

# Report for the Quarter Ended 30 September 2015



## ASX: KIS

Market Capitalisation	\$18.2 million
Shares on Issue	165.3 million
52 Week High	16.5 cents
52 Week Low	8.9 cents
Share Price	11.0 cents

## Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

**Tungsten APT USD 17,000 / tonne (27 October 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

**JORC 2012 Updated Reserve Statement issued indicating:**

- **Probable Reserves of 3.14 Mt at 0.73% WO<sub>3</sub> (at 0.2% WO<sub>3</sub> cut-off) for a total of 22,900 tonnes of WO<sub>3</sub>**
- **Compares to previously reported Probable Reserves of 1.90 Mt at 0.55% WO<sub>3</sub> (at 0.2% WO<sub>3</sub> cut-off) for a total of 10,450 tonnes of WO<sub>3</sub>**
- **Average strip ratio of 9.7 : 1 tonne for tonne (previously 3.1 for one tonne of WO<sub>3</sub>)**
- **This will support an open-cut mine life of 8 to 9 years (previously 4-5 years)**
- **Total Indicated Resources for Dolphin remain 9.60 Mt at 0.90% WO<sub>3</sub> (at 0.2% WO<sub>3</sub> cut-off) for 86,400 tonnes of WO<sub>3</sub>**
- **International Tungsten Industry Association delegate briefings**
- **2015 Annual Report issued**
- **Annual General Meeting held**

## BASIS OF NEW DEVELOPMENT PLAN

- **Open cut mining for 8 to 9 years**
- **Subsequent underground mining for 8 years**
- **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 (**Company**) is pleased to present its activity report for the quarter ended 30 September 2015.

### [Updated Reserve Statement](#)

Dolphin open-cut reserve statement issued, compliant with JORC 2012 and indicating:

- Probable Reserves of 3.14 Mt at 0.73% WO<sub>3</sub> (at 0.2% WO<sub>3</sub> cut-off), for a total of 22,900 tonnes of WO<sub>3</sub>
- Compares to previously reported Probable Reserves of 1.90 Mt at 0.55% WO<sub>3</sub> (at 0.2% WO<sub>3</sub> cut-off), for a total of 10,450 tonnes of WO<sub>3</sub>
- Average strip ratio of 9.7:1 tonne for tonne (previously 3.1 tonne for tonne)
- This will support an open-cut mine life of 8 to 9 years (previously 4-5 years)
- Total Indicated Resources for Dolphin remain 9.60 Mt at 0.90% WO<sub>3</sub> (at 0.2% WO<sub>3</sub> cut-off) for 86,400 tonnes of WO<sub>3</sub>.

A conversion of a portion of open cut resources to reserves at the Company's 100% owned Dolphin project on King Island, Tasmania.

### [Mineral Technologies Pty Ltd \(Member of the Downer Group\) - Design Definition Study](#)

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

### [Compilation of Definitive Feasibility Study \("DFS"\)](#)

Work is continuing on the consolidation of recent studies into a Definitive Feasibility Study. The Company appointed Cam Halfpenny to assist in this task. Cam is a highly experienced resources executive, previously with Rio Tinto.

### [Scoping Study on Dolphin Underground](#)

The Company commissioned a pre-feasibility study to be undertaken on the remaining resources at Dolphin, following the proposed 8 to 9 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 or 9 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 are 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 retrofitting 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, continued to operate and despite some heavy rainfalls has maintained the water levels at required levels.

## Finance

The International Tungsten Industry Association held its Annual General Meeting in Vietnam from 22 September to 25 September 2015.

I attended on behalf of King Island Scheelite and took the opportunity of briefing delegates on the Revised Dolphin Development Plan – which incorporates an 8 to 9 year open cut mine life.

The brochure released to the market on 21 September 2015 contains the most up to date information on the Dolphin Project, and was presented to interested parties.

As at 30 September 2015 the Company's cash balance was \$940,000.

## Mining Tenements

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

	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	Nil	Nil
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	33
Project management	64
Mine planning & geological work	80
Metallurgical & laboratory testing	29
Power investigations	24
Environmental	11
Water & tailings management	26
Other Feasibility Study work	48
	<u>315</u>

## Markets

Ammonium paratungstate (**APT**) is currently trading at an average of US\$17,000 (A\$23,500) per tonne (June quarter US\$21,500 (A\$29,400) per tonne).



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**Johann Jacobs**

Chairman

**29 October 2015**

**King Island Scheelite Limited**

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For further information go to the company's website [www.kingislandscheelite.com.au](http://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 (ASX) on 9 April 2014, which also incorporated the results of the delineation drilling at Bold Head and Dolphin West 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](http://www.kingislandscheelite.com.au)

- 24 April 2015 Updated Resource Statement
- 21 September 2015 and 20 October 2015 Updated Reserve Statement

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 September 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(315)	(315)
(b) development	-	-
(c) production	-	-
(d) administration	(331)	(331)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	14	14
<b>Net Operating Cash Flows</b>	<b>(628)</b>	<b>(628)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(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)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(628)</b>	<b>(628)</b>

+ 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)	(628)	(628)
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(628)	(628)
1.20	Cash at beginning of quarter/year to date	1,568	1,568
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	940	940

**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	90
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 \$23,000; reimbursement of expenses \$2,000; and consulting fees \$65,000.  
 Details of amount at Item 1.7: R&D tax refund of \$14,000 received.

**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	335
4.2 Development	-
4.3 Production	-
4.4 Administration	598
<b>Total</b>	<b>933</b>

### 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	1	21
5.2 Deposits at call	939	1,547
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>940</b>	<b>1,568</b>

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

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#### 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			
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%

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+ See chapter 19 for defined terms.

**Issued and quoted securities at end of current quarter**

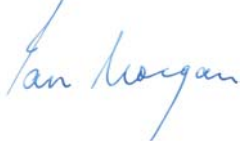
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 <b>+Ordinary securities</b>	165,251,702	165,251,702		
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs	-	-		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		
7.7 <b>Options</b> <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 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <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: 29 October 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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+ See chapter 19 for defined terms.