



ASX: KIS

Market Capitalisation \$10.1 million
Shares on Issue 135.1 million
52 Week High 12.5 cents
52 Week Low 4.6 cents
Share Price 7.5 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 USD37,200 / tonne
(21/01/2014)

Contact

Johann Jacobs
Chairman

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HIGHLIGHTS

- Work continued on progressing the Low Cost Option development plan, as one of the options identified from the Value Engineering Study
- Drilling to define additional open cut resources was completed
- Discussions continued with off-take partners – for the sale of concentrate
- Metallurgical test program, based on the drilling program, has been designed and will be implemented in the next quarter
- Balfour tenements relinquished and Joint Venture will be dissolved after regulatory approvals obtained

CURRENT STATUS OF PROJECT

- 100% ownership of tenements and resources
- High-grade JORC tungsten resource
- Freehold land covering planned mining operations owned by KIS
- Leases and tenements are current
- Environmental and development approvals obtained
- Significant infrastructure already in place

Dolphin Project

The Dolphin Project is focused on developing the high-grade tungsten resource at Grassy on King Island, Tasmania. This resource is located within the historic Dolphin Mine which previously operated from 1917 and closed in 1990, due to extremely low tungsten prices. JORC Resources and Reserves¹ have previously been reported for the Dolphin Project, with a further tungsten resource located approximately 2 km north of Dolphin at Bold Head.³

A Value Engineering Study (“VES”) undertaken during the first half of 2013, and announced to the market on 16th May 2013², confirmed the potential to optimize the 2012 Definitive Feasibility Study (“DFS”).³

An important aspect of the VES was to capitalise on open cut resources, not previously considered. As a result, a shallow resource definition drilling program was completed at Dolphin West and Bold Head,

¹ The revised ore reserve estimate announced on 1st March 2012 contains a total of 5,196,000 tonnes at 0.70% WO₃ resulting in 36,310 WO₃ tonnes:

	Tonnes (000)	WO ₃ %	WO ₃ Tonnes
Dolphin Probable	2,687	1.04	28,060
Bold Head Probable	609	0.76	4,640
Tailings Proven	1,900	0.19	3,610
TOTAL	5,196	0.70	36,310

The Information in this announcement relating to Mineral Reserves for Dolphin, Bold Head, and Tailings is extracted from the report entitled ‘Dolphin Project – Definitive Feasibility Study’ created on 1st March 2012 and is available to view on the Company’s website www.kingislandscheelite.com.au.

² The VES announced on 16th May 2013 identified an indicated and inferred resource of 1.25Mt of ore at 0.67% WO₃ in the existing pit floor and walls which can be mined during the first 3 years. Indicated is 0.90Mt of ore at 0.74% WO₃. Inferred is 0.35Mt of ore at 0.49% WO₃.

The Information in this announcement relating to Mineral Resource for Dolphin is extracted from the reports entitled ‘Dolphin Project Value Engineering of Definitive Feasibility Study completed’ created on 16th May 2013 and entitled ‘Report for the Quarter Ended 30th June 2013’ created on 22nd July 2013. The reports are available to view on the Company’s website www.kingislandscheelite.com.au.

³ The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcements and 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 Persons’ findings are presented have not been materially modified from the original market announcements.

with 9 of the 13 holes intersecting significant tungsten mineralisation. The results from this drilling program will now be used to update the geological models and mining plans. Once this work is completed, there is expected to be some incremental increase in JORC resources and reserves.

An ASX Announcement, released on 15^h January 2014, provides full details of the results of the drilling program.

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

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

	\$'000
Drilling programme	203
Project management	52
Mine planning	21
Modelling Dolphin pit resource	8
TOTAL	<u>284</u>

The more staged development, commencing with a Low Cost Option ("LCO"), and ultimately building up to a full scale operation as envisaged in the VES, remains the preferred option.

The major elements of this LCO are:

- Producing a lower grade concentrate
- Small scale, initially single shift, operation
- Contract mining and crushing
- Moving to full scale production in around 5 years

The outcomes of the LCO are:

- Production of first concentrate in approximately 15 months
- Subsequent full scale production will be significantly self-funded
- Enables the Company to become an established tungsten producer and provides the opportunity to evaluate what its final product and scale of operations should be
- Enables the full scale project to integrate into potential power and infrastructure benefits on King Island currently being assessed by the Taswind project.

As the LCO could have significant funding benefits for the development of the Dolphin/Bold Head mines it is taking precedence over the full scale RDFS and is anticipated to be completed by the end of the first quarter 2014.

The Company holds title to the freehold land across the mine site. All major statutory and other approvals are in place.

Balfour Joint Venture (70% KIS)

On 17th October 2013 the Joint Venture relinquished the two tenements it held in Tasmania. The next stage is for the Joint Venture to be dissolved, this will occur as soon as all regulatory approvals related to the relinquishment are received.

Mining Tenements

	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	Exploration Licence EL 27/2007 at Balfour, TAS	70% ownership
	Exploration Licence EL 40/2007 at Frankland River, Mt Lily – NW/S of Balfour, TAS	70% 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

Finance

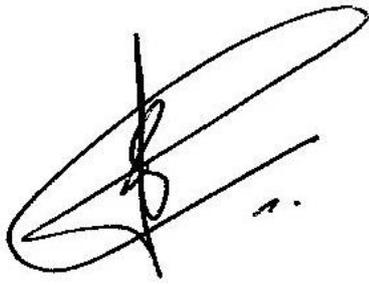
As at 31st December 2013 the cash balance of the Company was \$1,780,000.

Markets

Ammonium paratungstate (APT) is currently trading at an average of US\$37,200 (A\$42,000) per tonne (December quarter average US\$38,600 (A\$42,000) per tonne).

Outlook

The key focus in the short term is to complete the study on the Low Cost Option by the end of this quarter. Early indications are that when implemented, it will result in much improved project economics.



Johann Jacobs

Chairman

31st January 2014

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