



30 April 2007

King Island Scheelite Ltd

King Island Scheelite Mine Redevelopment Project

Report for the Quarter ended 31 March 2007

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

On 27 March 2007, King Island Scheelite Ltd (KIS) entered into a non-binding Letter of Intent (LOI) with Hunan Nonferrous Metals Corp (HNC) to facilitate the re-development of the King Island scheelite mine located on King Island, Tasmania.

The non-binding LOI, which is subject to HNC's due diligence, is structured to support KIS's financing requirements to re-develop the mine. In particular, the LOI includes provisions to provide KIS with concentrate pricing support and a measure of equity funding so as to facilitate appropriate project finance. In addition, the LOI envisages HNC entering into a long term off-take agreement with KIS to purchase 50% of the concentrate that will be produced by the project. KIS and HNC have committed to a timetable that provides that a final agreement will be in place by the end of July 2007.

An extensive due diligence process is currently underway, and, pending an acceptable outcome from this process, commercial negotiations between KIS and HNC are scheduled to be held in early May 2007.

Mine Redevelopment

All major approvals are now either granted or issued in draft form by the relevant levels of government. The Tasmanian State Government has issued the conditions that will apply as part of granting the mining lease, and similarly the Federal Government's Department of the Environment and Water Resources ("DEW") has released draft conditions that will apply for the approval to reclaim land in Grassy Bay. KIS expects that final approval will be granted soon.

The final major approval is that of the King Island Council, which must approve the Development Application ("DA") before the project can proceed. Although this was approved by Council in December 2006, the decision was subject to appeal by several parties including KIS. These appeals have now been processed and KIS believes that final approval will be granted in the very near future.

During the March 2007 quarter, the significant metallurgical test work programme was concluded. This work has resulted in the determination of a final processing flow sheet and associated equipment selection. Work in pit design and mining practice has also continued.

Once Financial Close is achieved, KIS will be well positioned to commence mine construction.

KIS cash, including \$4.0 million equity raised during December 2006, totalled \$4.8 million at March 2007.

Tungsten Market

Scheelite ore concentrate prices, as quoted on Metal Pages, remained constant. Concentrate prices through most of March 2007 were US\$216 per mtu, but fell at the end of the month to US\$201 per mtu. Average price for the last 12 months has been US\$208 per mtu, with maximum of US\$222.

Outlook

KIS expects that all major approvals will become final by June 2007. HNC's due diligence review of KIS and negotiations between KIS and HNC are also expected to be concluded.

KIS has also sought expressions of interest in off-take agreements from other customers, who have verbally expressed interest. KIS is waiting for formal responses from these other customers.

Completion of these events will then allow KIS to move to the construction phase, commencing with detailed engineering and pre-ordering of the longer lead time items. It is expected that the construction phase will then be over a period of approximately 12 months.

For additional information about King Island Scheelite please visit the company's website – 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")

31 March 2007

Consolidated statement of cash flows

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(643)	(1,954)
	(b) development	-	-
	(c) production	(318)	(1,120)
	(d) administration		
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	73	151
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Research & Development Grant)	-	109
Net Operating Cash Flows		(888)	(2,814)
Cash flows related to investing activities			
1.8	Payment for purchases of:	-	-
	(a)prospects	-	-
	(b)equity investments	(5)	(7)
	(c) other fixed assets		
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)	-	60
Net investing cash flows		(5)	53
1.13	Total operating and investing cash flows (carried forward)	(893)	(2,761)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(893)	(2,761)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	952	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)	(10)	(163)
	Net financing cash flows	942	4,286
	Net increase (decrease) in cash held	49	1,525
1.20	Cash at beginning of quarter/year to date	4,799	3,323
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	4,848	4,848

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	29
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	15
	Directors' Fees	14

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
3.2	Credit standby arrangements	N/A

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,278
4.2	Development	-
Total		1,278

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	578	279
5.2	Deposits at call	4,270	4,520
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		4,848	4,799

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%
	Exploration Licence 16/2002 at Grassy, King Island (18 sq kms)	Ownership of mining tenement	100%	100%
	Lease 1M/2006 at Grassy, King Island (544 hectares)	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	40,015,001	40,015,001		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	865,611	865,611		
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	-	\$0.00001	5 years from issue date (4 July 2005)
Second Tranche	562,500	-	\$0.00001	
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 April 2007
(~~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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