

30th April 2010

KING ISLAND SCHEELITE LIMITED ("KIS")

REPORT FOR THE QUARTER ENDED 31 MARCH 2010

[Key points](#)

- *Balfour joint venture set to recommence drilling with approvals now in place*
- *Dolphin joint venture looks at underground potential for King Island tungsten project*

[Balfour Joint Venture \(BJV\) – 35% interest](#)

This joint venture with Pleiades Resources Pty Ltd was formed for exploration within Balfour tenements in North West Tasmania.

Following the detailed ground based gravity survey in early 2009 a drilling programme was developed to assess the extent of the known tin-tungsten in this area of historic high-grade copper mineralisation.

The first phase of this drilling programme was completed late last year with results reported on 23rd December 2009. The second phase required approvals for access to the Roaring 41S area. With approvals now in place we intend to complete a programme of two 250m holes in Roaring 41S as soon as possible.

On completion of this phase the KIS interest in the BJV increases to 70%.

[Dolphin Joint Venture \(DJV\) – 50% interest](#)

The joint venture with Hunan Nonferrous Metals Corporation remains focused on the redevelopment of the tungsten deposit on King Island.

Key achievements last year:

- Reviewed open pit and sea wall design with new geotechnical drilling data
- Completed assessment of successful whole ore flotation tests in China
- Prepared a revised flow sheet and mill design for whole ore flotation
- Confirmed JORC resource of the nearby Bold Head deposit
- Developed a plan to combine a smaller open pit with underground at Dolphin, together with a Bold Head redevelopment
- Enlisted services of the former King Island underground manager to review an underground only option, with the objective of;
 - Removing risk and uncertainty associated with an open pit and sea wall
 - Reducing the overall development cost
 - Accessing higher grade ore to improve the economic return

To this end the 'block model' has been rebuilt to a level appropriate for an underground evaluation.

Next steps:

Confirm a resource and reserve associated with an underground redevelopment.

Update the capital and operating costs required for an underground only operation feeding a smaller mill with higher grade ore.

Compare this with alternative development plans to confirm the preferred option with Joint Venture partners and obtain funding approval for the detailed design and construction phase of this project.

Tungsten Market

Tungsten prices in RMB and USD terms improved during the quarter; however this was partly offset by a stronger Australian dollar. The average price in AUD during the month of March 2010 was up 7.1% on the average during December 2009.

Financial

The DJV project remains fully funded through the existing joint venture arrangements with HNC. These arrangements include a \$63.25 million loan facility for KIS's 50% share of development costs. KIS retains a cash balance of \$2.77 million (Dec 09 \$2.99 million).

Outlook

The DJV will assess the merits of an underground only redevelopment at Dolphin combined with Bold Head before proceeding to the detailed design and construction phase on this project.

KIS is now able to undertake the second phase of our BJV drilling programme in North West Tasmania.

We continue to assess future growth opportunities with our Chinese partners and other strategic alliances.

For further information see "Investor Update" presentation available on the company's website www.kingislandscheelite.com.au .

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