



31 July 2007

**King Island Scheelite Ltd**

**King Island Scheelite Mine Redevelopment Project**

**Report for the Quarter ended 30 June 2007**

**King Island Scheelite and Hunan Nonferrous Metals Corp non-binding Letter of Intent to re-develop the King Island scheelite mine**

King Island Scheelite Ltd (KIS) entered into a non-binding Letter of Intent (LOI) with Hunan Nonferrous Metals Corp (HNC) on 27 March 2007 to facilitate the re-development of the King Island Scheelite Mine located on King Island, Tasmania. HNC has now completed its due diligence process in relation to the project.

KIS and HNC are continuing to discuss funding arrangements and expect that final agreement could be achieved by the end of the September 2007 quarter.

**Mine Redevelopment**

As announced early June 2007, KIS has now received all regulatory approvals required to re-develop the King Island mine. The company is in a position to commence re-development of the King Island scheelite mine as soon as agreement has been reached with HNC.

**Tungsten Market**

The average scheelite ore concentrate price for the past 12 months was US\$212 per metric tonne unit (1 mtu = 10 kg), with a high of US\$222. The scheelite concentrate price, as quoted on Metal Pages, was slightly lower at US\$195 – US\$200 per mtu (A\$230 – A\$236) at the end of June 2007. The Australian dollar continues to strengthen against the US dollar, ending June at 85 cents.

**Outlook**

KIS is in discussion with potential customers and has received expressions of interest for scheelite concentrate off-take agreements. KIS has provided these parties with appropriate information. Formal responses are pending.

Subject to completion of an agreement with HNC and formalisation of off-take agreements, KIS will be in a position to move into the construction phase, commencing with detailed engineering and pre-ordering of the longer lead-time items.

For additional information about King Island Scheelite Ltd please visit the company's website at [www.kingislandscheelite.com.au](http://www.kingislandscheelite.com.au)

For further information, please contact:

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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")

30 June 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(611)	(2,565)
(b) development	-	-
(c) production	-	-
(d) administration	(369)	(1,489)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	71	222
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (Research & Development Grant)	-	109
<b>Net Operating Cash Flows</b>	<b>(909)</b>	<b>(3,723)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity	-	-
investments		
(c) other fixed assets	(110)	(117)
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)	6	66
<b>Net investing cash flows</b>	<b>(104)</b>	<b>(51)</b>
1.13 Total operating and investing cash flows (carried forward)	(1,013)	(3,774)

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1.13	Total operating and investing cash flows (brought forward)	(1,013)	(3,774)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	4,449
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Brokerage costs)	-	(163)
	<b>Net financing cash flows</b>	-	4,286
	<b>Net increase (decrease) in cash held</b>	(1013)	512
1.20	Cash at beginning of quarter/year to date	4,848	3,323
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,835	3,835

**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	82
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

Consulting Fees

16

Directors' Fees

53

Office rent

13

**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	N/A	N/A
3.2	Credit standby arrangements	N/A	N/A

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**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	430
4.2	Development	730
<b>Total</b>		<b>1,160</b>

**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	365	578
5.2	Deposits at call	3,470	4,270
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)		<b>3,835</b>	<b>4,848</b>

**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			
6.2	Interests in mining tenements acquired or increased			

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**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 <b>Preference</b> <b>+securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	40,015,001	40,015,001		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
First Tranche	437,500	-	\$0.00001	<i>5 years from issue date (4 July 2005)</i>
Second Tranche	562,500	-	\$0.00001	
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

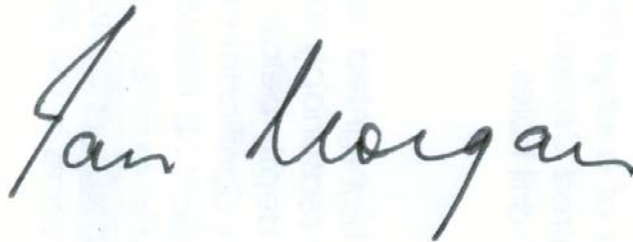
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7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
	<b>Closing Performance Shares</b> (issued 30 May 2005)		
	First Tranche	8,000,000	-
	Second Tranche	8,000,000	-

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



Sign here:

(~~Director~~/Company secretary)

Date: 31 July 2007

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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