

Company Update – Dolphin Project 100%

KING ISLAND
SHEELITE



ASX: KIS

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|-----------------------|----------------|
| Market Capitalisation | \$20.5 million |
| Shares on Issue | 152.0 million |
| 52 Week High | 16.0 cents |
| 52 Week Low | 8.5 cents |
| Share Price | 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 / tonne

24/02/2015 USD 28,000 (AUD 35,800)

30/06/2014 USD 37,000 (AUD 39,200)

Contact

Johann Jacobs
Chairman

King Island Scheelite Limited
ABN 40 004 681 734

Level 26, 259 George Street
Sydney NSW 2000

GPO Box 5154
Sydney NSW 2001

P. +61 2 8622 1400
F. +61 2 8622 1401

www.kingislandscheelite.com.au

HIGHLIGHTS

Further project optimisation studies have highlighted the following potential outcomes:

- Increased open cut mine life from 4 to around 7 years
- Significant operating cost savings and resource recovery from application of ore sorting technology
- Improved economics from first pass engineering expressions of interest for development of the processing plant
- Improved confidence levels from additional drilling data
- Significantly improved power costs from use of a Hybrid Facility

King Island Scheelite Limited (ASX: KIS) is pleased to provide this update on its further optimisation studies which have highlighted significant and material advances for the Dolphin Project. As a result, the Directors have decided to defer a final decision on commitment to the Project until Q2, 2015 when the further optimisation study results can be applied to the Project development. This delay should have negligible impact on the timing of first production in Q3, 2016 and is clearly in the best interest of all shareholders.

Increase in Open Cut mine life

The Board has for some time been examining the potential of increasing the open cut mine life, thereby delaying the commencement of the proposed underground operation. The benefits of open cut mining compared to underground mining are substantial:

- Lower mining costs
- Higher extraction % of in-situ WO_3
- More predictable mining environment and higher productivity

Our consultants are developing various mining plans which will be considered by the Company – a decision will be made in the near future.

Ore Sorting

Initial tests, on recently acquired borecore samples, were conducted at a workshop in Melbourne, utilising Xray Transmission (XRT) technology. The results were encouraging, with approximately 30% of low grade and barren ore being rejected with a minimal (~5%) loss in metal recovery. The impact of utilising this technology in our operation is significant:

- Mining to a lower cut-off grade, thereby increasing the amount of valuable mineral recovery
- Lower processing costs per unit of WO_3 production.
- For the same capacity processing plant, more marketable concentrate can be produced

The Company is currently preparing further borecore samples covering a wider range of material and bulk samples from existing low-grade stockpiles to process through the facility in Melbourne with results expected in approximately 6 weeks. If this technology were to be introduced the mining plans will need to be amended for the lower cut-off grade.

Engineering Expressions of Interest

The Company recently received Expressions of Interest from three engineering firms for the construction of the processing plant. These confirmed that the initial cost estimates are within the range of accuracy of the in-house estimates in our recent feasibility studies. The Company is currently evaluating these responses and a preferred contactor will be selected soon to commence more detailed design. The proposals also identify some areas of potential savings for the Company that require further investigation.

Assays on recent drilling programme

The laboratory assays on core from the recent drilling programme are being received with initial results generally in line with expectations. Updating the resource model is currently progressing and all should be completed in approximately six weeks.

Alternative Power Options

The Company is in discussion with two parties to replace the currently proposed diesel generation power station with a hybrid power plant utilising components of renewable energy (wind and solar) . If these proposals are successful, it could lead to approximately a 20% reduction in power costs over the life of the mine. Power is currently the largest single cost for the project.

For further information, please contact:



Johann Jacobs
Chairman
0416 125 449

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