

Report for the Quarter Ended 30 June 2015



ASX: KIS

Market Capitalisation	\$20.7 million
Shares on Issue	165.3 million
52 Week High	16.5 cents
52 Week Low	10.0 cents
Share Price	12.5 cents

Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

Tungsten APT USD 21,500 / tonne (28 July 2015)

King Island Scheelite Limited (KIS)

through its 100% Dolphin Project on King Island, Tasmania is one of the world's richest tungsten deposits and could meet a significant proportion of the world's tungsten requirements over a minimum 13 years.

King Island Scheelite Limited

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HIGHLIGHTS

- **\$1.8 million capital raising completed with insignificant shortfall**
- **Appointment of Financial Advisor to assist with debt and equity raising**
- **Updated Resource Statement released – higher grade, lower tonnes**
- **Mineral Technology presented draft Design Definition Study for the processing facility**
- **Compilation of Definitive Feasibility Study continuing**
- **Scoping study on mining Dolphin underground remnant close to completion**

BASIS OF NEW DEVELOPMENT PLAN

- **Open cut mining for approximately 8 years**
- **Subsequent underground mining for 8 years**
- **Selective mining of tailings from previous operations to be integrated into the overall production plan**
- **Processing plant to include both gravity and flotation circuits as well as a possible ore sorter upgrading of the plant head feed grade**

King Island Scheelite Limited (“The Company”) is pleased to present its activity report for the quarter ended 30 June 2015.

Capital Raising

The Company successfully completed its partially underwritten non-renounceable rights issue. Funds received after underwriting totalled \$1.783 million compared to the initial target of \$1.866 million, a shortfall of approximately 4%. This was an excellent result for the Company given current equity market conditions.

Appointment of Financial Advisor

Following a competitive pitch process, KIS has appointed Ironstone Capital Advisory Pty Ltd to assist in securing the debt and equity funding required for the development of the Dolphin Mine.

Updated Resource Statement

Confirmatory drilling has enabled KIS to update its Resource Statement in compliance with JORC 2012. The results, which were released to the ASX on 24 April 2015, include:

- Total Resources at 0.2% WO₃ cut-off of 9.60 Mt at 0.90% WO₃ yielding 86,400 tonnes WO₃
- Total Resources at 0.5% WO₃ cut-off of 6.62 Mt at 1.14% WO₃ yielding 75,470 tonnes WO₃
- A negligible (approx. 1%) reduction in “contained metal” was reported with a 12% reduction in resource tonnes (from the previously reported Resource in July 2014), compensated for by an 11% increase in WO₃ grade (0.81% to 0.90%).

The updated resource data has a positive impact on project economics, with essentially the same amount of concentrate being produced by mining and processing around 90% of the ore. This would result in lower operating and capital costs.

Work is continuing on converting a significant portion of these resources into reserves and further quantifying the potential impact on operating and capital costs.

Mineral Technologies Pty Ltd (Member of the Downer Group) - Design Definition Study

During the quarter, Mineral Technology Pty Limited (“MT”) presented its draft Design Definition Study, together with a cost estimate. KIS is currently working with MT to finalise and resolve any contractual issues. It is expected that a fixed price contract for the design and construction of the processing facilities will be entered into as a result of this process.

Compilation of Definitive Feasibility Study (“DFS”)

Work is continuing on the consolidation of a number of recent studies into a Definitive Feasibility Study. The Company has recently appointed Cam Halfpenny to assist in this task. Cam is a highly experienced resources executive, previously with Rio Tinto. He is experienced in operating large open cut coal mines in Australia and Indonesia, and Industrial Minerals in the USA.

Pre-feasibility Study on Dolphin Underground

The Company commissioned a pre-feasibility study to be undertaken on the remaining resources at Dolphin, following the proposed 7 to 8 year open cut mine life. That report is expected to be finalised during the current quarter.

Optimised Development Plan

Work on progressing the Optimised Development Plan continued during the quarter, with the most significant developments being:

- Consultants have confirmed that the revised open cut life has been extended from 4 to 8 years, with a final pit base RL of - 140 m.
- Various mining and dumping plans have been generated, with a final decision on the optimum plan being due this quarter.
- Although initial results from the tests on ore sorting were favourable – in an endeavour not to delay the project – it has been decided not to include this potentially favourable aspect into the base case. The crushing and plant feed systems will be designed so that implementing this technology later can be easily accommodated.
- It is anticipated that the base case DFS will be based on generating power utilising a diesel power plant. Work is continuing regarding the viability of a hybrid power plant to significantly reduce the operating costs of power generation.

The permanent pump, installed after the pit was de-watered, other than the sump, continued to operate and despite some heavy rainfalls has maintained the water levels at required levels.

Finance

As at 30 June 2015 the cash balance of the Company was \$1,568,000.

Mining Tenements

KIS group activities have related to exploration, there have been no activities relating to production or development.

During the quarter, the Company continued to review the status of its mining lease and licences, with a strategy of reducing unnecessary rental payments where possible.

Exploration licence EL16/2002 lays entirely off-shore to the south east of Grassy, King Island, and the land tenure is Crown land – Tasmanian Territorial Waters. EL16/2002 is not required for the Company's Dolphin Project. After liaising with Mineral Resources Tasmania, the Company decided to allow EL 16/2002 to lapse.

	Tenement reference	Nature of interest
Mining tenements held at the end of the quarter	Exploration Licence EL 19/2001 at Grassy, King Island, TAS (91 sq kms)	100% ownership
	Mining Lease Application MLA 1M/2006 at Grassy, King Island, TAS (544 hectares)	100% ownership
Mining tenements acquired during the quarter	Nil	Nil
Mining tenements relinquished during the quarter	Exploration Licence EL 16/2002 at Grassy, King Island, TAS (18 sq kms)	100% ownership
Beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter	Nil	Nil
Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed during the quarter	Nil	Nil

Following is a summary of the expenditure incurred on exploration activities during the quarter:

	\$'000
Dewatering	27
Project management	59
Mine planning & geological work	43
Metallurgical & laboratory testing	77
Environmental	21
Water & tailings management	59
Process engineering contractor	347
Other Feasibility Study work	29
	<u>662</u>

Markets

Ammonium paratungstate (APT) is currently trading at an average of US\$21,500 (A\$29,400) per tonne (March quarter US\$25,750 (A\$33,900) per tonne).



Johann Jacobs

Chairman

30 July 2015

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

Dolphin Project Status

The Project is focused on developing the high-grade tungsten resource at Dolphin, and later at Bold Head, both situated at Grassy on King Island, Tasmania. The main resource is located within the historic Dolphin Mine which previously operated from 1917 and closed in 1990, due to extremely low tungsten prices.

The Project, which is 100% Company owned has:

- JORC 2012 compliant high grade tungsten resources and reserves
- Freehold land covering planned mining operations
- Current leases and tenements
- Development and Environmental approvals

A Value Engineering Study (“VES”) undertaken during the first half of 2013, and announced to the market on 16 May 2013, confirmed the potential to significantly optimise the 2012 Definitive Feasibility Study (“DFS”).

Since then, work has been completed on further optimisations of the VES, and following that, the Low Cost Option. The Company is now progressing the New Development Plan, which will have a similar production profile to the DFS but with significantly enhanced project metrics.

A comprehensive overview of the plan was announced to the Australian Securities Exchange on 9 April 2014 which also incorporated the results of the delineation drilling at Bold Head and Dolphin West, which was separately announced to the ASX on 15 January 2014.

Competent Person’s Statement

Previously Released Information

This ASX announcement refers to information extracted from the following reports, which are available for viewing on the Company's website www.kingislandscheelite.com.au

- 5 December 2014 Updated Reserve Statement
- 24 April 2015 Updated Resource Statement April 2015

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcements, and, in the case of estimates of Mineral Resources and Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings presented have not been materially modified from the original market announcements.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(662)	(2,320)
(b) development	-	-
(c) production	-	-
(d) administration	(116)	(777)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	29
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	18	107
Net Operating Cash Flows	(756)	(2,961)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(162)
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)	-	19
Net investing cash flows	-	(143)
1.13 Total operating and investing cash flows (carried forward)	(756)	(3,104)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(756)	(3,104)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,783	3,810
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)	(91)	(168)
	Net financing cash flows	1,692	3,642
	Net increase (decrease) in cash held	936	538
1.20	Cash at beginning of quarter/year to date	632	1,030
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,568	1,568

Payments to directors of the entity, associates of the directors, 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	112
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

Payment made to Directors and their associated entities - Directors' fees \$31,000; reimbursement of expenses \$4,000; and consulting fees \$77,000.

Details of amount at Item 1.7: Royalty income of \$18,000 received.

Details of amount at Item 1.19: Costs related to the capital raising of \$91,000.

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

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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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+ 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	417
4.2 Development	-
4.3 Production	-
4.4 Administration	585
Total	1,002

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	21	10
5.2 Deposits at call	1,547	622
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,568	632

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Exploration Licence EL 16/2002 at Grassy, King Island, TAS (18 sq kms)	Ownership of mining tenement	100%	Nil ¹
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Exploration Licence EL 19/2001 at Grassy, King Island, TAS (91 sq kms)	Ownership of mining tenement	100%	100%
		Lease 1M/2006 at Grassy, King Island, TAS (544 hectares)	Ownership of mining tenement	100%	100%

¹ EL 16/2002 lays entirely off-shore to the south east of Grassy, King Island, and the land tenure is Crown Land – Tasmanian Territorial Waters. EL 16/2002 is not required for the Company's Dolphin Project. After liaising with Mineral Resources Tasmania, the Company decided to allow EL 16/2002 to lapse.

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	165,251,702	165,251,702		
7.4 Changes during quarter				
(a) Increases through issues	13,204,945	13,204,945		
(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	2,000,000	-	15 cents	31 Dec 2018
Tranche 2	3,000,000	-	22 cents	31 Dec 2019
Tranche 3	4,000,000	-	28 cents	31 Dec 2020
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 5).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 30 July 2015
(~~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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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