

Report for the Quarter Ended 30 September 2014



ASX: KIS

Market Capitalisation \$20.5 million
Shares on Issue 152.0 million
52 Week High 16.0 cents
52 Week Low 7.3 cents
Share Price (28/10/2014) 13.5 cents

Board of Directors

Johann Jacobs Chairman
Allan Davies Director
Chris Ellis Director

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 12 years.

Tungsten price

Metal Pages APT USD34,500 / tonne
(27/10/2014)

Contact

Johann Jacobs
Chairman

King Island Scheelite Limited ABN 40 004 681 734

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HIGHLIGHTS

- Dewatering commenced early July 2014, at 450 litres per second
- 2,000 megalitres pumped out of the open cut void at end of September
- Pumping the bulk of the water was completed mid-October, on schedule
- Drill rig arrived on site mid-October to commence drilling programme
- Consultants made significant progress in compiling Reserve Statement compliant with JORC 2012
- An Investor Update was lodged with the ASX in September
- Capital raising through an underwritten non-renounceable rights issue launched in July – 82% of funds subscribed for by existing shareholders
- Documentation of New Development Plan progressing

BASIS OF NEW DEVELOPMENT PLAN

- Open cut mining for 4 years
- Subsequent underground mining for 9 years
- Selective mining of tailings from previous operations
- Processing plant to include both gravity and flotation circuits

King Island Scheelite Limited (“The Company”) is pleased to present its activity report for the Quarter ended 30 September 2014.

Dewatering of the main Dolphin pit commenced on 12 July 2014 with initial pump rates of over 450 litres per second. By end September it is estimated that 2,000 megalitres had been pumped out – leaving a balance of 500 megalitres. On 13 October 2014 the large pump was removed from the void and replaced with a permanent much smaller pump. We are pleased to report that not only was the task completed on time but also within budget.

One of the Environmental Protection Agency (“EPA”) requirements was that the Company had to regularly sample the water and submit the results to the Agency. All samples taken and analyzed were within the limits prescribed by EPA.

The diamond core drill rig arrived on site 12 October 2014 and commenced the 2,000 metre drilling programme to validate the historical data on which the current Development Plan is based. This programme is scheduled for completion in two months with all analyses expected back in late January 2015. The Board will make a final decision on re-opening the mine in the first quarter 2015.

Our consultants have made significant progress in converting the resources for the open cut operation into reserves. The Company is aiming to have this completed during November 2014.

In September 2014 the Company released an Investor Update to the Australian Securities Exchange, pertinent financial information from this presentation is:

| | |
|--|---------------|
| Capital Cost (including Contingencies) | A\$60 million |
| Revenue net of concentrate discounts and royalties per mtu (APT Price US\$365 per mtu A\$0.90/US\$) | A\$260.00 |
| Operating Cost per mtu recovered | A\$107.00 |

Balfour Joint Venture (70% KIS)

On 17 October 2013 the Balfour Joint Venture relinquished its two Tasmanian tenements. Final regulatory approval of the relinquishment was received during the Quarter when the regulator refunded the Company’s tenement security deposits, permitting the Company to proceed with dissolving the Joint Venture.

Finance

During the Quarter the Company completed an underwritten Non Renounceable Rights Issue to raise approximately \$2.0 million to fund the activities of the Company through to the first Quarter 2015.

As at 30 September the cash balance of the Company was \$2,107,200.

Mining Tenements

The Company's activities 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 | Retention Licence RL 2/1998 at Grassy, King Island, TAS (8 sq kms) | 100% ownership |
| | Exploration Licence EL 19/2001 at Grassy, King Island, TAS (91 sq kms) | 100% ownership |
| | Exploration Licence EL 16/2002 at Grassy, King Island, TAS (18 sq kms) | 100% ownership |
| | Lease 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 | 403 |
| Project management | 62 |
| Mine planning | 27 |
| Metallurgical & laboratory testing | 32 |
| Environmental | 17 |
| Other Feasibility Study work | 57 |
| | <u>598</u> |

Markets

Ammonium paratungstate (APT) is currently trading at an average of US\$34,500 (A\$39,100) per tonne (September quarter average US\$36,400 (A\$39,900) per tonne).

Johann Jacobs
Chairman
29 October 2014
King Island Scheelite Limited

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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, reserves currently being assessed
- 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 16th May 2013, confirmed the potential to significantly optimize 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 report, which is available for viewing on the Company’s website www.kingislandscheelite.com.au

- 14 July 2014 Updated Resources Statement

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcement, and, in the case of estimates of Mineral Resources, 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 announcement.

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")

30th September 2014

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 | (598) | (598) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (304) | (304) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 10 | 10 |
| 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 | (892) | (892) |
| Cash flows related to investing activities | | |
| 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) | 19 | 19 |
| Net investing cash flows | 19 | 19 |
| 1.13 Total operating and investing cash flows (carried forward) | (873) | (873) |

+ 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) | (873) | (873) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 2,027 | 2,027 |
| 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) | (77) | (77) |
| | Net financing cash flows | 1,950 | 1,950 |
| | Net increase (decrease) in cash held | 1,077 | 1,077 |
| 1.20 | Cash at beginning of quarter/year to date | 1,030 | 1,030 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 2,107 | 2,107 |

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 \$4,000; consulting fees \$63,000.
 Details of amount at Item 1.12:
 Security bonds of \$19,000 reimbursed, relating to Balfour Tenements.

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 | 633 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 377 |
| Total | 1,010 |

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 | - | 6 |
| 5.2 Deposits at call | 2,107 | 1,024 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 2,107 | 1,030 |

+ See chapter 19 for defined terms.

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 | | | |
| | Retention Licence RL 2/1998 at Grassy, King Island, TAS (8 sq kms) | Ownership of mining tenement | 100% | 100% |
| | Exploration Licence EL 19/2001 at Grassy, King Island, TAS (91 sq kms) | Ownership of mining tenement | 100% | 100% |
| | Exploration Licence EL 16/2002 at Grassy, King Island, TAS (18 sq kms) | Ownership of mining tenement | 100% | 100% |
| | Lease 1M/2006 at Grassy, King Island, TAS (544 hectares) | Ownership of mining tenement | 100% | 100% |

+ 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 | 152,046,757 | 152,046,757 | | |
| 7.4 Changes during quarter | | | | |
| (a) Increases through issues | 16,894,354 | 16,894,354 | | |
| (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 ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: 31st October 2014
(~~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.