchanged.
- A geotechnical drilling program, designed to further test ground conditions beneath the cut-off wall, continued during the reporting period.
- An internationally reputable geotechnical engineering group has been appointed to assess these results.
- To ensure the most economic scheelite recovery, in conjunction with HNC we are undertaking specific metallurgical test work in China. This work will be led by a Chinese consultant with expertise in the treatment of scheelite ores at a renowned state metallurgical research institute. Any improvements identified will then be incorporated in a redesigned mill.
- Project managers and senior engineers with considerable Tasmanian mine development experience have been engaged.
- An experienced project accountant has also been recruited.

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- Premises has been secured for a combined KIS head office and DJV project office in Sydney, as well as office accommodation for our DJV team on the island.

Balfour Joint Venture (BJV) – 35% interest

A joint venture with Pleiades Resources Pty Ltd (PRPL) to explore for tin and tungsten within PRPL's Balfour tenements in western Tasmania...

This presents an exciting new opportunity for KIS. The aim of this joint venture is to explore the potential for a significant tin-tungsten resource in this area of historic high grade copper mineralisation. The initial task was to conduct a detailed ground based gravity survey. This survey work has been completed and data is currently with a geophysicist for detailed analysis.

Having funded this stage KIS now holds a 35% interest in the BJV.

Once the exploration potential has been assessed a second stage may be undertaken, which would involve a drilling program to test for tin-tungsten (and other) mineralisation.

By funding this second stage the KIS interest in the BJV would increase to 70%.

Tungsten Market

During the quarter, the AUD value of tungsten concentrates remained steady. Although prices are 21% lower than a year ago, they remain higher than 2005 prices.

Financial

Having preserved our cash this quarter and retained a healthy cash balance of \$4.1 million (Dec 08 \$4.3 million), we intend to control our operating costs to ensure KIS is well placed to fund future exploration, development and acquisition opportunities.

The DJV remains fully funded through the existing joint venture arrangements with HNC. These arrangements include a \$63.25 million loan facility for KIS.

Outlook

Funded and essential approvals are in place and key economic indicators remain favorable for the re-development of the DJV King Island mine. KIS will continue to aggressively progress the DJV project during the coming quarter.

Exploration potential associated with the DJV tenements on King Island, particularly where beneficial to the DJV, will be assessed during the next quarter.

KIS remains alert to any growth opportunities or strategic alliances that may present during the current economic climate.

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