

ASX: KIS

Market Capitalisation	\$10.1 million
Shares on Issue	135.1 million
52 Week High	12.5 cents
52 Week Low	4.6 cents
Share Price	7.5 cents

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 USD37,200 / tonne
(21/01/2014)

Contact

Johann Jacobs
Chairman

King Island Scheelite Limited

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HIGHLIGHTS

- Work continued on progressing the Low Cost Option development plan, as one of the options identified from the Value Engineering Study
- Drilling to define additional open cut resources was completed
- Discussions continued with off-take partners – for the sale of concentrate
- Metallurgical test program, based on the drilling program, has been designed and will be implemented in the next quarter
- Balfour tenements relinquished and Joint Venture will be dissolved after regulatory approvals obtained

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 first half of 2013, and announced to the market on 16th May 2013, confirmed the potential to optimize the 2012 Definitive Feasibility Study ("DFS").

An important aspect of the VES was to capitalise on open cut resources, not previously considered. As a result, a shallow resource definition drilling program was completed at Dolphin West and Bold Head, with 9 of the 13 holes intersecting significant tungsten mineralisation. The results from this drilling program will now be used to update the geological models and mining plans. Once this work is completed, there is expected to be some incremental increase in JORC compliant resources and reserves.

An ASX Announcement, released on 15^h January 2014, provides full details of the results of the drilling program.

The more staged development, commencing with a Low Cost Option ("LCO"), and ultimately building up to a full scale operation as envisaged in the VES, remains the preferred option.

The major elements of this LCO are:

- Producing a lower grade concentrate
- Small scale, initially single shift, operation
- Contract mining and crushing
- Moving to full scale production in around 5 years

The outcomes of the 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 operations 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/Bold Head mines it is taking precedence over the full scale RDFS and is anticipated to be completed by the end of the first quarter 2014.

The Company holds title to the freehold land across the mine site. All major 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. The next stage is for the Joint Venture to be dissolved, this will occur as soon as all regulatory approvals related to the relinquishment are received.

Finance

As at 31st December 2013 the cash balance of the Company was \$1,780,000.

Markets

Ammonium paratungstate (APT) is currently trading at an average of US\$37,200 (A\$42,000) per tonne (December quarter average US\$38,600 (A\$42,000) per tonne).

Outlook

The key focus in the short term is to complete the study on the Low Cost Option by the end of this quarter. Early indications are that when implemented, it will result in much improved project economics.



Johann Jacobs
Chairman

28th January 2014

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

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")

31st December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(284)	(380)
(b) development	-	-
(c) production	-	-
(d) administration	(155)	(609)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	27
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
Net Operating Cash Flows	(426)	(852)
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	-	26
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	26
1.13 Total operating and investing cash flows (carried forward)	(426)	(826)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(426)	(826)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	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	(29)	(132)
	Net financing cash flows	(29)	1,837
	Net (decrease) increase in cash held	(455)	1,011
1.20	Cash at beginning of quarter/year to date	2,235	769
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,780	1,780

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 1.25	83
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:	\$A'000
Non-executive Directors' fees	28
Reimbursement of expenses incurred on behalf of the Company	21
Consulting fees	34
Total	83

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

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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	427
4.2 Development	-
4.3 Production	-
4.4 Administration	255
Total	682

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	25	12
5.2 Deposits at call	1,755	2,223
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,780	2,235

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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%	-
	Exploration Licence EL 40/2007 at Frankland River – Mt Lily – NW/S of Balfour, TAS	Ownership of mining tenement	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	-	-		
(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>	2,000,000	-	<i>Exercise price</i> 15 cents	<i>Expiry date</i> 31 Dec 2018
	3,000,000	-	22 cents	31 Dec 2019
	4,000,000	-	28 cents	31 Dec 2020
7.8 Issued during quarter	2,000,000	-	15 cents	31 Dec 2018
	3,000,000	-	22 cents	31 Dec 2019
	4,000,000	-	28 cents	31 Dec 2020
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter				
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
7.11 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 ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 28th January 2014
(~~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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