

30th April 2010



KING ISLAND SCHEELITE LIMITED ("KIS")

REPORT FOR THE QUARTER ENDED 31 MARCH 2010

Key points

- *Balfour joint venture set to recommence drilling with approvals now in place*
- *Dolphin joint venture looks at underground potential for King Island tungsten project*

Balfour Joint Venture (BJV) – 35% interest

This joint venture with Pleiades Resources Pty Ltd was formed for exploration within Balfour tenements in North West Tasmania.

Following the detailed ground based gravity survey in early 2009 a drilling programme was developed to assess the extent of the known tin-tungsten in this area of historic high-grade copper mineralisation.

The first phase of this drilling programme was completed late last year with results reported on 23rd December 2009. The second phase required approvals for access to the Roaring 41S area. With approvals now in place we intend to complete a programme of two 250m holes in Roaring 41S as soon as possible.

On completion of this phase the KIS interest in the BJV increases to 70%.

Dolphin Joint Venture (DJV) – 50% interest

The joint venture with Hunan Nonferrous Metals Corporation remains focused on the redevelopment of the tungsten deposit on King Island.

Key achievements last year:

- Reviewed open pit and sea wall design with new geotechnical drilling data
- Completed assessment of successful whole ore flotation tests in China
- Prepared a revised flow sheet and mill design for whole ore flotation
- Confirmed JORC resource of the nearby Bold Head deposit
- Developed a plan to combine a smaller open pit with underground at Dolphin, together with a Bold Head redevelopment
- Enlisted services of the former King Island underground manager to review an underground only option, with the objective of;
 - Removing risk and uncertainty associated with an open pit and sea wall
 - Reducing the overall development cost
 - Accessing higher grade ore to improve the economic return

To this end the 'block model' has been rebuilt to a level appropriate for an underground evaluation.

Next steps:

Confirm a resource and reserve associated with an underground redevelopment.

Update the capital and operating costs required for an underground only operation feeding a smaller mill with higher grade ore.

Compare this with alternative development plans to confirm the preferred option with Joint Venture partners and obtain funding approval for the detailed design and construction phase of this project.

Tungsten Market

Tungsten prices in RMB and USD terms improved during the quarter; however this was partly offset by a stronger Australian dollar. The average price in AUD during the month of March 2010 was up 7.1% on the average during December 2009.

Financial

The DJV project remains fully funded through the existing joint venture arrangements with HNC. These arrangements include a \$63.25 million loan facility for KIS's 50% share of development costs. KIS retains a cash balance of \$2.77 million (Dec 09 \$2.99 million).

Outlook

The DJV will assess the merits of an underground only redevelopment at Dolphin combined with Bold Head before proceeding to the detailed design and construction phase on this project.

KIS is now able to undertake the second phase of our BJV drilling programme in North West Tasmania.

We continue to assess future growth opportunities with our Chinese partners and other strategic alliances.

For further information see "Investor Update" presentation available on 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")

31 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(122)	(597)
(b) development	-	-
(c) production	-	-
(d) administration	(202)	(840)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	27	81
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received / (paid)	-	15
1.7 Other	-	-
Net Operating Cash Flows	(297)	(1,341)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	(351)
(c) other fixed assets	-	(1)
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) - investment in industrial property	(3)	(71)
Net investing cash flows	(3)	(423)
1.13 Total operating and investing cash flows (carried forward)	(300)	(1,764)

1.13	Total operating and investing cash flows (brought forward)	(300)	(1,764)
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	95	800
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	95	800
	Net increase (decrease) in cash held	(205)	(964)
1.20	Cash at beginning of quarter/year to date	2,986	3,745
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,781	2,781

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	41
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

Directors' fees	30
Director's expenses reimbursed	4
Payments to related parties – consulting fees	7
TOTAL	41

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

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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

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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	63,250	1,474
3.2	Credit standby arrangements	N/A	N/A

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	393
4.2	Development	-
Total		393

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	9	81
5.2	Deposits at call	2,772	2,905
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		2,781	2,986

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 , Tasmania (8 sq kms)	Ownership of mining tenement	50%	50%
	Exploration Licence 19/2001 at Grassy, King Island, Tasmania (91 sq kms)	Ownership of mining tenement	50%	50%
	Exploration Licence 16/2002 at Grassy, King Island , Tasmania (18 sq kms)	Ownership of mining tenement	50%	50%
	Lease 1M/2006 at Grassy, King Island , Tasmania (544 hectares)	Ownership of mining tenement	50%	50%
	Exploration Licence EL27/2007 at Balfour Tasmania	Ownership of mining tenement	35%	35%
	Exploration Licence EL40/2007 at Frankland River - Mt Lily - NW / S of Balfour, Tasmania	Ownership of mining tenement	35%	35%

+ See chapter 19 for defined terms
30.9/2001

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	62,373,758	62,373,758		
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>
Tranche 1	1,000,000	-	25 cents	31 December 2013
Tranche 2	1,500,000	-	50 cents	31 December 2013
Tranche 3	2,000,000	-	\$1.00	31 December 2013
7.8 Issued during quarter				
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

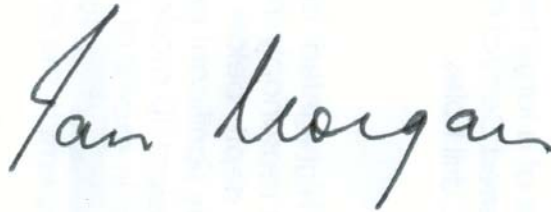
+ See chapter 19 for defined terms
30.9/2001

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

Sign here:



Date: 30 April 2010
(~~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.

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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