



## ASX: KIS

|                        |          |
|------------------------|----------|
| Market Capitalisation  | \$ 4.4m  |
| Shares on Issue        | 96.5m    |
| 52 Week High           | \$ 0.160 |
| 52 Week Low            | \$ 0.046 |
| Share Price (30/06/13) | \$ 0.046 |

## Board of Directors

|               |          |
|---------------|----------|
| Johann Jacobs | Chairman |
| Robin Morritt | Director |
| Chris Ellis   | Director |
| Simon Bird    | Director |

## King Island Scheelite Limited (KIS)

The Dolphin Project on King Island, Tasmania could meet a significant proportion of the world's tungsten requirements over a 12 year mine life.

## Tungsten price

Metal Pages APT USD40,500 / tonne (30/06/2013)

## Contact

Simon Bird  
Chief Executive Officer

**King Island Scheelite Limited**  
**ABN 40 004 681 734**

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Dolphin Project (100% KIS)  
King Island, Tasmania

## HIGHLIGHTS

- Completed Value Engineering Study (VES) of 2012 Definitive Feasibility Study (DFS) which confirmed significantly improved economics by:
  - Shelving tailings retreatment plans;
  - Accessing additional resources from open cut;
  - Deferring underground operations and associated costs; and
  - Identifying further cost savings and deferrals.
- The 2012 DFS is now being amended to incorporate the VES findings.
- Raised approximately \$2 million additional capital to fund the amended DFS, initiate pit dewatering and near mine exploration as well as fund working capital and overhead costs.

## CURRENT STATUS OF PROJECT

- 100% ownership of tenements and resources
- High-grade JORC compliant tungsten resource
- Freehold land covering planned mining operations owned by KIS
- Leases and tenements are current
- Environmental and development approvals obtained
- Significant infrastructure already in place

## **Dolphin Project**

The Dolphin Project is focused on developing the high-grade tungsten resource at Grassy on King Island, Tasmania. This resource is located within the historic Dolphin Mine. In addition, potential ore horizons are open down-plunge. A further tungsten resource is located to the north of Dolphin at Bold Head.

A Value Engineering Study (VES) undertaken during the quarter confirmed the potential to optimise the 2012 Definitive Feasibility Study (DFS).

On the 16<sup>th</sup> May 2013 the Company announced completion of the VES. It identified an indicated and inferred resource totalling 1.25Mt of ore at 0.67% WO<sub>3</sub><sup>1</sup> in the existing pit floor and in the pit walls which can be mined during the first 3 years. This open pit production will be in addition to the original underground mine plan which can now be deferred until year 4 of operation.

Shelving the retreatment of tailings and deferring the underground rehabilitation is expected to substantially improve the project economics. A range of additional capital and operating cost savings were identified and will be assessed. These measures will be complemented by a fall in the value of the Australian versus the USA dollar, and by the mining market down-turn which will put downward pressure on the cost and availability of labour and equipment.

The next step is to incorporate key elements and findings of the VES into an amended DFS. This work is to occur over the next six months.

The Company holds title to the freehold land across the mine site. Statutory and other approvals are in place.

## **Balfour Joint Venture (70% KIS)**

With KIS now focused on the Dolphin Project the Company has elected not to invest additional funds into this project. KIS is currently working with Pleiades Resources Pty Ltd to dissolve the Balfour Joint Venture and surrender the Balfour tenements.

## **Finance**

Following the completion of the Dolphin Project VES, a capital raising was announced on 29<sup>th</sup> May 2013. This capital raising, per its stated objectives, is to fund amendments to the 2012 DFS, undertake near-mine exploration, initiate pit-dewatering and fund general working capital requirements.

Key elements of this capital raising:

- Non-renounceable rights issue;
- Fully underwritten;
- Shares issued at \$0.051; and
- Capital raised \$1,969,000 (gross).

The offer closed on the 5<sup>th</sup> July 2013 with encouraging support from shareholders.

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<sup>1</sup> Indicated is 0.90Mt of ore at 0.74% WO<sub>3</sub>. Inferred is 0.35 Mt of ore at 0.49% WO<sub>3</sub>.

Further overhead cost reductions are being implemented to conserve cash whilst preparing the Dolphin Project for development.

## **Markets**

Tungsten prices continued to improve during the quarter in-line with long-term forecasts. Ammonium paratungstate (APT) is currently trading at an average of USD40,500 per tonne (March quarter average USD35,250 per tonne). The AUD tungsten price is currently AUD44,500 per tonne, the highest since late 2011. This is a welcome development and a key project fundamental.

## **Immediate focus**

With the capital raising now concluded, key priorities are as follows;

- Implement further overhead reductions;
- Revisit the potential to value-add by producing APT instead of a standard 65% concentrate;
- Revise JORC reserve and mine plan associated with the initial 3 year cut-back;
- Revise capital and operating costs estimates; and
- Revise the 2012 DFS to include VES elements/ findings.

## **Outlook**

The key objective is to develop the high-grade Dolphin tungsten deposit on King Island. High tungsten prices, a weaker Australian dollar and positive outcomes from the VES indicate substantially improved project economics. The current mining downturn for particularly the gold, nickel and iron ore sectors provides a further opportunity to source keenly-priced plant & machinery as well as more realistically-priced manpower.

The long term outlook for tungsten remains encouraging with strong demand and limited supply expected over the short to medium term.

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

**Johann Jacobs**  
Chairman

**Simon Bird**  
Chief Executive Officer

### **King Island Scheelite Limited**

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

**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.*

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## Appendix 5B

### Mining 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

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

30<sup>th</sup> June 2013

#### Consolidated statement of cash flows

|   | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|---|----------------------------|--|
| <b>Cash flows related to operating activities</b>               |                            |  |
| 1.1 Receipts from product sales and related debtors             | -                          | -                                      |
| 1.2 Payments for (a) exploration & evaluation                   | (7)                        | (22)                                   |
| (b) development   | -                          | -                                      |
| (c) production  | -                          | -                                      |
| (d) administration  | (128)                      | (1,243)                                |
| 1.3 Dividends received  | -                          | -                                      |
| 1.4 Interest and other items of a similar nature received       | 6                          | 34                                     |
| 1.5 Interest and other costs of finance paid                    | -                          | -                                      |
| 1.6 Income taxes paid   | -                          | -                                      |
| 1.7 Other (provide details if material)                         | -                          | 95                                     |
| <b>Net Operating Cash Flows</b>                                 | <b>(129)</b>               | <b>(1,136)</b>                         |
| <b>Cash flows related to investing activities</b>               |                            |  |
| 1.8 Payment for purchases of: (a) prospects                     | -                          | -                                      |
| (b) equity investments  | -                          | (10)                                   |
| (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)                        | (5)                        | 9                                      |
| <b>Net investing cash flows</b>                                 | <b>(5)</b>                 | <b>(1)</b>                             |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(134)</b>               | <b>(1,137)</b>                         |

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

|   |  |       |         |
|---|--|-------|---------|
| 1.13  | Total operating and investing cash flows (brought forward) | (134) | (1,137) |
| <b>Cash flows related to financing activities</b> |  |       |         |
| 1.14  | Proceeds from issues of shares, options, etc.              | -     | 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  | (29)  | (108)   |
| <b>Net financing cash flows</b>                   |  | (29)  | 885     |
| <b>Net increase (decrease) in cash held</b>       |  | (163) | (252)   |
| 1.20  | Cash at beginning of quarter/year to date                  | 932   | 1,021   |
| 1.21  | Exchange rate adjustments to item 1.20                     | -     | -       |
| 1.22  | <b>Cash at end of quarter</b>                              | 769   | 769     |

**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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 97                         |
| 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

December 2012: Payments made to Directors and their associated entities (Executive and Non-Executive Directors' remuneration \$100,000, expenses \$7,000).

March 2013: Payments made to Directors and their associated entities (Executive and Non-Executive Directors' remuneration \$62,000).

June 2013: Payments made to Directors and their associated entities (Executive and Non-Executive Directors' remuneration \$91,000, expenses \$6,000).

**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

|  |
|--|
|  |
|--|

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### Financing facilities available

Add notes as necessary for an understanding of the position.

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | -                           | -                      |
| 3.2 Credit standby arrangements | -                           | -                      |

### Estimated cash outflows for next quarter

|                                | \$A'000    |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 320        |
| 4.2 Development                | -          |
| 4.3 Production                 | -          |
| 4.4 Administration             | 503        |
| <b>Total</b>                   | <b>823</b> |

**NOTE:** During the September 2013 quarter, the non-renounceable rights issue announced on 29<sup>th</sup> May 2013 was completed and gross proceeds totalling \$1,969,000 received.

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 5                          | 7                           |
| 5.2 Deposits at call  | 764                        | 925                         |
| 5.3 Bank overdraft  | -                          | -                           |
| 5.4 Other (provide details)   | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b>  | <b>769</b>                 | <b>932</b>                  |

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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, TAS (8 sq kms)                 | Ownership of mining tenement  | 100%                             | 100%                       |
|     | 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%                       |
|     | Exploration Licence EL 27/2007 at Balfour, TAS                                     | Ownership of mining tenement  | 70%                              | 70%                        |
|     | Exploration Licence EL 40/2007 at Frankland River – Mt Lily – NW/S of Balfour, TAS | Ownership of mining tenement  | 70%                              | 70%                        |

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### 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><br>(description)   | -            | -             |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(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<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | -            | -             |   |  |
| 7.5 <b>+Convertible debt securities</b><br>(description)   | -            | -             |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              | -            | -             |   |  |
| 7.7 <b>Options</b><br>(description and conversion factor)  |              |               | <i>Exercise price</i>                         | <i>Expiry date</i>                               |
| Tranche 1  | 1,000,000    | -             | 25 cents                                      | 31 Dec 2013                                      |
| Tranche 2  | 1,500,000    | -             | 50 cents                                      | 31 Dec 2013                                      |
| Tranche 3  | 2,000,000    | -             | \$1.00  | 31 Dec 2013                                      |
| 7.8 Issued during quarter  | -            | -             |   |  |
| 7.9 Exercised during quarter   | -            | -             |   |  |
| 7.10 Expired during quarter  | -            | -             |   |  |
| 7.11 <b>Debentures</b><br>(totals only)  | -            | -             |   |  |

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Appendix 5B  
Mining exploration entity quarterly report

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|      |                                  |   |   |
|------|----------------------------------|---|---|
| 7.12 | Unsecured notes<br>(totals 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 5).
- 2 This statement does ~~/does not\*~~ (delete one) give a true and fair view of the matters disclosed.



Sign here: \_\_\_\_\_ Date: 22<sup>nd</sup> July 2013  
(~~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 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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