



## ASX: KIS

Market Capitalisation	\$ 7m
Shares on Issue	96.5m
52 Week High	\$ 0.280
52 Week Low	\$ 0.060
Share Price (30/09/12)	\$ 0.073

### King Island Scheelite Limited

The Dolphin Project on King Island, Tasmania could meet a significant proportion of the world's tungsten requirements over a 10 year mine life. Producing 3,500 tonnes of tungsten trioxide (WO<sub>3</sub>) per annum in an industry standard 65% tungsten concentrate, which typically trades at a 20% discount to ammonium paratungstate (APT).

### Tungsten price

Metal Pages APT USD35,000 / tonne (30/09/2012)

### Contact

Simon Bird  
Chief Executive Officer

### King Island Scheelite Limited

ABN 40 004 681 734

Level 25, 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](http://www.kingislandscheelite.com.au)

### Dolphin Project

**Development ready high-grade tungsten project on King Island, Tasmania.**

### Balfour Project

**Exploration project in a highly mineralised area of NW Tasmania.**

The Dolphin Project has a robust development plan, supported by strong market fundamentals, which can generate acceptable economic returns. There is down-plunge exploration scope to significantly extend the current 10-year mine life. There is also scope to identify new tungsten mineralisation within current tenements.

A definitive feasibility study has been completed for the development of the tungsten mine on King Island with:

- A robust development plan.
- Freehold title and requisite minerals titles.
- Development and mining approvals in place.
- Production scheduled within 24 months of project funding.

The Balfour Project is set for the next phase of exploration. This project is focussed on the potential for economic tin-tungsten and copper-gold mineralisation within tenements held by the Balfour Joint Venture in NW Tasmania. King Island Scheelite Limited holds a 70% interest in the joint venture with identified targets to be drilled once funding is secured.

## Dolphin Project Overview

The development plan is based on re-opening the former Dolphin underground mine to produce up to 350,000 tonnes of tungsten ore per annum at an average grade of 1.04% WO<sub>3</sub>. Recoveries of 91% WO<sub>3</sub> from the ore will produce an industry standard 65% tungsten concentrate using well-understood flotation techniques.

In production, the Dolphin Project is scheduled to produce up to 25% of current global supply excluding Chinese production.

The definitive feasibility study assumes AUD: USD parity; an APT price range of USD40,000 per tonne to USD45,000 per tonne for contained WO<sub>3</sub>; and a 20% discount for the industry standard 65% tungsten concentrate.

Key DFS outcomes:

- A 10-year mine life from underground mining and existing mine tailings.
- Potential for additional high-grade tungsten ore immediately down-plunge from the current ore blocks.
- Producing 3,500 tonnes of tungsten ore per annum of contained WO<sub>3</sub> in a standard 65% tungsten concentrate.
- Project NPV range of \$69 million to \$116 million: un-gearred and post-tax.
- Project IRR range of 21% to 29%: un-gearred and post-tax.
- Cash cost in the first four years of \$169 per metric tonne unit (One mtu = 10 kg WO<sub>3</sub>).
- An initial capital expenditure requirement of \$133 million.

The project has purchased key mine-related land (240.9ha) from the King Island Council and reached agreement for all project permits and approvals with the Tasmanian Environment Protection Authority, Minerals Resources Tasmania and the King Island Council. The Dolphin Project is within a retention licence that has adjacent exploration licences. A mining licence will be activated upon presentation of the agreed environmental bond.

The Dolphin Project is, subject to securing the necessary funding, development ready.

## Markets

Tungsten prices declined 12.5% during the September 2012 quarter. Concentrate continues to trade at an approximate 20% discount to the more widely traded APT. Currently APT is trading between USD34,000 and USD36,000 per tonne (APT prices averaged USD40,000 per tonne during the June quarter).

## Financial

During the quarter, a range of corporate and cost initiatives were implemented to preserve cash until market conditions improve. These included staff reductions and relocating the registered office. The

\$1 million rights issue undertaken during August was well supported by shareholders. As at 30<sup>th</sup> September 2012 the cash balance was \$1.5 million. Costs continue to be contained while management's efforts are directed to securing project funding.

## **Board**

During the quarter Mr Li Li resigned as a director and Mr Simon Bird was appointed to fill the casual vacancy. Since the end of the quarter, Mr Andy Plummer resigned from the board to reduce his professional and corporate commitments.

## **Outlook**

The Company remains focused on securing funding for both the Dolphin Project to develop the world class tungsten deposit on King Island and undertake the next stage of exploration on the Balfour Project in the highly prospective area of NW of Tasmania.

31<sup>st</sup> October 2012

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

**Simon Bird**  
Chief Executive Officer  
**King Island Scheelite Limited**

Level 25, 259 George Street  
Sydney NSW 2000  
Phone (02) 8622 1400  
Fax (02) 8622 1401  
Email [simon.bird@kisltd.com.au](mailto:simon.bird@kisltd.com.au)

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

30<sup>th</sup> September 2012

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(15)	(15)
(b) development	-	-
(c) production	-	-
(d) administration	(538)	(538)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	95	95
<b>Net Operating Cash Flows</b>	<b>(448)</b>	<b>(448)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(1)	(1)
(c) other fixed assets	-	-
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)	-	-
<b>Net investing cash flows</b>	<b>(1)</b>	<b>(1)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(449)</b>	<b>(449)</b>

+ See chapter 19 for defined terms.

For personal use only

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(449)	(449)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	993	993
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) – cost of share issue	(31)	(31)
	<b>Net financing cash flows</b>	962	962
	<b>Net increase (decrease) in cash held</b>	513	513
1.20	Cash at beginning of quarter/year to date	1,021	1,021
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	1,534	1,534

**Payments to directors of the entity and associates of the directors**

**Payments to 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	23
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

Payments made to Directors and their associated entities (Directors' fees \$23,000).

**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.

For personal use only

**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	-
4.2 Development	-
4.3 Production	-
4.4 Administration	465
<b>Total</b>	<b>465</b>

**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	27	22
5.2 Deposits at call	1,507	999
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,534</b>	<b>1,021</b>

+ See chapter 19 for defined terms.

For personal use only

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		Nil	Nil
6.2	Interests in mining tenements acquired or increased			
	Retention Licence RL 2/1998 at Grassy, King Island , Tasmania (8 sq kms)	Ownership of mining tenement	100%	100%
	Exploration Licence 19/2001 at Grassy, King Island, Tasmania (91 sq kms)	Ownership of mining tenement	100%	100%
	Exploration Licence 16/2002 at Grassy, King Island , Tasmania (18 sq kms)	Ownership of mining tenement	100%	100%
	Lease 1M/2006 at Grassy, King Island , Tasmania (544 hectares)	Ownership of mining tenement	100%	100%
	Exploration Licence EL27/2007 at Balfour Tasmania	Ownership of mining tenement	70%	70%
	Exploration Licence EL40/2007 at Frankland River - Mt Lily - NW / S of Balfour, Tasmania	Ownership of mining tenement	70%	70%

+ See chapter 19 for defined terms.

For personal use only

**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 <b>Preference +securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 <b>+Ordinary securities</b>	96,537,291	96,537,291		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	13,791,383	13,791,383		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
Tranche 1	1,000,000	-	25 cents	31 December 2013
Tranche 2	1,500,000	-	50 cents	31 December 2013
Tranche 3	2,000,000	-	\$1.00	31 December 2013
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

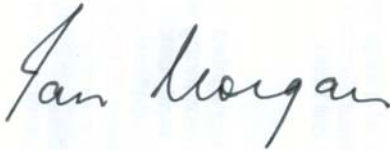
+ See chapter 19 for defined terms.

For personal use only



**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 4).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: \_\_\_\_\_ Date: 31<sup>st</sup> October 2012  
(~~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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.

====

For personal use only