

19th October 2010

KING ISLAND
SCHEELITE



KING ISLAND SCHEELITE LIMITED ("KIS")

AGREEMENT TO TERMINATE DOLPHIN JOINT VENTURE

King Island Scheelite Limited (KIS) and Hunan Non-Ferrous Metals Corporation (HNC) today announced they have agreed to terminate the joint venture designed to develop the tungsten mine on King Island.

KIS CEO Simon Bird said, "While this has been a very productive partnership to date, it is now clear that developing this mine is no longer a priority for HNC".

The good working relationship has seen considerable progress made on this project, particularly in moving from an open pit to underground mine plan as well as establishing excellent recoveries based on whole ore flotation test work conducted in China.

While both parties accept the preferred underground development option and recognise the quality of this high grade deposit, progressing this project is not a priority for HNC at this time.

Recent discussions between the joint venture parties have been constructive and agreement reached in the following key areas;

- Australian Tungsten Pty Ltd (a wholly-owned subsidiary of KIS) will retain a 100% interest in this project.
- The HNC loan for project funding to date will be forgiven.
- HNC to be granted a 2% royalty on future gross revenues from the project (capped at AUD3.9M).
- HNC will retain their equity interest in KIS and current position on the KIS Board of Directors.
- Both parties to conclude documentation and legal requirements by 30th November 2010.

Although the parties have different views on the urgency in developing this project we remain open to the potential for jointly undertaking other projects in future.

KIS is currently assessing the best options to aggressively progress this project and remain confident of being able to generate shareholder value from this world class deposit.

A blue ink handwritten signature, appearing to read 'Simon Bird', written over a blue scribbled line.

Simon Bird
Chief Executive Officer
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