

Report for the Quarter Ended 30 June 2014



ASX: KIS

Market Capitalisation \$17.6 million
Shares on Issue 135.1 million
52 Week High 16.0 cents
52 Week Low 5.0 cents
Share Price (29/07/2014)
12.5 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 USD36,750 / tonne
(28/07/2014)

Contact

Johann Jacobs
Chairman

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HIGHLIGHTS

- Mining Lease granted mid June 2014 to allow, subject to certain conditions, for the re-opening of the Dolphin Mine
- A contract for the dewatering of Dolphin Mine was awarded to REL
- Dewatering commenced early July 2014, at 450 litres per second (anticipated completion in mid-October)
- Revised Indicated Resource Statement, compliant with JORC 2012, issued confirming increase in resources
- Consultants appointed to re-calculate reserves for compliance with JORC 2012
- Capital raising through an underwritten non-renounceable rights issue launched in July
- Documentation of New Development Plan progressing

BASIS OF NEW DEVELOPMENT PLAN

- Open cut mining for 4 years
- Subsequent underground mining for 9 years
- Selective mining of tailings from previous operations
- Processing plant to include gravity, magnetic and flotation circuits

Project Status

The Project is focused on developing the high-grade tungsten resource at Dolphin, and later at Bold Head, both situated at Grassy on King Island, Tasmania. The main resource is located within the historic Dolphin Mine which previously operated from 1917 and closed in 1990, due to extremely low tungsten prices.

The Project, which is 100% Company owned has:

- JORC 2012 compliant high grade tungsten resources, reserves currently being assessed
- Freehold land covering planned mining operations
- Current Leases and tenements
- Development and Environmental approvals

A Value Engineering Study ("VES") undertaken during the first half of 2013, and announced to the market on 16 May 2013, confirmed the potential to significantly optimize the 2012 Definitive Feasibility Study ("DFS").

Since then, work has been completed on further optimisations of the VES, and following that, the Low Cost Option. The Company is now progressing the New Development Plan, which will have a similar production profile to the DFS but with significantly enhanced project metrics.

A comprehensive overview of the plan was announced to the Australian Securities Exchange on 9 April 2014, which incorporated the results of the delineation drilling at Bold Head and Dolphin West separately announced to the ASX on 15 January 2014.

The latest report, released to the ASX on 14 July 2014, now concludes the following Indicated Resources at the Dolphin project:

Cut off 0.2% WO ₃			Cut off 0.5% WO ₃		
Mt	WO ₃	Tonnes WO ₃	Mt	WO ₃	Tonnes WO ₃
10.82	0.81	87,630	7.06	1.06	74,890

Following dewatering, a drilling programme will be undertaken with the objective of confirming the resources as well as to undertake further metallurgical test work to confirm the redesigned processing circuit. This work is anticipated to be completed by December 2014, after which a decision will be taken to proceed with the redevelopment of the mine.

During this time, the Company will also compile a comprehensive Revised Definitive Feasibility Study.

Dewatering July 2014



Balfour Joint Venture (70% KIS)

On 17 October 2013 the Joint Venture relinquished the two tenements it held in North-west 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 30 June the cash balance of the Company was \$1,029,700.

Mining Tenements

KIS group activities have related to exploration, there have been no activities relating to production or development

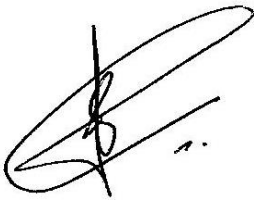
	Tenement reference	Nature of interest
Mining tenements held at the end of the quarter	Retention Licence RL 2/1998 at Grassy, King Island, TAS (8 sq kms)	100% ownership
	Exploration Licence EL 19/2001 at Grassy, King Island, TAS (91 sq kms)	100% ownership
	Exploration Licence EL 16/2002 at Grassy, King Island, TAS (18 sq kms)	100% ownership
	Lease 1M/2006 at Grassy, King Island, TAS (544 hectares)	100% ownership
Mining tenements acquired during the quarter	Nil	Nil
Mining tenements relinquished during the quarter	Nil	Nil
Beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter	Nil	Nil
Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed during the quarter	Nil	Nil

Following is a summary of the expenditure incurred on exploration activities during the quarter:

	\$'000
Drilling programme	-
Project management	70
Mine planning	85
Metallurgical & laboratory testing	71
Power investigations	-
Environmental	17
Other Feasibility Study work	30
	<u>273</u>

Markets

Ammonium paratungstate (APT) is currently trading at an average of US\$36,750 (A\$39,100) per tonne June quarter average was US\$37,300 (A\$39,800) per tonne.



Johann Jacobs
Chairman
30 July 2014

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

Competent Person's Statement

Previously Released Information

This ASX announcement refers to information extracted from the following report, which is available for viewing on the Company's website www.kingislandscheelite.com.au

- 14 July 2014 Updated Resources Statement

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcement, and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcement.

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Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/2013

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

30th June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(273)	(768)
(b) development	-	-
(c) production	-	-
(d) administration	(196)	(1,038)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	45
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	110
Net Operating Cash Flows	(461)	(1,651)
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
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	45	45
Net investing cash flows	45	75
1.13 Total operating and investing cash flows (carried forward)	(416)	(1,576)

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(416)	(1,576)
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)	-	(132)
	Net financing cash flows	-	1,837
	Net increase (decrease) in cash held	(416)	261
1.20	Cash at beginning of quarter/year to date	1,446	769
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,030	1,030

Payments to directors of the entity, associates of the directors, 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	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

Payment made to Directors and their associated entities:
Directors' fees \$23,000; reimbursement of expenses \$1,000; consulting fees \$59,000.

Details of amount at Item 1.12:
Security bond of \$15,000 paid, relating to Mining Lease.
Royalties of \$60,000 received from unrelated entity, Eastern Feeder Holdings Pty Ltd.

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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+ See chapter 19 for defined terms.

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	918
4.2 Development	-
4.3 Production	-
4.4 Administration	486
Total	1,404

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	6	6
5.2 Deposits at call	1,024	1,440
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,030	1,446

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Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum 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%

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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 (description)	-	-		
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 (description)	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
Tranche 1	2,000,000	-	15 cents	31 Dec 2018
Tranche 2	3,000,000	-	22 cents	31 Dec 2019
Tranche 3	4,000,000	-	28 cents	31 Dec 2020
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

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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: 30 July 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 and petroleum 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 or petroleum 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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