

30th April 2012



KING ISLAND SCHEELITE LIMITED ("KIS")

REPORT FOR THE QUARTER ENDED 31st MARCH 2012

Key points

- ***Finalised Definitive Feasibility Study for the Dolphin redevelopment***
- ***Completed King Island land acquisitions***
- ***Confirmed environmental approvals for amended plan***
- ***Progressed off-take and project funding arrangements***

Dolphin Project

The Definitive Feasibility Study to redevelop the tungsten mine on King Island was finalised during this quarter based on producing an industry-standard 65% tungsten concentrate.

This study confirms the world class, high-grade, tungsten deposit on King Island is set for redevelopment, with a robust development plan supported by strong market fundamentals that will generate acceptable economic returns.

The development plan is based on reopening the former Dolphin underground mine to produce up to 350,000 tonnes of ore per annum, at an average grade of 1.04% WO₃ over a 10 year mine life. Recoveries of 91% using well understood flotation techniques will see this mine supply a significant portion of the world's tungsten outside China.

Key Outcomes of the Definitive Feasibility Study (DFS) include:

- A 10 year mine life from underground mining and retreated tailings.
- Potential for additional high-grade ore immediately down-plunge from the current ore blocks.
- Average production of 3,500 tonnes per annum of contained tungsten trioxide (WO₃) in a 65% concentrate.
- Project NPV range of A\$69 million to A\$116 million (un-g geared, post-tax).
- Project IRR range of 21% to 29% (un-g geared, post-tax).
- Cash cost in the first four years of A\$169 / metric tonne unit (mtu = 10 kg WO₃).
- An initial capital expenditure requirement of A\$133 million.

KIS, the 100% owner of the project, has completed the outright freehold purchase of key mine-related land (240.9ha) from the King Island Council, as announced on 13th February 2012.

KIS has also reached agreement for all project permits and approvals with the Tasmanian Environment Protection Authority, Minerals Resources Tasmania and King Island Council. The Dolphin Project is within a retention licence that has adjacent exploration licences. A mining licence would be activated upon payment of the agreed environmental bond.

The Company has advanced discussions with key tungsten consumers, financiers and potential equity partners and investors to establish the optimal funding structure for this project. Discussions with consumers indicate a strong interest for life of mine production.

Once the necessary funding is secured, with all other components already in place, the Dolphin Project is development ready.

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 for both tenements held by the joint venture and expressions of interest are being sought to farm-into this project.

Markets

Tungsten demand remains strong and prices were stable during this quarter. 65% WO₃ concentrate typically trades at a 20% discount to the more widely traded ammonium paratungstate (APT) with 88.5% WO₃ contained. APT traded at an average of US\$44,000/tonne during the quarter, which equates to US\$352/mtu of 65% concentrate.

Financial

At 31st March 2012 the cash balance was \$1.61 million (December 2011 \$2.90 million).

Outlook

With a completed DFS and prices remaining strong the Company is well placed to progress the Dolphin Project.

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

Simon Bird
Chief Executive Officer
King Island Scheelite Limited

Level 1, 101 Sussex Street
Sydney NSW 2000
Phone (02) 8622 1400
Fax (02) 8622 1401
Email simon.bird@kingislandscheelite.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

31st March 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(702)	(2,979)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(107)	(621)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	25	127
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(784)	(3,473)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	(20)
	(c) other fixed assets	(497)	(546)
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)	-	-
Net investing cash flows		(497)	(566)
1.13	Total operating and investing cash flows (carried forward)	(1,281)	(4,039)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,281)	(4,039)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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) – cost of share issue	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,281)	(4,039)
1.20	Cash at beginning of quarter/year to date	2,899	5,657
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,618	1,618

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	34
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

Payments made to Directors and their associated entities (Directors' fees \$30,000 and expenses reimbursed \$4,000).

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

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

+ See chapter 19 for defined terms.

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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	572
4.2 Development	-
4.3 Production	-
4.4 Administration	392
Total	964

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	19	87
5.2 Deposits at call	1,599	2,812
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,618	2,899

+ See chapter 19 for defined terms.

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 2/1998 at Grassy, King Island , Tasmania (8 sq kms)	100%	100%
	Exploration Licence 19/2001 at Grassy, King Island, Tasmania (91 sq kms)	Ownership of mining tenement	100%	100%
	Exploration Licence 16/2002 at Grassy, King Island , Tasmania (18 sq kms)	Ownership of mining tenement	100%	100%
	Lease 1M/2006 at Grassy, King Island , Tasmania (544 hectares)	Ownership of mining tenement	100%	100%
	Exploration Licence EL27/2007 at Balfour Tasmania	Ownership of mining tenement	70%	70%
	Exploration Licence EL40/2007 at Frankland River - Mt Lily - NW / S of Balfour, Tasmania	Ownership of mining tenement	70%	70%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

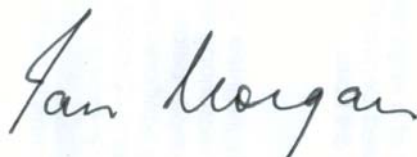
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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	82,745,908	82,745,908		
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>
Tranche 1	1,000,000	-	25 cents	31 December 2013
Tranche 2	1,500,000	-	50 cents	31 December 2013
Tranche 3	2,000,000	-	\$1.00	31 December 2013
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>	-	-		

+ 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: 30th April 2012
(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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