

KING ISLAND SCHEELITE LIMITED

Investor Update
September 2011

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King Island Scheelite



Company

| | |
|-------------------------------|--|
| King Island Scheelite Limited | (ASX:KIS) |
| Shares | 81.8M shares on issue \$0.20/share price (31/08/11) \$16.4M market capitalisation |
| Board | <ul style="list-style-type: none"> • Tony Haggarty Chairman (9%) • Robin Morritt Director (16%) • Andy Plummer Director (4%) • Mr Li Li Director (5%) HNC • Ian Morgan Company Secretary |
| Executive | <ul style="list-style-type: none"> • Simon Bird (Chief Executive Officer) • Alvin Johns (Chief Metallurgist) • Sue Jolliffe (Project Accountant) |
| Project Team | <ul style="list-style-type: none"> • Tim Callaghan (Geology) • Alan Fudge (Mining) <i>former King Island mine manager</i> • Neville Wiggs & Rob Hill (Infrastructure & Project Coordinating) • GR Engineering (Engineering – Plant) • Nick Moony (Metallurgy) |

Board and Management team with substantial project development, exploration and mine management experience.



King Island Scheelite



Dolphin Tungsten Project

| | |
|--|--|
| Ownership | 100% owned by KIS |
| Location | King Island, Tasmania, Australia |
| History | <ul style="list-style-type: none"> Operated as an open pit between 1917 and 1975, then as an underground until 1990. Gravity and flotation processes produced high grade WO₃ concentrates. Closed then site rehabilitated in 1990 due to low tungsten prices. Asset acquired from Rio Tinto in 2005 and feasibility study conducted by KIS. KIS entered into a 50/50 JV with Hunan Nonferrous Metals ('HNC') in 2008. JV terminated in December 2010 with KIS regaining 100% of the project. HNC forgave KIS debt, in exchange for a 2% royalty on future gross revenue, capped at \$3.9m. |
| Current Project | <p>Establish a processing facility for ore and tailings based on flotation</p> <p>Re-treat tailings to produce 1,300 tonnes of contained tungsten per annum (2 years)</p> <p>Re-open former underground mines to produce 3,600 tonnes of contained tungsten per annum (10 years)</p> |
| Resource | <p>4.76 Mt @ 1.30% WO₃ (Dolphin Underground)</p> <p>1.65 Mt @ 0.96% WO₃ (Bold Head Underground)</p> <p>2.7 Mt @ 0.17% WO₃ (Tailings)</p> |
| Reserve | <p>2.69 Mt @ 1.04% WO₃ (Dolphin Underground)</p> <p>0.61 Mt @ 0.76% WO₃ (Bold Head Underground)</p> |
| Dolphin South Exploration Potential | <ul style="list-style-type: none"> Swan extended mineralisation Decline extended mineralisation |

Resource and Reserve details are consistent with previous announcements in accordance with JORC Code 2004.



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Tungsten



Turbine blades contain up to 10% tungsten. (Siemens AG, Germany).



Cemented carbide coated drills improve productivity (Mitsubishi Materials Cooperation & Hitachi Tool Engineering Ltd).

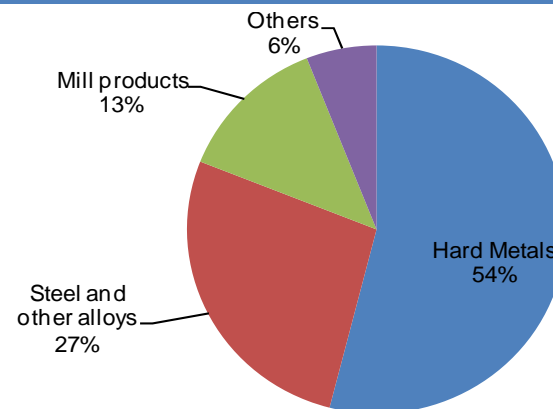
Properties

- Highest melting point & lowest vapour pressure of all metals.
- Highest tensile strength at high temperatures.
- Tungsten carbide products are the hardest of all metals.
- Among the heaviest of all metals.
- Brilliant sheen, is scratch and corrosion resistant and conducts electricity well.

Applications

- Cutting tools.
- Mining / oil / gas drilling equipment.
- Nuclear reactors.
- Specialty chemicals.

The main global uses of tungsten



Source: World Mineral Statistics Database, British Geological Survey



Market



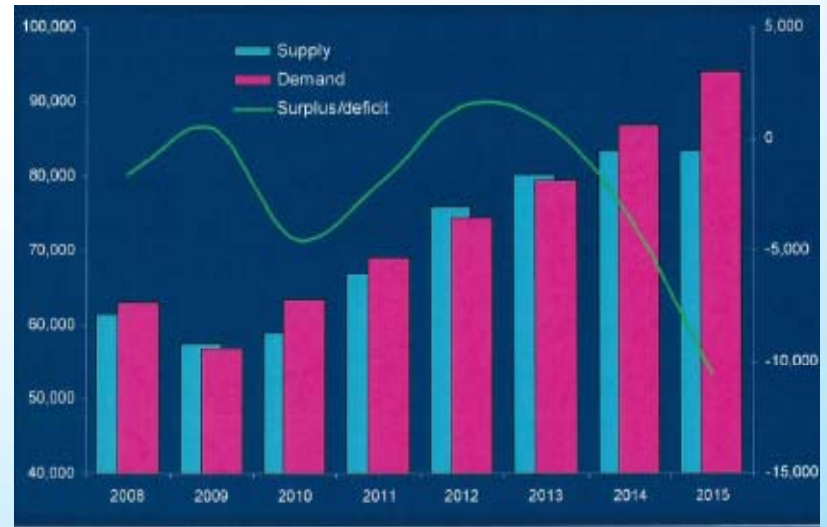
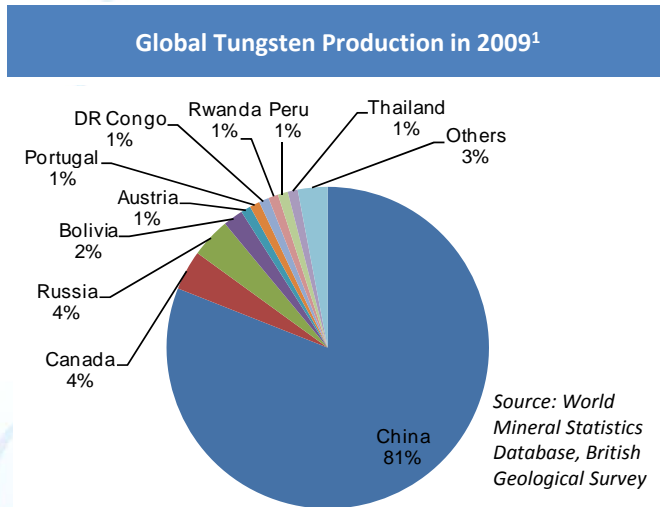
China is the dominant global supplier and restricts exports of this strategic metal.

Key Supply Issues¹

- Primary tungsten production in 2010 estimated at 69,600t.
- Recycling can make up 30% of total supply.
- China produces 86% but restricts exports to processed WO_3 only.
- Non-Chinese production recovering from oversupply in the 1980s.
- USA, Russian and Japanese stockpiles have been depleted.
- Tungsten declared a US “conflict metal” in 2010.

Key Drivers of Demand¹

- Primarily driven by industrial output.
- 58% of consumption relates to cemented carbides.
- China expected to account for 37% of world consumption in 2010.
- World reliance on Chinese supply.
- Few substitutes and increasing numbers of tungsten applications.
- Industrial output has accelerated post Global Financial Crisis.



1. Refer to: <http://www.bgs.ac.uk/downloads/start.cfm?id=1981>



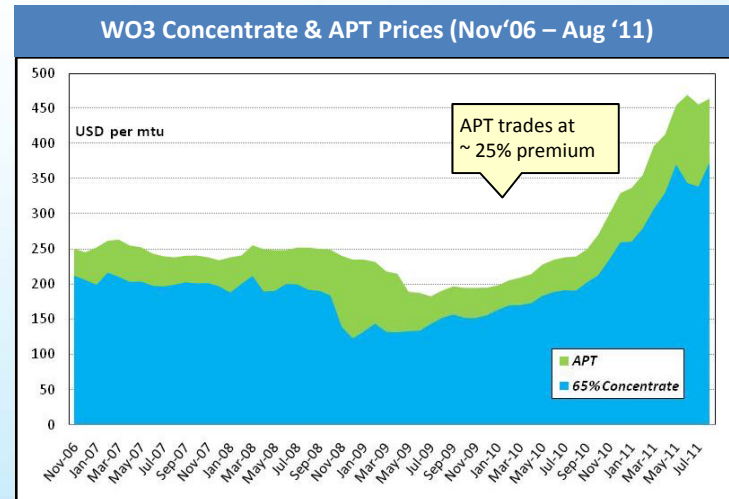
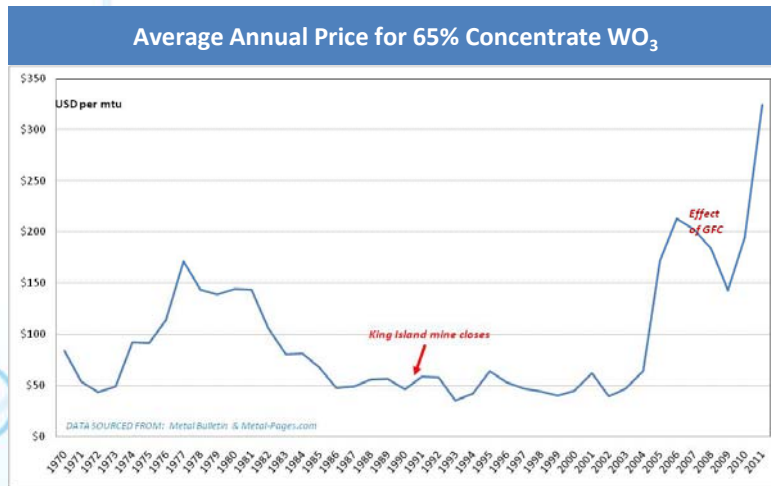
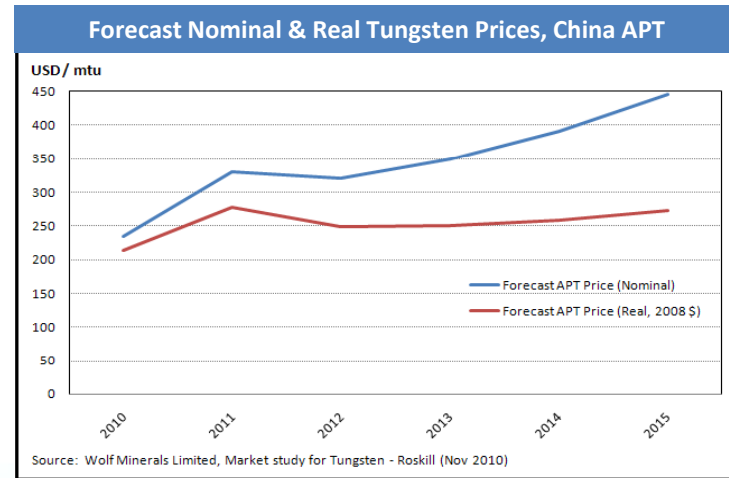
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Prices



- Total consumption of tungsten metal forecast to grow from 71,000t in 2010 to 132,000t in 2020.
- Non – Chinese APT producers currently source 80% of their concentrate from China.
- Tungsten APT prices increased 95% in 12mths to Aug 2011.
- APT trades at a premium to 65% WO₃ concentrate.

(mtu is equivalent to 100Kg)



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Dolphin – Former Mine



Former mine operated as an open pit until 1975, then as an underground operation up to 1990.

Gravity and flotation processes produced high grade WO_3 concentrates.

Closed due to low tungsten prices.



The mine created significant employment, a new harbour and enjoyed strong local support.

Site has since been fully rehabilitated.

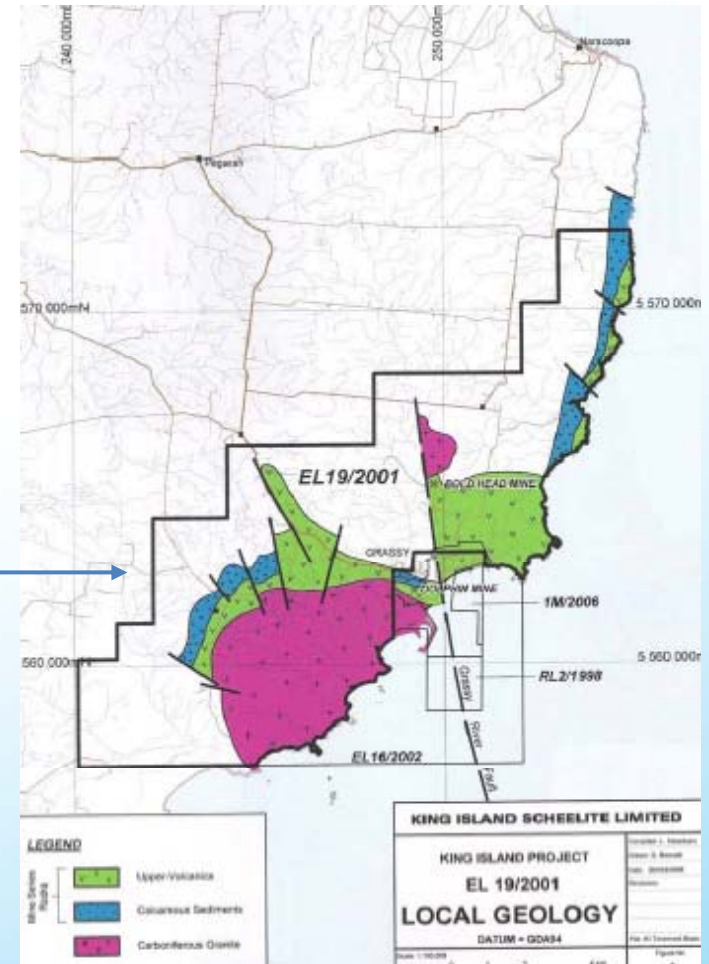
Strong local support to restart mining operations.



Dolphin Project



- The project is located on King Island, off the coast of Tasmania.
- Tenements are 100% owned by KIS and in good standing.
- Development approvals being upgraded to reflect new plan.
- Access to existing infrastructure: port, water, camp, roads etc.



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Project Overview



| | Mine | | | Mill | | | Process Description |
|-----------|-----------------------|---------|------------------------|----------|-------------------|----------------------------------|---|
| | Tonnes | Grade | WO ₃ Tonnes | Recovery | Concentrate Grade | ProductionWO ₃ Tonnes | |
| Tailings | 2.7Mt * (Resource) | 0.17% * | 4,590t | 55% | 65% | 2,057t | <ul style="list-style-type: none"> Recover tailings through dry mining at 1,360,000tpa. Construct (back-end) section of processing facility. Use pre-concentration and flotation to recover WO₃. Some confirmatory test work still required. Production from 2012 at 1,300tpa metal contained. |
| Bold Head | 0.6Mt * (Reserve) | 0.72%* | 4,250t | 91% | 65% | 4,212t | <ul style="list-style-type: none"> Dewater former mines and rehabilitate declines. Engage contractor to operate underground mines producing 350,000tpa. Post-pillar stoping with paste fill. |
| Dolphin | 2.68Mt * (Reserve) | 1.04%* | 28,060t | 91% | 65% | 25,566t | <ul style="list-style-type: none"> Construct front end of processing plant. Use whole-ore-flotation to recover WO₃. Recovery based on extensive flotation test work. Production from 2014 at 3,600tpa metal contained. |
| Total | | | 36,900t | | | 31,835t | |

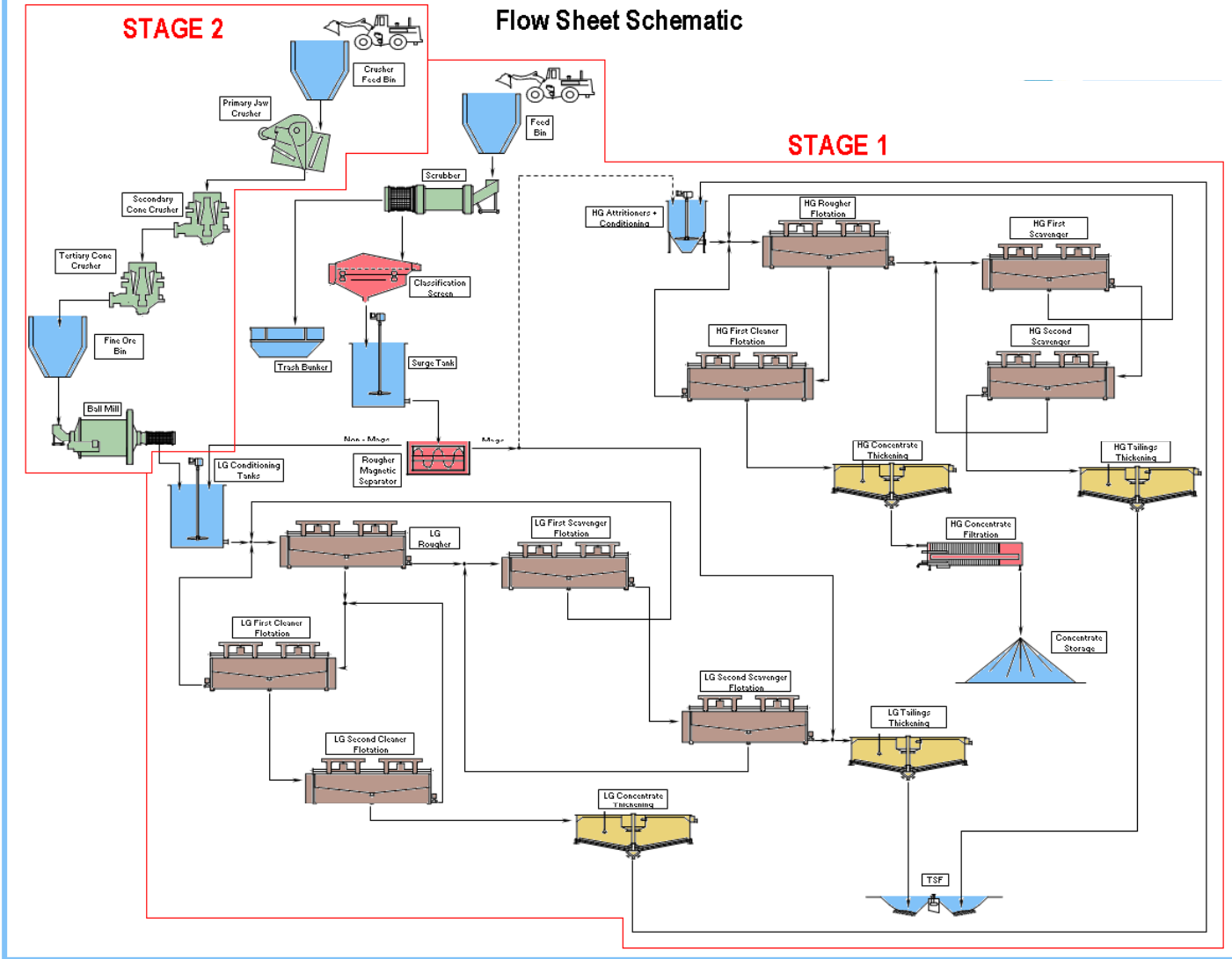
* Tonnes and grades are per previous resource and reserve announcements in accordance with JORC Code 2004.

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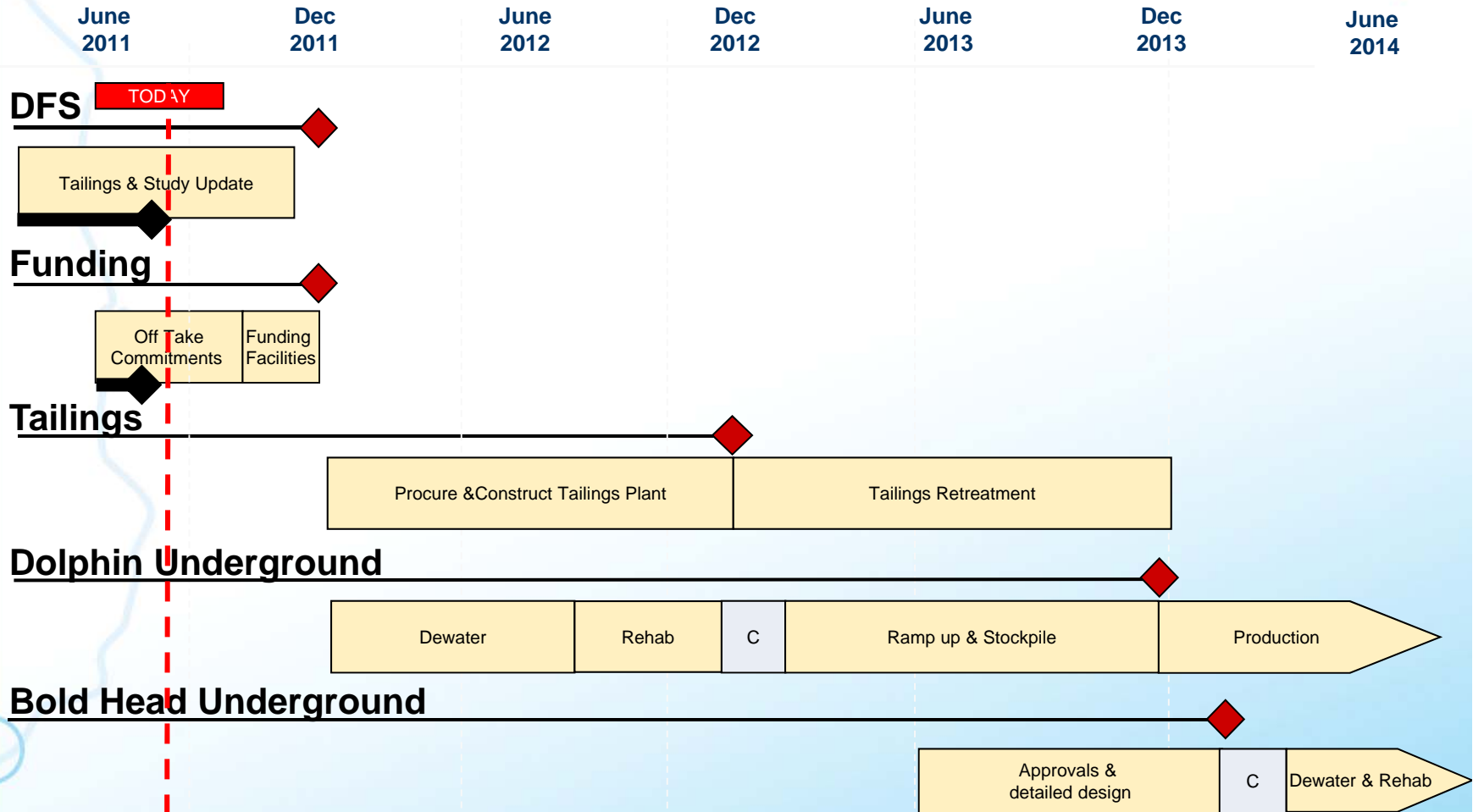
Treatment Plant Flow Sheet Schematic



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Dolphin development plan

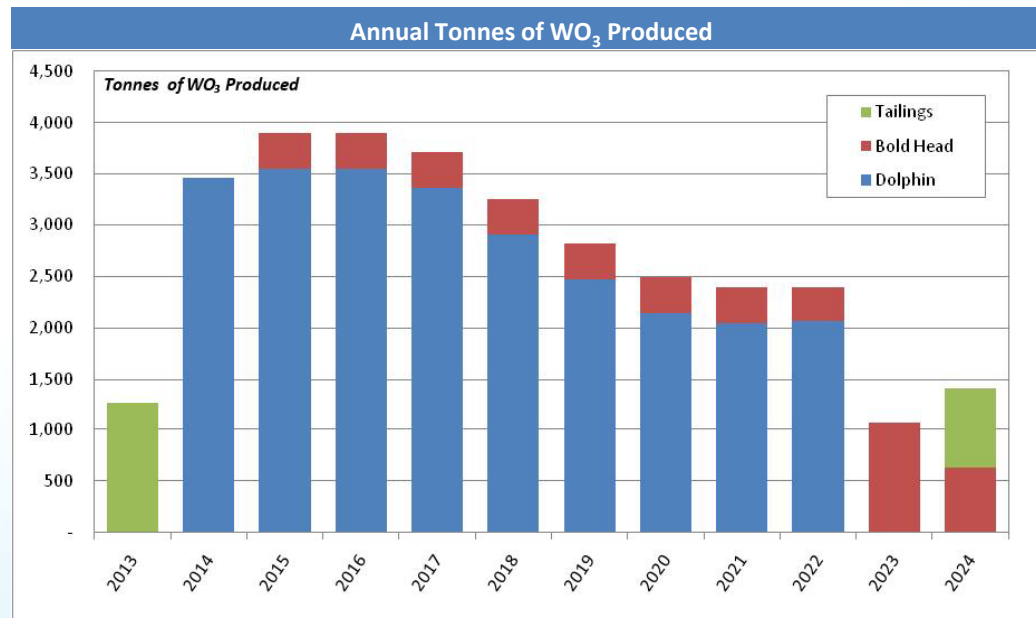
- ◆ Current status
- ◆ Target
- C Contingency



Major supplier to global tungsten producers



- Will account for 5% of current global primary production.
- To become largest producing mine outside China.
- Production chart below includes additional tonnes from revised reserve estimate.
- 12 year mine life before any exploration success.



Significant value and upside



Base Project

| | Measure | |
|--|----------|------|
| Total revenue | \$M | 860 |
| Price (at Sept 2011 – USD 377) | US\$/Mtu | 270 |
| Foreign exchange rate | AUD:USD | 1.00 |
| Project Capital | \$M | 112 |
| Operating cost of underground production | US\$/Mtu | <120 |

Note the above are estimates only as feasibility study currently being updated

Upside

Dolphin South Exploration

Independent geologist reports indicate potential for substantial additional tonnes down-plunge (no drilling since 1980's).

> \$40 million free cashflow for every additional year of mine life

APT Plant

Potential value uplift of 25% on WO_3 if sold as APT.

> \$40 margin/ mtu of WO_3 with outlay of \$20-25 million for APT plant



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