

Report for the Quarter Ended 31 December 2014

KING ISLAND
SCHEELITE



ASX: KIS

Market Capitalisation \$18.2 million
Shares on Issue 152.0 million
52 Week High 16.0 cents
52 Week Low 8.0 cents
Share Price (28/01/2015) 12.0 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 USD28,000 / tonne
(27/01/2015)

Contact

Johann Jacobs
Chairman

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ABN 40 004 681 734

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HIGHLIGHTS

- Consultants completed an Updated (JORC 2012 compliant) Reserve Statement (based on previously defined Open-cut Resources)
- Dewatering of the open cut mine was completed during October – on time and on budget
- Drill rig arrived on site mid-October and completed its resource definition drilling programme in mid December
- Programme comprised 40 diamond core holes for a total of 1,670 meters
- Drill core assays currently being completed
- Investigations commenced on ore sorting technology to improve process efficiency
- Company initiated a programme of assisting shareholders who have unmarketable share parcels to dispose of them at no transaction cost to themselves
- 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 31 December 2014.

Our consultants completed the Updated Reserve Statement based on previously defined open-cut Resources – this was released to the market on 5 December 2014.

Dewatering of the main Dolphin pit was completed in October – after having pumped out approximately 2,500 Mega liters of water. This activity was completed on time and on budget.

The diamond core drill rig arrived on site 12 October 2014 and commenced the 1,670 meter drilling programme to validate the historical data on which the current Development Plan is based. This programme was completed in mid December. The majority of the drill-core assays (WO₃ at 1 metre intervals) has been received and will be reported to the market when complete.

Composite samples representing likely working sections for each borehole are being submitted for multi-element analysis and mineralogical analysis by QXRD.

Sample bulk residues from representative boreholes have been combined to make up samples for metallurgical testing. This work is in progress.

The Company is currently investigating ore sorting technology (Xray Transmission) to improve process efficiency. Preliminary results are encouraging and it is anticipated that this investigation will be completed towards the end of the current quarter.

During the quarter the Company initiated a programme to allow shareholders with unmarketable share parcels to dispose of them without incurring any brokerage costs. The invitation was sent to shareholders whose holding was valued at \$240 or less. At this stage, 22 out of 341 shareholders have advised that they do not wish to participate.

Finance

As at 31 December 2014 the cash balance of the Company was \$1,294,000.

Mining Tenements

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

During the quarter, the Company reviewed the status of its mining lease and licences, agreeing a strategy of reducing unnecessary rental payments where possible.

When granted, lease 1M/2006 superseded retention licence RL 2/1998 and, after liaising with Mineral Resources Tasmania, the Company decided to allow RL 2/1998 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

	Tenement reference	Nature of interest
	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	Retention Licence RL 2/1998 at Grassy, King Island, TAS (8 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
Drilling programme	334
Dewatering	186
Project management	61
Mine planning	26
Metallurgical & laboratory testing	5
Environmental	16
Other Feasibility Study work	7
	<u>635</u>

Markets

Ammonium paratungstate (APT) is currently trading at an average of US\$28,000 (A\$35,400) per tonne. December quarter average was US\$32,670 (A\$38,170) per tonne.

Johann Jacobs
Chairman
29 January 2015

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
- JORC 2012 compliant Probable 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 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 that 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 that 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

- 14 July 2014 Updated Resource Statement
- 5 December 2014 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 announcement, 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 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")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(635)	(1,233)
(b) development	-	-
(c) production	-	-
(d) administration	(185)	(489)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	20
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	(810)	(1,702)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(27)	(27)
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)	24	43
Net investing cash flows	(3)	16
1.13 Total operating and investing cash flows (carried forward)	(813)	(1,686)

+ 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)	(813)	(1,686)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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)
	Net financing cash flows	-	1,950
	Net increase (decrease) in cash held	(813)	264
1.20	Cash at beginning of quarter/year to date	2,107	1,030
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,294	1,294

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	117
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 \$21,000; consulting fees \$73,000.
 Details of amount at Item 1.12: Royalty income of \$24,000 received.
 Details of amount at Item 1.8(c): Part-payment of \$27,000 made on plant & equipment.

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	564
4.2 Development	-
4.3 Production	-
4.4 Administration	333
Total	897

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	66	-
5.2 Deposits at call	1,228	2,107
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,294	2,107

+ 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%	Nil ¹
	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%

¹ During the quarter, the Company reviewed the status of its mining lease and licences, agreeing a strategy of reducing unnecessary rental payments where possible. When granted, lease 1M/2006 superseded retention licence RL 2/1998 and, after liaising with Mineral Resources Tasmania, the Company decided to allow RL 2/1998 to lapse.

Issued and quoted securities at end of current quarter

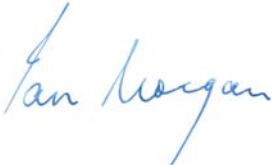
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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	152,046,757	152,046,757		
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(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: 29 January 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.