

King Island Scheelite Ltd

King Island Scheelite Mine Redevelopment

Report for the Quarter ended the 31st December 2005

King Island Scheelite Ltd (KIS) is preparing its detailed Bankable Feasibility Study (BFS) for the King Island Scheelite Mine Redevelopment. This BFS is scheduled to be completed by the end of March, 2006.

Geology and Geotechnical

The resource definition drill program comprising 40 drill-holes is approaching completion with only one resource definition hole remaining. Three geotechnical drill-holes are planned to test likely pit-wall conditions.

To the 31st December 2005, total drilling completed by KIS was 4,943 metres.

Modelling

Geological / geochemical logs from 600 pre-KIS drill holes have been digitized and incorporated into a 3D model of the ore environment. With the 40 resource definition holes of the current program, this 3D model now has 640 drill holes to define the ore body.

Resource Assessment

Australian Mining Consultants Pty Ltd has largely completed resource assessments for the planned open pit mine, subject only to incorporation of results from the last few resource definition holes. KIS expects to release a Mineral Resource report during the current quarter ended the 31st March 2006.

Mine Design

A decision was taken during the December 2005 quarter to use Whittle 3D Pit Optimisation software to develop the optimal pit design. While further work remains to be done, the Whittle analysis supports the mine design developed during the course of the Pre-Feasibility Study.

Development of an open pit mine requires reclamation of an area towards the current shore line to provide a buffer and seawall to protect the pit.

Metallurgy

The metallurgical test program continued using samples obtained from the drilling program, and from outcropping B and C-lens material.

Infrastructure

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

Environmental and Permitting

A draft Development Proposal & Environmental Management Plan (DPEMP) was submitted to the Tasmanian Department of Primary Industries, Water and Environment (DPIWE), Mineral Resources Tasmania (MRT), King Island Council and the Community Consultative Committee for comment.

Additional marine surveys required by DPIWE were completed.

The following reports were received and incorporated into the DPEMP;

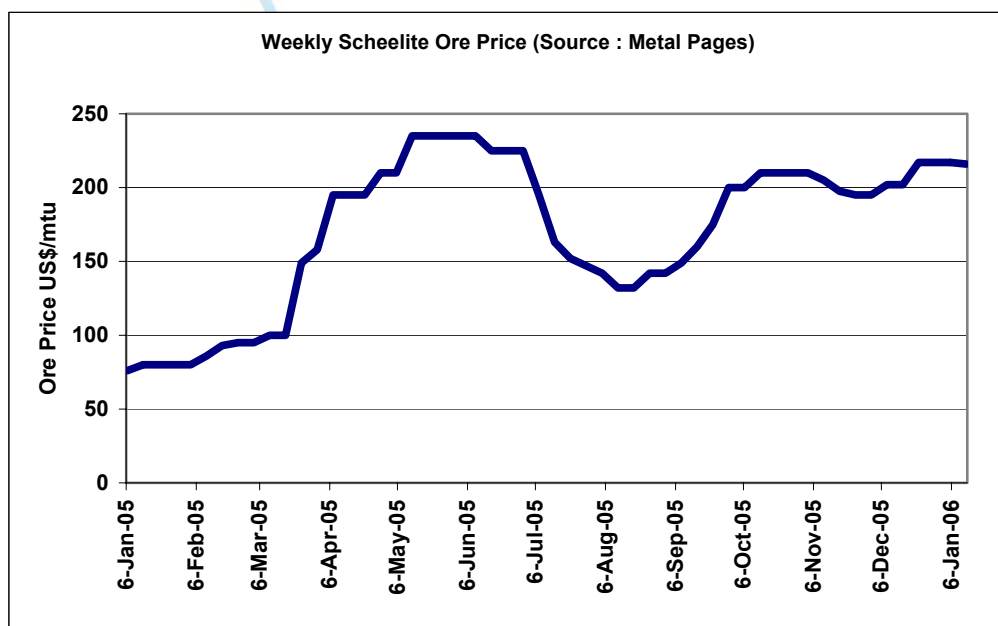
- Noise modelling.
- Mining heritage.
- Flora and fauna report.
- Valuation report.
- Coastal processes.
- Marine survey.

An Economic Impact Assessment report was commissioned for completion during January 2006. The final DPEMP, including commitments, is to be formally submitted during January 2006.

Marketing

Discussions have been held with companies identified as being potentially interested in the purchase of WO₃ concentrates.

Scheelite ore prices, as quoted on Metal Pages, rose US\$20 per mtu during December to US\$215 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 \$828,000 during the quarter ended the 31st December 2005.

For further information please contact:

Ray Soper – Chairman

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Kate Kerrison

Kate Kerrison + company

Tel: 02 6746 3221 or 0413 946 704

Rule 5.3

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 December 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (.6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	4	19
1.2 Payments for		
(a) exploration and evaluation	(828)	(1,501)
(b) development	-	-
(c) production	-	-
(d) administration	(137)	(283)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	41
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	13
Net Operating Cash Flows	(943)	(1,711)
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)	(943)	(1,632)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(943)	(1,632)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	4,600	4,600
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) Capital raising costs	(212)	(212)
	Net financing cash flows	4,388	4,388
	Net increase (decrease) in cash held	3,445	2,756
1.20	Cash at beginning of quarter/year to date	1,575	2,264
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	5,020	5,020

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	35
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	30
	Directors' fees	5

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

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	390
4.2	Development	1,875
Total		2,265

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	420	575
5.2 Deposits at call	4,600	1,000
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,020	1,575

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			
	Retention Licence RL 2/1988 at Grassy, King Island (8 sq kms)	Ownership of mining tenement	100%	100%
	Exploration Licence 19/2001 at Grassy, King Island (91 sq kms)	Ownership of mining tenement	100%	100%

+ See chapter 19 for defined terms.

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	35,289,713	24,289,713		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>
First Tranche	437,500	-	<i>\$0.00001</i>	<i>5 years from issue date (4 July 2005)</i>
Second Tranche	562,500	-	<i>\$0.00001</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>				
Closing Performance Shares (issued 30 May 2005)			-	
First Tranche	8,000,000	-		
Second Tranche	8,000,000	-		

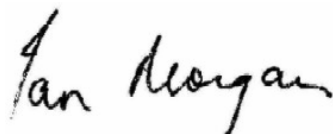
+ See chapter 19 for defined terms.

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: 30 January 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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