

Dolphin Project – Value Engineering of Definitive Feasibility Study completed

KING ISLAND
SCHEELITE



ASX: KIS

Market Capitalisation	\$ 7.0m
Shares on Issue	96.5m
52 Week High	\$ 0.126
52 Week Low	\$ 0.052
Share Price (30/04/13)	\$ 0.073

King Island Scheelite Limited (KIS)

The Dolphin Project on King Island, Tasmania could meet a significant proportion of the world's tungsten requirements. Producing some 3,500 tonnes of tungsten trioxide (WO₃) per annum in an industry standard 65% tungsten concentrate.

Tungsten price

Metal Pages APT
USD35,000-35,500/ tonne
(30/04/2013)

Directors

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Contact

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HIGHLIGHTS

The value engineering of the Definitive Feasibility Study (“DFS”) confirms significantly improved project economics.

Key elements include:

- shelving tailings retreatment plans thereby removing substantial upfront costs;
- accessing additional resources at the base of the former open pit to generate strong early cash flow and increase the mine life;
- deferring the underground mine re-opening and associated costs by several years; and
- identifying further potential to remove or defer other significant expenditure.

King Island Scheelite Limited (KIS) is pleased to announce the completion of a value engineering study to further optimise the redevelopment of its world class tungsten mine on King Island, Tasmania.

This study has successfully confirmed the potential to improve on the DFS completed in 2012. The original plan involved reprocessing tailings for the first year while re-establishing access to the former underground mine. The current market conditions make reprocessing former tailings marginal at best.

The study identified a resource of 1.25Mt of ore at 0.67% WO₃ in the existing pit floor and walls which can be mined during the first 3 years. This production will be in addition to the original underground mine plan, which can now be deferred until year 4.

Shelving the retreatment of tailings and deferring the underground production substantially improves the economics of this project. While the metallurgical process remains unchanged, certain cost savings have also been identified. Incorporating these changes into a revised DFS is expected to be completed in around six months.

Dolphin Project - Value Engineering study

The Dolphin Project is focused on reopening the tungsten mine on King island, Tasmania.

A DFS to process former tailings and reopen the underground mine was completed in 2012. Once reopened, the underground mine would produce 350,000 tonnes of tungsten ore per annum at an average grade of 1.04% WO₃. A process using 'whole ore flotation' would recover 91% WO₃ into an industry standard 65% tungsten concentrate. This could provide up to 25% of the world's current non-Chinese supply over a 10 year mine life with scope from down-dip exploration to substantially extend this.

Market conditions required a review of the DFS resulting in a value engineering study being undertaken.

This study has now been completed, confirming a significant improvement in the project economics and a reduction in the risk profile. Key outcomes of the study are outlined below.

1. Shelve the tailings retreatment plan

At current prices the economics of reprocessing this material are marginal. A focus on high grade ore in the former open pit and underground will provide better returns and save some \$14M of capital associated with the original tailings retreatment plan.

2. Cut-back the existing pit wall

Significant tungsten ore remains in the existing pit floor and down dip from the toe of the Eastern and Northern high-walls. A review of geotechnical data and cut-back designs confirmed the potential to recover this ore, with negligible extension of the existing pit at surface.

JORC Resources within the proposed cut-back are 1.25Mt of ore at 0.67% WO₃. Detailed mine planning will be undertaken in the short term to convert these into a JORC Reserve.

This ore is included in the current Dolphin Mine Resource of 4.76Mt at 1.29% WO₃, however it is not included in the DFS mine plan and is therefore not part of the Dolphin Mine Reserve of 2.69Mt at 1.04% WO₃.

It is expected that the open-cut ore can be mined with minimal dilution and a waste to ore ratio of 3.6:1 (tonne:tonne) over a period of 3 years.

3. Defer the underground re-opening

Re-opening the former underground will now be deferred while the cut-back is mined. Capital costs (\$33M) associated with this re-opening (including a paste plant) will be deferred accordingly. While certain modifications to the current underground plan and schedule will be required, these are not expected to be substantial.

4. Other cost savings

Costs associated with bringing Bold Head, a deposit approximately 2kms from the Dolphin Mine, into production (\$9.5M) can be substantially deferred.

The flow sheet and recovery process remain as proposed in the original DFS; however areas have been identified through procurement and contractual arrangements for further reductions in capital costs on the project.

Through recent developments, additional reductions to infrastructure and operating costs (power in particular) have also been targeted.

The next steps include:

- Update the DFS to incorporate the revisions, in particular:
 - develop a detailed cut-back mine plan and confirm associated JORC Reserves;
 - update the underground mine plan and production schedule;
 - update the plant design, schedule and associated costs; and
 - obtain environmental and development approval for these amendments where necessary; and
- Secure off-take arrangements and re-engage with potential financiers to ensure the project is adequately funded.

This work is expected to take approximately six months.

FOR FURTHER INFORMATION

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Competent Person

Information within this announcement which pertains to mineralisation or resources is based on information compiled from reports prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Consultant Geologist Mr Tim Callaghan of Resource and Exploration Geology, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM"); has a minimum of twenty years of experience as a geologist, five of which are in the estimation, assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his estimations and he has consented in writing to the form and context in which it appears.