

# KING ISLAND SCHEELITE LIMITED

Investor update  
July 2010

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# Corporate Overview



ASX code	KIS
Market capitalisation	\$10 million
Shares on issue	62,373,758

Key Shareholders	%
Morritt	21.7
Gibson	9.8
Chadwick	8.0
Hunan Nonferrous Metals (HNC)	7.1
Glen Rural	6.4
Chrysalis Investments	5.1



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# Board & Management



Board:	Tony Haggarty	Non-exec Chairman
	Zeng Shao Xiong	Non-exec Director
	Andy Plummer	Non-exec Director
	Robin Morritt	Non-exec Director
	Jeff Fan	(Alternate for Zeng Shao Xiong)
Management:	Simon Bird	Chief Executive Officer
	Ian Morgan	Company Secretary
	Sue Jolliffe	Project Accountant
	Tim Callaghan	Consultant Geologist
	Alan Fudge	Consultant Mining Engineer (former King Island mine manager)
	Neville Wiggs/ Rob Hill	Mining consultants



# Strategy & Financials



## Clear strategic focus

- 1) Develop tungsten mine on King Island (Dolphin)
- 2) Explore in highly prospective NW Tasmania (Balfour)
- 3) Source opportunities to expand tungsten production

## Sound financial management

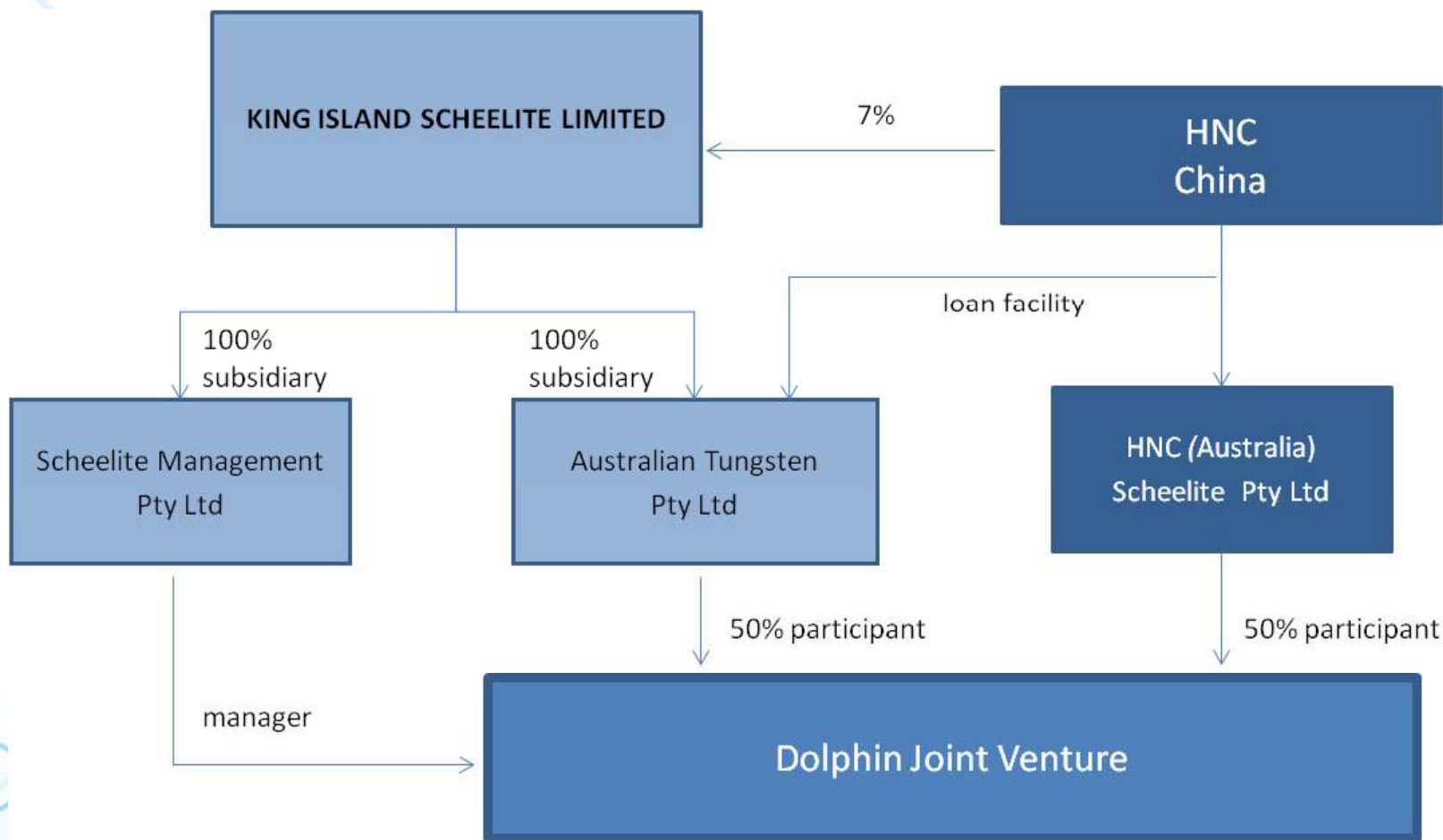
Healthy balance sheet	\$2.60 million in cash reserves
Slow burn rate	\$0.90 million per annum
Project funded (Dolphin)	\$63.25m HNC loan facility for KIS share
Focus on IRR and NPV	Project returns to exceed WACC



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# Dolphin

KIS 50% interest & manager - EL 19/2001, EL 16/2002, RL 2/1998



# Dolphin – Location



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# Dolphin – Former Mine



Former mine operated as an open pit until 1975, then as an underground operation up to 1990.

Gravity and flotation processes produced high grade  $WO_3$  concentrates.

Closed due to low tungsten prices.

The mine created significant employment, a new harbour and enjoyed strong local support.

Site has since been fully rehabilitated.

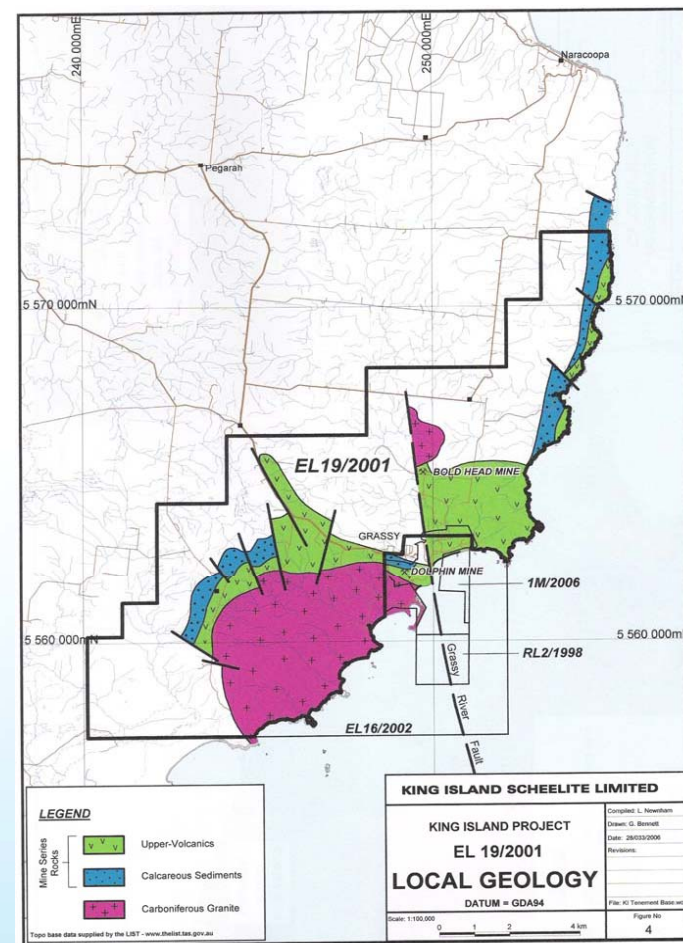




# Dolphin – Tenements



Lease / license	Renewal date
Retention license RL 2/1998	18 Dec 2010
Exploration license EL 19/2001	14 Dec 2010
Exploration license EL 16/2002	09 May 2011
Mining license MLA 1 M/2006	31 May 2011



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# Dolphin – Resource & Reserve



Dolphin	Tonnes	WO <sub>3</sub> %	Tonnes	WO <sub>3</sub> %
<b>Resource #</b>	<b>At 0.25% WO<sub>3</sub> Cut Off</b>		<b>At 0.70% WO<sub>3</sub> Cut Off</b>	
Indicated	8.42 Mt	0.95%	4.75Mt	1.29%
Inferred	0.52 Mt	0.50%	0.01Mt	0.73%
	<b>8.94 Mt</b>	<b>0.92%</b>	<b>4.76Mt</b>	<b>1.29%</b>
<b>Reserve #</b>			<b>At 0.70% WO<sub>3</sub> Cut Off</b>	
Probable			<b>1.63Mt</b>	<b>1.30%</b>

# Reported according to The JORC Code 2004

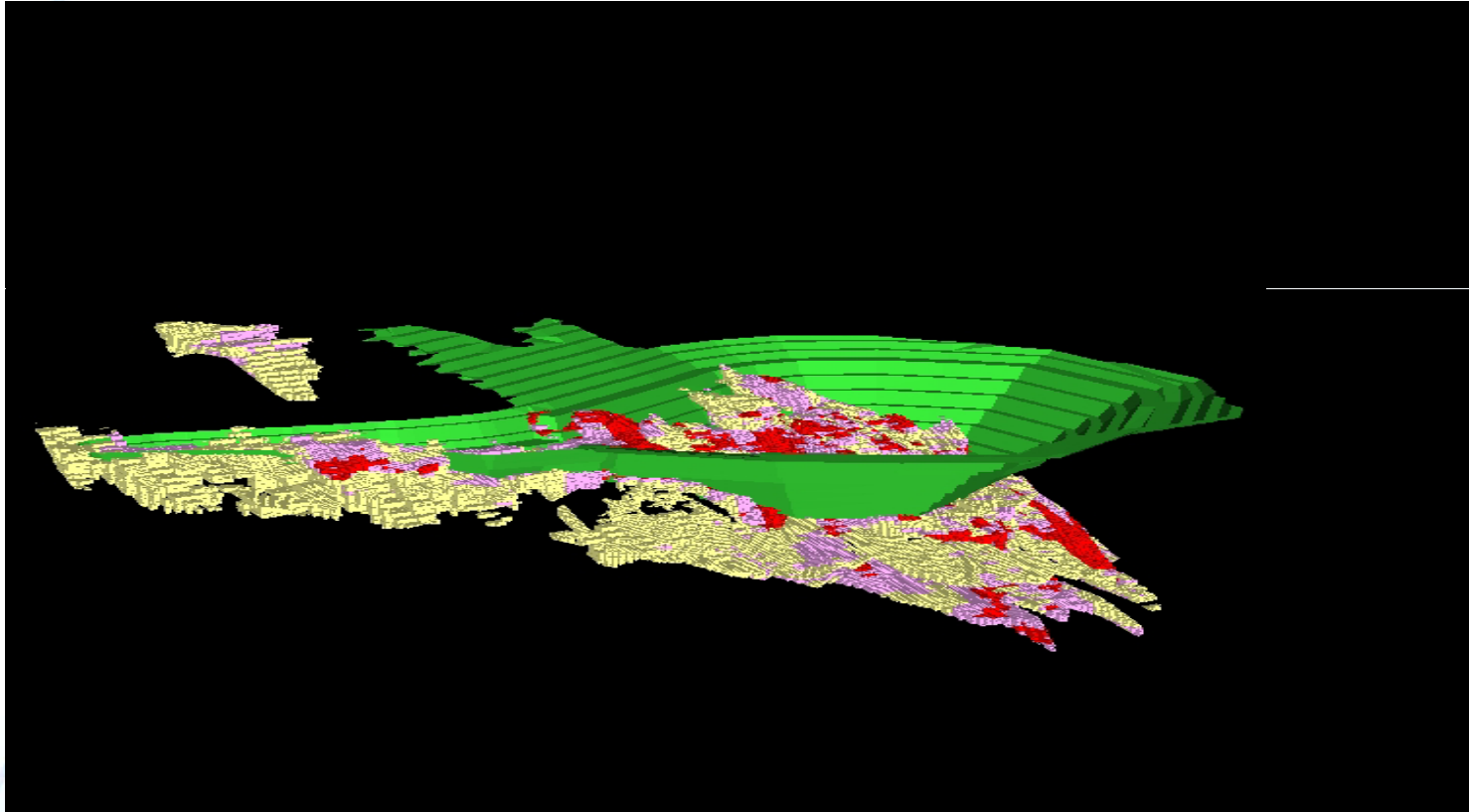


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# Dolphin – Resource & Reserve



Former open pit and remaining ore body

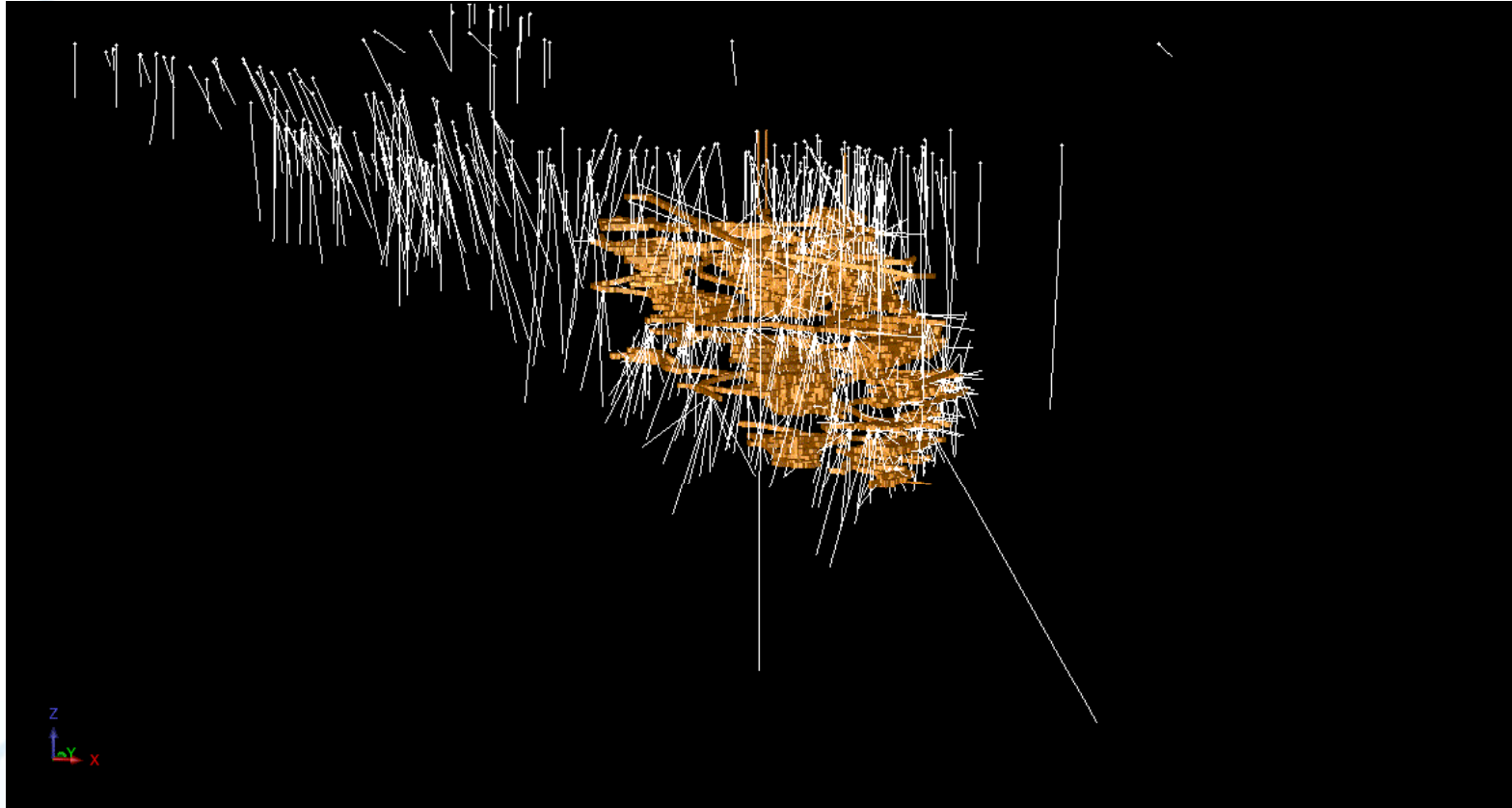


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# Dolphin – Resource & Reserve



Drill holes and former underground workings



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# Dolphin – Development Plan



## Feasibility Study – subject to approval

- Complete detailed design and costings.
- Updated current approvals.

## Mine

- 300,000 tpa at 1.30%  $WO_3$ , post-pillar stoping, classified tailing for hydraulic fill.
- Dewater mine and rehabilitate decline.
- Engage contractor to operate underground mine.

## Mill

- Construct plant and associated infrastructure.
- >90% recovery with whole-ore-flotation.
- >3,300t of  $WO_3$  concentrate produced pa.



# Dolphin – Development Plan



Project economics from scoping study	
Tungsten price (65% concentrate)	US\$185mtu (current price US\$190)
Revenue	> \$450m
Peak capital outlay	< \$95 million
IRR	> 20%

Timeframe	
Complete detailed design, tailings classification, amend current approvals.	6-9 months once funding approved
Procurement and construction	18-24 months



# Dolphin – Future Potential



## Confirm additional high-grade ore at Dolphin

- Limited drilling beyond former workings despite improved grades at depth.
- Geological mapping indicates significant additional high grade tonnes.
- Demonstrate down-plunge extension with development drilling.

## Reopen Bold Head mine

- Former underground site approximately 2km north of Dolphin.
- No issues expected regarding access and approvals.
- High grade JORC compliant resource and reserve confirmed (see next slide)

## Economics of this future potential

- Minimum investment to process these extra sources of ore.
- Added value from these initiatives not in current economics.



# Dolphin – Future Potential



Bold Head	Tonnes	WO <sub>3</sub> %	Tonnes	WO <sub>3</sub> %
<b>Resource #</b>	<b>At 0.25% WO<sub>3</sub> Cut Off</b>		<b>At 0.50% WO<sub>3</sub> Cut Off</b>	
Indicated	2.30 Mt	0.73%	1.50 Mt	0.93%
Inferred	0.17 Mt	1.13%	0.15 Mt	1.22%
	<b>2.47 Mt</b>	<b>0.76%</b>	<b>1.65 Mt</b>	<b>0.96%</b>
<b>Reserve #</b>			<b>At 0.70% WO<sub>3</sub> Cut Off</b>	
Probable			<b>0.61 Mt</b>	<b>0.76%</b>

# Reported according to The JORC Code 2004



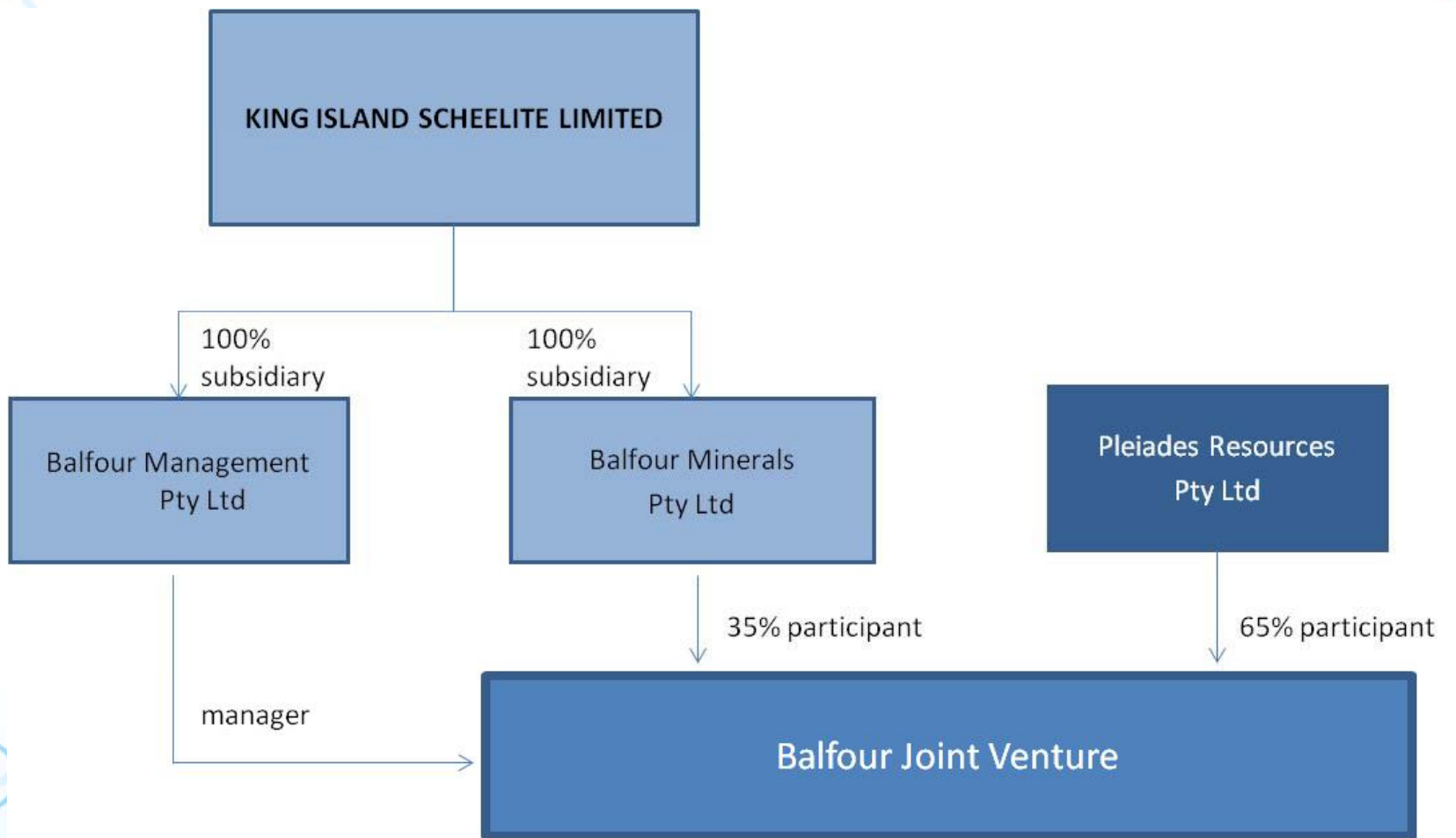
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# Balfour

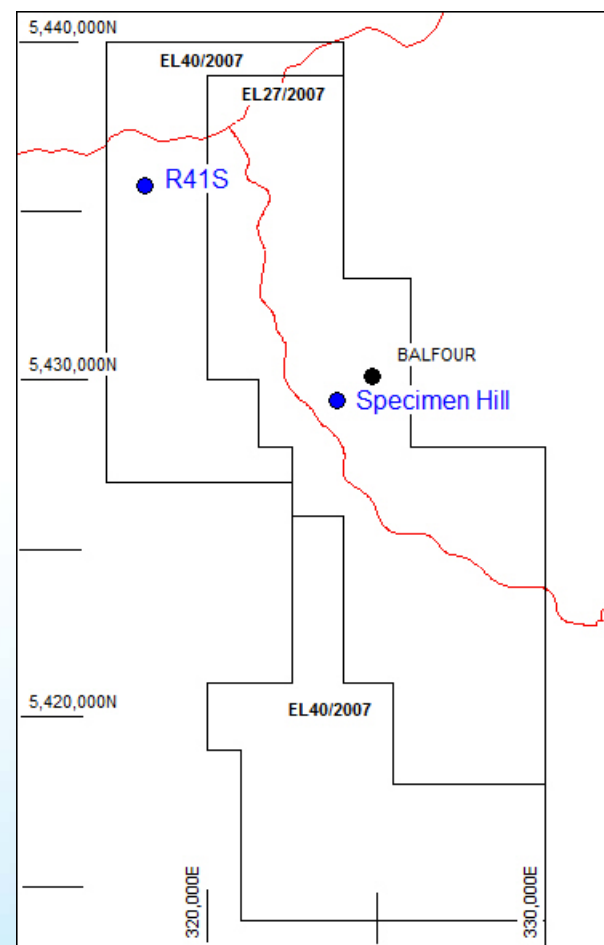
KIS 70% interest & manager - EL 27/2007, EL 40/2007



# Balfour – Tenements



Lease / license	Renewal date
Exploration licence EL 27/2007	18 Oct 2012
Exploration licence EL 40/2007	18 Oct 2012



# Balfour - Exploration



## Background

With encouraging results from a detailed ground based gravity survey of the area and subsequent geophysical analysis , a drilling programme was developed at Specimen Hill and R41S.

Target	Programme	Status
Specimen Hill	4 holes drilled in late 2009	Tin and tungsten intercepted Results released in Dec 2009
Obtained approvals to drill adjacent prospect at R41S in May 2010		
R41S	2 holes drilled in June 2010	Results currently being assessed

## What next?

Assess results from R41S drilling programme to determine potential for further exploration activity associated with this coincident magnetic and gravity anomaly.



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# Growth Strategy



Potential to create the largest supplier of tungsten outside China.

Situation	Opportunity
Strategic metal	Consistent demand expected
Production dominated by China	Provide supply outside China
Underdeveloped western supply	Address supply shortfall
Challenging international market	Work with Chinese partners
Limited investor attention	Develop vehicle warranting investor attention

Combining tungsten projects outside China we see a sustainable growth opportunity.



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# Outlook



	To date	Going forward
<b>Development (Dolphin)</b>	<ul style="list-style-type: none"> <li>• outstanding resource</li> <li>• strong partner</li> <li>• funding in place</li> <li>• capable team assembled</li> <li>• preferred mining option agreed</li> </ul>	<ul style="list-style-type: none"> <li>• commence detailed design</li> <li>• confirm additional resource</li> <li>• dewater mine and rehabilitate decline</li> <li>• establish mill and infrastructure</li> </ul>
<b>Exploration (Balfour)</b>	<p>Specimen Hill drilling completed tin &amp; tungsten identified</p> <p>R41S drilling completed</p>	<p>No further work planned</p> <p>Results pending</p>
<b>Growth (Corporate opportunities)</b>	Assessed tungsten project outside China	Progress specifically identified opportunities

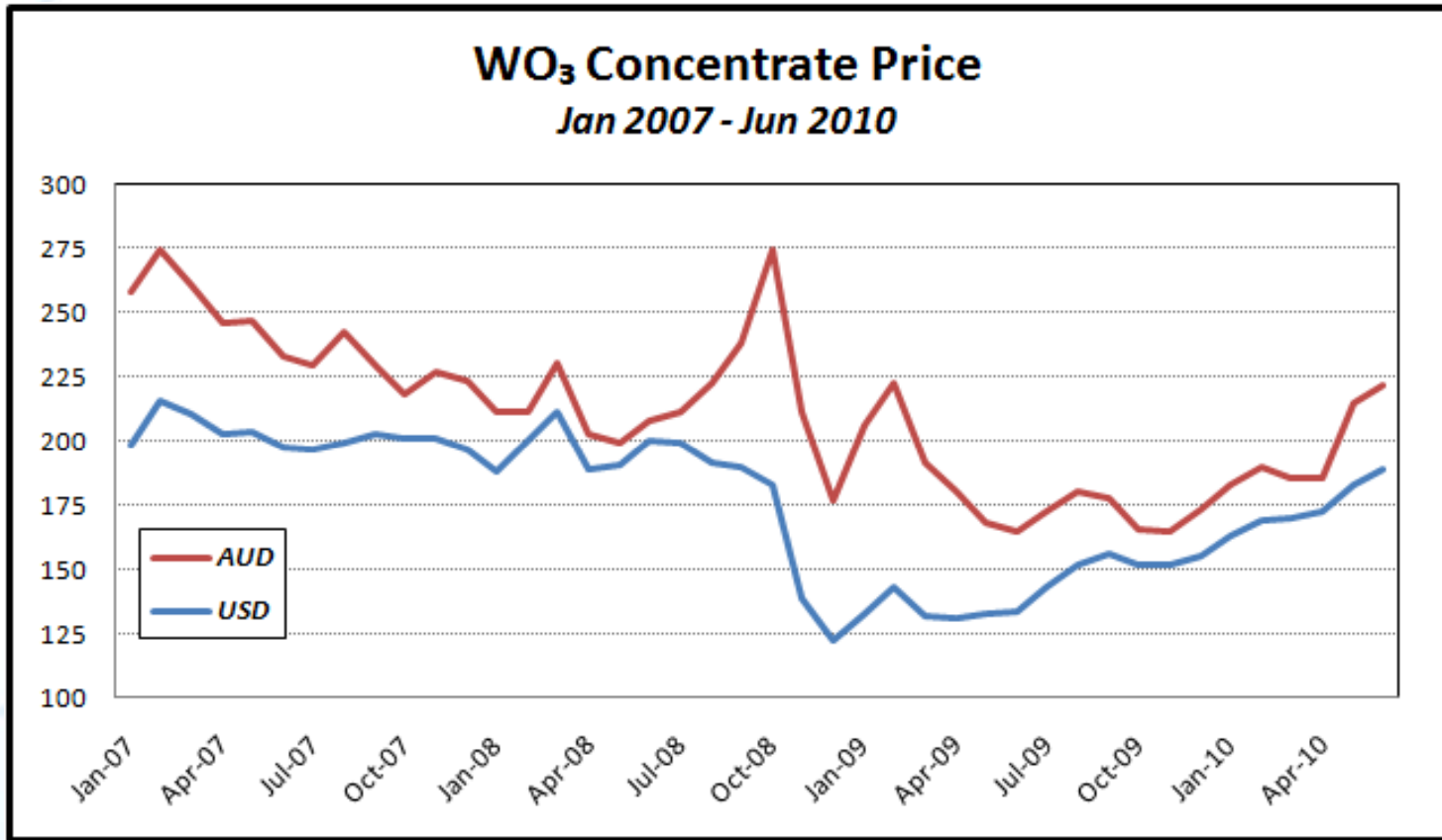
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# Tungsten prices



Increased >40% in the last 12 months



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