

31st January 2012



KING ISLAND SCHEELITE LIMITED (“KIS”)

REPORT FOR THE QUARTER ENDED 31st DECEMBER 2011

Key points

- ***Drilling at Dolphin South confirmed high grade intercept***
- ***Progressed base case definitive feasibility study***
- ***Assessed opportunity for further beneficiation***
- ***Advanced key off-taker discussions***

Dolphin Project

Drilling at Dolphin South was concluded during the quarter. This programme was to demonstrate scheelite (tungsten) mineralisation in two locations outside the JORC compliant Dolphin resource on King Island. Results announced to the market on 11th November 2011 on the second drill hole included a 2.0m high-grade intercept at 6.4% WO₃ between 341.0m and 343.0m down-hole, providing encouragement that scheelite mineralisation continues down plunge from the current resource. Following ongoing technical difficulties further drilling was suspended. Resumption of drilling is expected once underground access has been re-established.

This quarter substantial progress was made on our base case definitive feasibility study in the following key areas:

- a) Confirmed recoveries from retreated tailings using whole ore flotation techniques and replicated Chinese recoveries from underground ore under Australian conditions.
- b) Updated all operating and capital costs associated with extracting and processing retreated tailings, Dolphin & Bold Head underground ore.

Product and price information obtained during this stage provided an opportunity to consider further beneficiation and add further value to the project. As announced on 20th December 2011, a review of the potential to produce ammonium paratungstate (APT) is currently underway. Once this review has been assessed the definitive feasibility study (DFS) will be finalised.

In the interim the company has remained actively engaged with key tungsten consumers to secure off-take arrangements.

Balfour Joint Venture (BJV)

KIS has a 70% interest in the BJV with Pleiades Resources Pty Ltd (30%) to explore tin-tungsten and copper-gold targets within BJV tenements in North West Tasmania. A future exploration programme has been developed and the tenements extended to October 2012.

Markets

Tungsten price for WO₃ contained in 65% concentrate remain strong at US\$323/mtu (US\$32,300/tonne). APT continues to trade at a significant premium to concentrate (currently US\$44,500/tonne). Tungsten demand outside China remains strong despite the recent industrial growth slowdown.

Financial

At 31st December 2011 the cash balance was \$2.90 million (September 2011 \$4.46 million). Expenditure during the quarter was primarily associated with the suspended Dolphin South drilling programme and definitive feasibility study work referred to earlier.

Outlook

With prices remaining strong and work substantially completed on the DFS the company is well placed to progress the Dolphin Project.

For further information see the company's website www.kingislandscheelite.com.au

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Explanatory Notes for Exploration Results: Competent Person and JORC Code

The information in this report that refers to exploration results and Mineral Resource estimations is based on information compiled by geology consultant Mr. Tim Callaghan who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM"); has a minimum of twenty years experience as a geologist, five of which are in the estimation, assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). This announcement accurately summarises and fairly reports his estimations and he has consented in writing to the resource report in the form and context in which it appears.