

29th JULY 2011

KING ISLAND SCHEELITE LIMITED ("KIS")

REPORT FOR THE QUARTER ENDED 30th JUNE 2011



Key points

- *Commenced drilling at Dolphin South with scheelite mineralisation intercepted*
- *Confirmed tailings resource*
- *Appointed a Chief Metallurgist*
- *Advanced tailings recovery plans*

Dolphin Project

During this quarter we progressed the five key areas identified in our last report, as follows:

1. Analysed results from the tailing samples confirming grades on average of 0.17% WO₃.
2. Completed the tailings resource estimate, confirming 2.7M tonnes.
3. Undertook preliminary test work on tailings samples, confirming expected metallurgical recoveries.
4. Progressed design specifications for the processing facility as follows:
 - a. Flow sheet was developed for tailings re-treatment - as an add-on to the previously confirmed process route of recoveries from underground ore.
 - b. Chief Metallurgist employed to oversee design, construction and commissioning of processing facilities.
 - c. GR Engineering engaged to undertake the detailed design of the processing facility.
5. Commenced the exploration programme at Dolphin South, to demonstrate additional high-grade tungsten mineralisation down-plunge from the current Dolphin resource, with scheelite mineralisation intercepted from 290.5m to 299.0m down the first hole. The second hole is currently at a depth of 120m with the geological model indicating B and C Lenses from about 330m onwards.

Anticipated activities next quarter include the following:

1. Report tailings and underground reserves.
2. Complete production schedules for both underground and tailings re-treatment.
3. Commence detailed design of the processing facility for underground ore and tailings re-treatment.
4. Update project schedules, capital and operating cost estimates.
5. Progress project financing discussions with potential product off-takers and other parties
6. Continue exploration drilling at Dolphin South.

Project approvals are anticipated by year end with construction expected to commence in the first quarter 2012 (subject to finance). This would support WO₃ production with a 65% concentrate:

1. In 2013 of 1,000 tonnes per annum from re-treated tailings; and
2. From early 2014 of 3,500 tonnes per annum from underground operations.

It is expected that the mine life will be in excess of 10 years. Modelling indicates a NPV of \$79 million based on a concentrate price of US\$270 per mtu (US\$17,550 per tonne) at US\$/ A\$ parity, before any additional mineralisation from Dolphin South.

Balfour Joint Venture (BJV)

Following the receipt last quarter of a consulting geologist's prospectivity review on the tin-tungsten and copper-gold targets within the BJV's tenements, certain recommendations are being assessed to progress these exploration activities. This work is expected to be undertaken this quarter. KIS has a 70% interest in the BJV with Pleiades Resources Pty Ltd (30%).

Markets

Tungsten prices for WO₃ contained in 65% concentrate is currently US\$368 per mtu - which is an 8% increase over the last quarter.

Financial

At 30th June 2011, the cash balance was \$5.66 million (March 2011 \$1.67 million).

Outlook

KIS is anticipating completion of the Dolphin feasibility study (incorporating tailings re-treatment and re-opening the underground mine) in the last quarter of 2011.

Funding discussions with off-takers and end-users are expected to underpin debt and other project finance.

For further information see the company's website www.kingislandscheelite.com.au

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Competent Person's Statement

The information within this report that relates to Exploration Results is based on information compiled by Mr Tim Callaghan who is a consultant geologist working for King Island Scheelite. Tim is a Member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the styles of mineralisation and types of deposits in consideration to qualify as a competent person according to the 2004 edition of the Australasian Code for reporting Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). He consents to the inclusion of this material in the form and context in which it appears in this report.