

31<sup>st</sup> October 2011

KING ISLAND  
SCHEELITE



**KING ISLAND SCHEELITE LIMITED (“KIS”)**

**REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2011**

**Key points**

- ***Progressed drilling at Dolphin South***
- ***Completed key aspects of our feasibility study***
- ***Appointed technical managers***
- ***Engaged with off-takers to underpin project funding***

**Dolphin Project**

During this quarter we made significant progress with the definitive feasibility study:

1. Finalised a plan to re-treat the estimated tailings resource to generate early cash flow.
2. Increased the estimated reserve for the Dolphin underground by 33% with improved mining methods and a revised development schedule.
3. Completed test work on re-treating tailings to confirm acceptable metallurgical recoveries and finalised the detailed mill design for updating the capital and operating cost assumptions.
4. Confirmed development and production schedules for the project and on track to complete the updated feasibility study next quarter.
5. Appointed two key technical managers.
  - a. Chief Metallurgist to oversee the design construction and commissioning of the plant.
  - b. Manager Mining Operations to execute our mine rehabilitation and operating plan.
6. Engaged with tungsten concentrate consumers to secure off-take arrangements that will underpin our project funding strategy. Following a recent tour and meetings with consumers throughout Europe, North America and Asia, discussions with key participants are well advanced.
7. Progressed the exploration programme at Dolphin South to demonstrate additional high-grade tungsten mineralisation down-plunge from the current Dolphin resource. The first two holes intercepted scheelite mineralisation, while the third hole is currently at a depth of 170m with the geological model indicating B and C Lenses from about 300m onwards.

Anticipated activities next quarter include the following:

- Complete confirmatory metallurgical test work in Tasmania.
- Finalise the definitive feasibility study.
- Conclude key off-take arrangements.

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- Commence negotiations for full project funding.
- Continue exploration drilling at Dolphin South.

This will enable the ordering of long lead items to ensure production from re-treated tailings commences in early 2013 and from underground operations in early 2014 at 1,000 tonnes and 3,500 tonnes WO<sub>3</sub> per annum in a 65% concentrate respectively.

With the mine life now exceeding 10 years and high grades achievable in the early years, our model indicates an NPV<sub>9</sub> of >\$130 million based on current concentrate prices assuming US\$/ A\$ parity and excluding the potential for additional mineralisation at Dolphin South.

#### **Balfour Joint Venture (BJV)**

KIS has a 70% interest in the BJV with Pleiades Resources Pty Ltd (30%) to explore tin-tungsten and copper-gold targets within BJV tenements in north west Tasmania. Results from a further study undertaken this quarter are being assessed by the BJV to determine the preferred drill targets for the next stage of the exploration programme.

#### **Markets**

Tungsten price for WO<sub>3</sub> contained in 65% concentrate is currently US\$334 per MTU which is an 8% decrease during the quarter. Demand outside China however, appears to have remained strong.

#### **Financial**

At 30<sup>th</sup> September 2011 the cash balance was \$4.46 million (June 2011 \$5.66 million).

#### **Outlook**

KIS remains on track to complete the Dolphin feasibility study in the last quarter of 2011.

Following encouraging meetings with key off-takers and end-users we look forward to agreeing acceptable off-take arrangements and securing suitable project funding for the Dolphin Project.

**For further information see the company's website [www.kingislandscheelite.com.au](http://www.kingislandscheelite.com.au)**

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