



28 April 2006

King Island Scheelite Ltd (KIS)

King Island Scheelite Mine Redevelopment

Report for the Quarter ended 31 March 2006

Final Feasibility Study Progress

Work continued on the Final Feasibility Study (FFS) for the King Island Scheelite Mine Redevelopment. KIS expected to complete the FFS by the end March 2006. However, due to factors beyond the Company's control, primarily related to the current high levels of demand for mining expertise and test facilities, the FFS is now expected to be completed towards the end of June 2006.

Mineral Resource Estimate

In early April 2006, KIS received a Mineral Resource estimate reported in accordance with the JORC Code for the planned open-pit redevelopment of the King Island Scheelite mine at Grassy, King Island, Tasmania from its consultants AMC Consultants (AMC). The resource estimate is designed to assess the resource potentially recoverable by planned open pit mining. It comprises remnants from the previous underground operation and other mineralised zones not mined during that operation.

The drill-hole database used for the resource assessment includes information from 593 pre-KIS drill-holes. The core logs and assays for these have been digitised and included in a 3D model of the deposit. Since May 2005, the company has drilled a further 39 core holes to check and confirm key information such as mineralisation boundaries, presence of stopes and pillars, and to recover metallurgical test samples. A further 13 holes have been drilled for geotechnical and groundwater assessment purposes. The drilling program has now been completed, and the rig has left the King Island site.

AMC has worked closely with KIS's geological consultant Newnham Exploration and Mining Services (NEMS) to check, and to the extent possible with the pre-KIS data, verify all of the drill-hole and assay information. AMC has developed a 3D block model of the deposit. Blocks used are 20m in an E-W direction, 10m in a N-S direction, and 6m vertically. AMC reports a Mineral Resource at a cut-off grade of 0.25% WO₃ down to an RL of 308m below sea level of:

Mineral Resource

Indicated: 13.2 million tonnes @ 0.64% WO₃

Inferred: 0.2 million tonnes @ 0.35% WO₃

Total: 13.4 million tonnes @ 0.64% WO₃

These estimates have been classified and reported in accordance with the 2004 JORC Code. While the Mineral Resources have been classified predominantly as Indicated Resources, it is likely that a significant proportion would have been classified as Measured Resources had

it not been for uncertainty with respect to the precise location of underground workings and therefore of remnant mineralisation, and incomplete records relating to some of the old drilling data.

These resource numbers do not include the following:

- Mineralised material down-plunge in the main Dolphin deposit below an RL of minus 308m. The presence of well-mineralised material is known in this area from past drilling and mining activities. However, it is not considered that this material can be recovered by open pit mining.
- Mineralised material at the old Bold Head mine some 3km north of the King Island Scheelite mine. Geopeko records from 1990 indicate that there are approximately 1.7 to 1.9 million tonnes of material grading approximately 0.8% to 0.9% WO₃ remaining at Bold Head.¹

The Company announced an earlier resource estimate for Dolphin (Investor Presentation, December 2005, released to ASX 14/12/05). The new estimate has been taken to a lower depth than the earlier estimate and includes additional lower grade material that lies within the pit envelope.

Mine Design

Not all of the material contained in the Mineral Resource estimate will necessarily be recoverable from the planned open pit mine. Further work is required to finalise capital and operating costs, mill recoveries, final pit slopes and other key parameters before an Ore Reserve can be estimated. AMC has run preliminary Whittle Pit Optimisation studies using preliminary cost and recovery parameters provided by the Company. These studies suggest that between 70% and 80% of the resource tonnage may be extractable in an open pit at an overall strip ratio around 6.5 to 1.

Because of the preliminary nature of these studies, your Board believes it appropriate to report the full Mineral Resource to 308m below sea level until such time as the optimum open pit shape and depth can be determined.

Finalisation of the Ore Reserves is dependent on completion of the Final Feasibility Study.

Development of an open pit mine requires reclamation of an area towards the ocean to provide a buffer and seawall to protect the pit. Incorporation of the seawall into mine planning is well advanced. Engineers GHD have been retained to develop the design of the proposed seawall.

KIS is working to establish the open pit mining costs which are to be expected on King Island. Indicative costs have been provided by mining contractors and KIS has also undertaken studies to determine if an owner-miner approach would be justified.

Metallurgical Testwork

The metallurgical test programme continued at both SGS (Perth Lab) and Burnie Research Laboratories (BRL). This test programme was supported by mineralogical studies.

Studies have demonstrated that the scheelite particles are liberated at relatively coarse grind sizes confirming experience from past milling operations. The metallurgical test program is concluding that the milling circuit is likely to involve conventional crushing and grinding

¹ Reported as a range in accordance with Clause 18 of the 2004 JORC Code. Based on Geopeko internal mineral resource estimates

followed by gravity concentration with flotation then being used to produce saleable scheelite concentrates. Overall design is based on 600,000 tpa ore processing with significant overcapacity in key areas.

Large bulk samples are needed for confirmatory test work. Some samples have been shipped to the test facilities, and further samples are being collected. Preparation, assaying and large-scale gravity testing is not expected to be completed until early June 2006.

Production of samples of sales grade concentrates for marketing is also likely to commence in June 2006.

Infrastructure/Design/Procurement

The team investigated infrastructure support issues including power supply, water supply, disposal of tailings, accommodation, and provision of services.

Water balance studies for the tailings dam were revised late in March 2006 to reflect the concerns of the Tasmanian Department of Primary Industries, Water and Environment (DPIWE) surrounding discharge of process water from the tailings dam and polishing pond to the Lower Grassy Dam. Initial review indicates that an alternate water circuit, not including the Lower Grassy Dam, will be suitable.

A detailed site survey was completed covering the tailings dam, polishing pond, plant area, wetlands and mine contractor facilities compound.

The procurement process for crushing and screening equipment commenced.

Environment & Approvals

The final Development Proposal & Environmental Management Plan (DPEMP) was submitted to DPIWE, Mineral Resources Tasmania (MRT), King Island Council and the Community Consultative Committee for comment in January 2006 and remained on public display until 10 March 2006

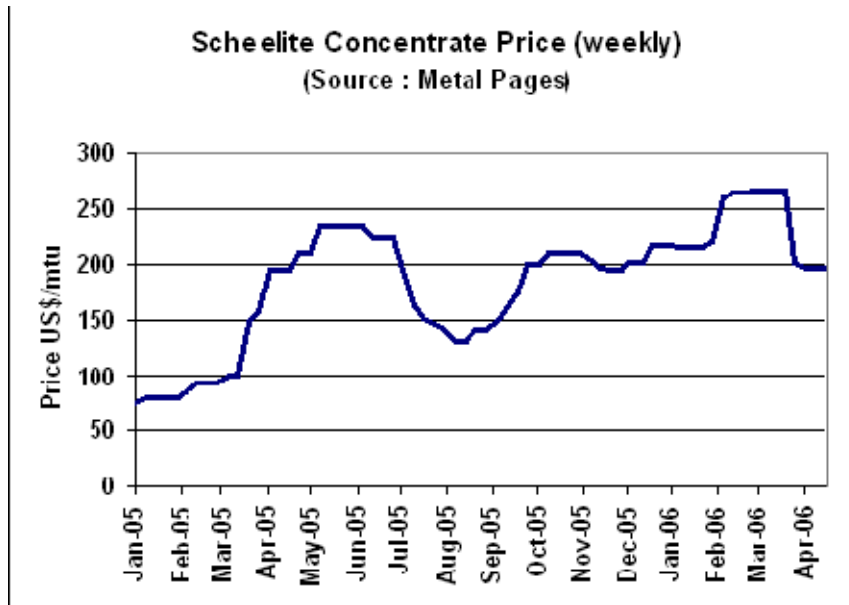
A number of submissions were received from Council, State and Commonwealth agencies, and other interested parties. The submissions have been classified according to issues and sent to the relevant members of the project team and/or specialist sub consultants for comment.

A Supplement to the DPEMP is currently in preparation to include the responses to these submissions.

Marketing

Discussions continued with companies identified as being potentially interested in the purchase of WO₃ concentrates.

Scheelite ore concentrate prices, as quoted on Metal Pages (65% WO₃ basis), remained high at US\$265 per mtu during March 2006, but have subsequently eased to around US\$200 per mtu.



Government and Community

Dialogue continued with key Government departments with jurisdiction over elements of the mine redevelopment project. Constructive discussions have also been held with the King Island Council.

KIS has been engaging with the community, particularly through the Community Consultative Committee established for this purpose; but also through discussions with individual King Island community members.

Exploration expenditure

KIS incurred exploration and evaluation expenditure of \$863,000 during the quarter ended 31 March 2006.

For further information please contact:

Ray Soper – Chairman

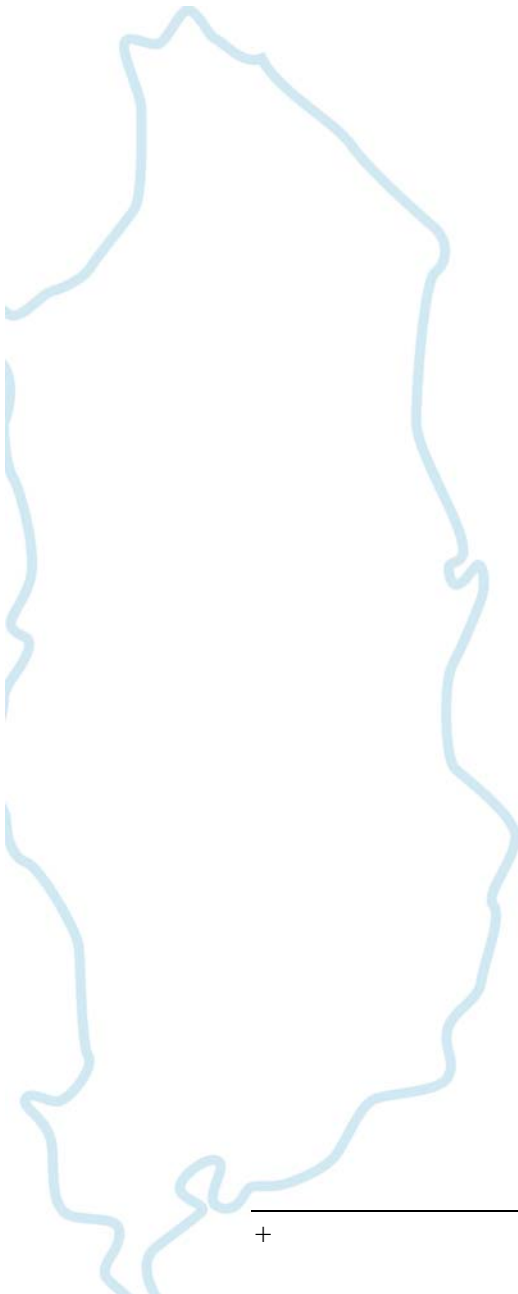
Tel: 02 9250 0111

Kate Kerrison

Kate Kerrison & Company

Tel: 02 6746 3221 or 0413 946 704

The information in this report that relates to Mineral Resources is based on information compiled by L A Newnham and R L Webster, who are a Fellow and Member respectively of The Australasian Institute of Mining and Metallurgy. L A Newnham is responsible for the geological interpretation and the collection and validation of data. R L Webster is responsible for Mineral Resource estimation and reporting. L A Newnham is a full-time employee of Newnham Exploration and Mining Services and R L Webster is a full-time employee of AMC Consultants Pty Ltd. Both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking, to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Both consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.



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 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date
	\$A'000	(9 months) \$A'000
1.1 Receipts from product sales and related debtors	0	20
1.2 Payments for		
(a) exploration and evaluation	(863)	(2,375)
(b) development	-	-
(c) production	-	-
(d) administration	(102)	(364)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	65	107
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(900)	(2,612)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	4
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	75
Net investing cash flows	-	79

1.13	Total operating and investing cash flows (carried forward)	(900)	(2,533)
1.13	Total operating and investing cash flows (brought forward)	(900)	(2,533)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	680	5,280
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 (provide details if material)	-	(212)
	Net financing cash flows	680	5,068
	Net increase (decrease) in cash held	(220)	2,535
1.20	Cash at beginning of quarter/year to date	5,019	2,264
1.21	Exchange rate adjustments to item 1.20		
		4,799	4,799
1.22	Cash at end of quarter		

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	30
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

19

Directors' Fees

11

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

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	20
4.2	Development	1,641
Total		1,661

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	699	419
5.2	Deposits at call	4,100	4,600
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		4,799	5,019

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			
	EL 16/2002 at Grassy, King Island (18 sq km) Final date 9/5/2008.	Ownership	100%	100%
	EL 19/2001 at Grassy, King Island (91 sq km) Final date 14/12/2006.	Ownership	100%	100%
	RL 2/1988 at Grassy, King Island (8 sq km) Final date 18/12/2006.	Ownership	100%	100%
	ML 1M/2006 at Grassy, King Island	Ownership	-	100%

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	35,970,026	25,029,452		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	680,313	680,313		
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>
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>				

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: 28 .April 2006....
(~~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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