

ASX: KIS

Market Capitalisation	\$ 10.7m
Shares on Issue	135.2m
52 Week High	\$ 0.090
52 Week Low	\$ 0.046
Share Price (30/09/13)	\$ 0.079

Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

King Island Scheelite Limited (KIS)

through its 100% Dolphin Project on King Island, Tasmania is one of the world's richest tungsten deposits and could meet a significant proportion of the world's tungsten requirements over a minimum 12 years.

Tungsten price

Metal Pages APT USD39,000 / tonne (29/10/2013)

Contact

Johann Jacobs
Chairman

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King Island Scheelite Limited

HIGHLIGHTS

- Following the completion of the Value Engineering Study work has continued on the Revised Bankable Feasibility Study
- Currently considering a Low Cost Option to commence production of a lower grade WO₃ concentrate
- Drilling to define open cut resources has commenced

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 which previously operated from 1917 and closed in 1990 due to extremely low tungsten prices. JORC compliant Resources and Reserves have previously been reported for the Dolphin Project, with a further tungsten resource located approximately 2 km north of Dolphin at Bold Head.

A Value Engineering Study (**VES**) undertaken during the previous quarter, and announced to the market on 16th May 2013, confirmed the potential to optimise the 2012 Definitive Feasibility Study (**DFS**).

Work continued during the quarter on redefining the open pit resource and drilling commenced on 29th October 2013 as part of the process of converting the VES into a Revised Definitive Feasibility Study (**RDFS**). In considering different options it was decided to examine a more staged development approach, commencing with a Low Cost Option (**LCO**), and ultimately building up to a full scale operation as envisaged in the VES.

The major elements of the LCO are:

- Producing a lower grade concentrate
- Small scale, initially single shift, operation
- Contract mining and crushing
- Moving to full scale production in around four years
- Very simple initial gravity processing plant
- Finer material stockpiled for later recovery by flotation

The outcomes of this LCO are:

- Production of first concentrate in approximately 15 months
- Subsequent full scale production will be significantly self-funded
- Enables the Company to become an established tungsten producer and provides the opportunity to evaluate what its final product and scale of operation should be

- Enables the full scale project to integrate into potential power and infrastructure benefits on King Island currently being assessed by the Taswind project.

As the LCO could have significant funding benefits for the development of the Dolphin Mine it is taking precedence over the full scale RDFS and is anticipated to be completed first quarter 2014.

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

Balfour Joint Venture (70% KIS)

On 17th October 2013 the Joint Venture relinquished the two tenements it held in Tasmania. It is planned for the Balfour Joint Venture to be dissolved, which will probably occur during the current quarter.

Finance

As at 30th September 2013 the cash balance of the Company was A\$2,235,000. It is anticipated that the Company will complete its Revised Feasibility Study without having to raise additional funds.

Markets

Ammonium paratungstate (APT) is currently trading at an average of USD39, 000 (AUD 40,385) per tonne (September quarter average USD41, 058 per tonne).

Directors

On 30th September 2013, Dr Robin Morrirt resigned as a Director of the Company.

Dr Morrirt had been a Non-Executive Director since May 2005 when the Dolphin Project was vended into the Company through the acquisition of Australian Tungsten Pty Ltd.

The Board expressed thanks to Dr Morrirt for his contribution to the Company over many years and wished Robin all the best in his future endeavours. Dr Morrirt's family remains a major shareholder of the Company.

Mr Allan Davies was appointed to the Board, effective 30th September 2013 to fill the casual vacancy. Mr Davies has been a shareholder of the Company for many years, and brings a significant skill set to the Company as we advance the revised feasibility study on the Dolphin Project.

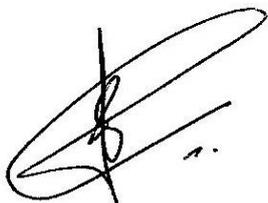
Allan is a mining engineer and has held executive positions in Excel Coal Limited and Patrick Corporation. Most recently he was the Executive Director of Whitehaven Coal Limited charged with the responsibility of overseeing all operations. He is currently also a Non-Executive Director of Qube Holdings Limited, a diversified logistics and infrastructure company.

The Board welcomed Allan at this important stage in the development of the Company's King Island Dolphin tungsten project.

The Company has agreed with a company related to Mr Jacobs for the provision of consulting services. The material terms of this agreement are that the services of Mr Jacobs, in addition to Mr Jacobs's Chairman fees at the current rate of \$33,776 per annum including statutory superannuation, would be for services requested by the Company at the rate of \$2,100 per day (excluding GST) for two days per week.

Outlook

The key objective is to bring the high-grade Dolphin tungsten deposit on King Island into production. Higher tungsten prices, a weaker Australian dollar, positive outcomes from the VES, and the investigation into the Low Cost Option development, all indicate much improved project economics.



Johann Jacobs

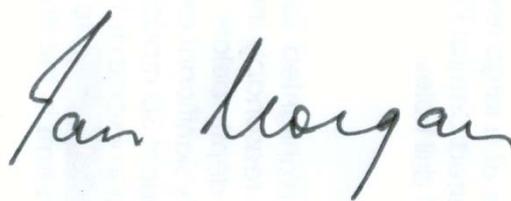
Chairman

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For further information go to the Company's website www.kingislandscheelite.com.au



Ian Morgan

Company Secretary

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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")

30th September 2013

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	(96)	(96)
(b) development	-	-
(c) production	-	-
(d) administration	(458)	(458)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) - research & development expenditure tax rebate	110	110
Net Operating Cash Flows	(430)	(430)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	30	30
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	30	30
1.13 Total operating and investing cash flows (carried forward)	(400)	(400)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(400)	(400)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,969	1,969
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	(103)	(103)
	Net financing cash flows	1,866	1,866
Net increase (decrease) in cash held			
		1,466	1,466
1.20	Cash at beginning of quarter/year to date	769	769
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,235	2,235

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	265
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

	Current quarter \$A'000
Payments made to Directors and their associated entities:	
Directors' fees	24
Reimbursement of Directors' expenses incurred on the company's behalf	5
Director's (CEO) salary, unused leave and bona fide termination payment	236
Total	265

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 \$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	886
4.2 Development	-
4.3 Production	-
4.4 Administration	298
Total	1,174

NOTE: During the September 2013 quarter, the non-renounceable rights issue announced on 29th 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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	12	5
5.2 Deposits at call	2,223	764
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,235	769

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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, 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 Preference +securities <i>(description)</i>	-	-		
7.2 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 +Ordinary securities	135,152,403	135,152,403		
7.4 Changes during quarter				
(a) Increases through issues	38,615,112	38,615,112		
(b) Decreases through returns of capital, buy-backs	-	-		
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		
7.7 Options <i>(description and conversion factor)</i>			<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 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

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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 ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31st October 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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