



28th October 2009

KING ISLAND SCHEELITE LIMITED ("KIS")

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2009

Key Points

- *Retained a strong balance sheet with \$3.46 million cash and \$62.3 million of remaining debt facility to fund further investment in the Dolphin Project.*
- *Progressing the Dolphin project to redevelop the King Island mine with our Chinese partners.*
- *Commenced drilling for tin and tungsten mineralisation at Balfour in north west Tasmania.*

Dolphin Joint Venture (DJV) – 50% interest

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

Our redevelopment plan involves mining and processing 600,000 tonnes of ore per annum for the production of 3,000 tonnes of tungsten oxide per annum over a minimum of 10 years.

Principle achievements this quarter:

- Progressed Stage 1 (data assessment and update of original plan) which remains on track to be completed this calendar year.
- Historical Bold Head resource data has been reviewed and a mine plan developed to provide early high grade ore as part of the overall DJV project plan.
- Following additional geotechnical information acquired earlier this year a preferred mining solution is now being finalised for the Dolphin mine. The overall mine design is expected to incorporate a staged pit designed to provide early ore for our mill and waste material to advance the main sea wall construction.
- As a result of successful metallurgical work conducted in China, a revised flow sheet and mill design has been drawn up, utilising whole-ore-flotation recovery techniques.

Balfour Joint Venture (BJV) – 35% interest

A joint venture with Pleiades Resources Pty Ltd (PRPL) within the Balfour BJV tenements in north west Tasmania.

This exploration opportunity is focused on identifying significant tin-tungsten mineralisation in an area of historic high-grade copper mineralisation as well as tin and tungsten mineralisation.

After encouraging results from a ground-based gravity survey commissioned by the BJV, two targets; one at Specimen Hill and the other at Roaring 41 South, were identified. Core drilling is underway. Two holes were completed during October. Results will be provided as soon as possible after the completion of the drilling.

After funding this programme totalling \$0.55 million, KIS's interest in the BJV will increase to 70%.

Tungsten Market

During the quarter the AUD value of tungsten concentrates increased 8%, despite the negative impact of a stronger Australian dollar against the US dollar.

Financial

KIS again conserved cash during the quarter, retaining a healthy cash balance of \$3.46 million (Jun 09 \$3.75 million) through continued control of operating costs. KIS remains well placed to fund future exploration, development and acquisition opportunities.

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.

Outlook

Project funding, essential approvals and key economic indicators remain unchanged for the redevelopment of the King Island mine. KIS continues to aggressively progress this project by completing Stage 1 and planning Stage 2 (detailed design phase), which we intend to commence early in the new calendar year.

KIS will complete the BJV drilling programme in north west Tasmania during the next quarter.

We continue to assess other growth opportunities and strategic alliances for KIS.

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

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