

Report for the Quarter Ended 31 March 2015

KING ISLAND
SCHEELITE



ASX: KIS

Market Capitalisation	\$25.1 million
Shares on Issue	152.0 million
52 Week High	16.5 cents
52 Week Low	10.5 cents
Share Price	16.5 cents

Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

Tungsten APT USD 25,750 / tonne (28 April 2015)

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 13 years.

King Island Scheelite Limited

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HIGHLIGHTS

- During the quarter, ongoing optimisation studies identified:
 - Potential to increase open cut mine life from 4 years to 7 years
 - Potential to achieve significant operating cost savings and resource recovery from application of ore sorting technology
 - Potentially improved economics from engineering contractor
 - Significantly improved power costs from use of a hybrid facility
- Assay results from recent drilling results were received and results are in line with expectations
- Mineral Technology Pty Ltd, a division of the Downer Group appointed as process engineering contractor for the development's final definition phase.
- Unmarketable parcel sale facility successfully put in place.
- Documentation of final Development Plan progressing.
- Subsequent to the end of the quarter, KIS announced an equity raising through a non-renounceable rights issue, partially underwritten, at \$0.135 per share to raise approximately \$1,866,000 before issue costs. The capital raising is currently underway.

BASIS OF FINAL DEVELOPMENT PLAN

- Open cut mining for approximately 7 years
- Subsequent underground mining for approximately 6 years
- Selective mining of tailings from previous operations
- Processing plant to include both gravity and flotation circuits, with potential for an ore sorter

King Island Scheelite Limited is pleased to present its activity report for the Quarter ended 31 March 2015.

Activity on site

Dewatering of the main Dolphin pit was completed in the previous quarter – after having pumped out approximately 2,500 Mega liters of water.

Optimised Development Plan

□ Extension of Open Cut mining from 4 to 7 years

- The benefits of open cut mining compared to underground mining are substantial:
 - Lower overall mining costs
 - Higher extraction percentage of in-situ WO_3
 - More predictable mining environment and higher productivity
- Consultants are currently developing various mining plans and are focusing on extending the life of the open cut

□ Ore Sorting

- Initial tests, utilizing X-ray transmission (XRT) technology on a sample of Dolphin ore provided encouraging results:
 - approximately 30% of low grade and barren ore was rejected with a minimal (~5%) loss in metal recovery
 - the impact of utilizing this technology in this operation is significant:
 - Mining to a lower cut-off grade, thereby increasing the amount of valuable mineral recovery
 - Lower processing costs per unit of WO_3 production
 - For the same capacity processing plant, more marketable concentrate can be produced
- A further 27 samples from recent borecores have been sorted and are awaiting assay results

❑ Power Options

- KIS is in discussion with two parties to replace the currently proposed diesel generation power station with a hybrid power plant utilizing components of renewable energy (wind and solar)
- If these proposals are successful, a 20% reduction in power costs could be achieved over the life of the mine. Power is currently the largest single cost for the project

❑ Appointment of Engineering Contractor

- Mineral Technologies Pty Ltd ("MT"), a member of the Downer Group (ASX:DOW) was appointed as process engineering contractor for the next stage of development of the Dolphin Project
- MT's appointment followed a formal process in which expressions of interest were sought from a number of engineering firms
- The contract covers finalisation of the process flow sheet and agreeing on design parameters and execution methodology
- Development of design and project documentation, which will enable execution of a fixed price contract for the plant design and construction

❑ Resources

- An updated resource statement taking into account the revised geological model which includes ore intersections from the recent drilling program is anticipated to be released to the market by the end of April 2015. A resource estimate will also be reported for the larger 7 year open-cut mining area. It is not anticipated that these updates will cause a material change to previously reported estimates. Mine design work required to convert these resources to reserves is in progress

❑ Reserves

- As announced on 5 December 2015, based on an open-cut mine for 4 to 5 years, the Company's most recent JORC 2012 compliant reserve statement indicated:
 - Probable reserves of 1.90 mt at 0.55% WO₃ (at 0.2% WO₃ cut-off) for a total of 10,450 tonnes of WO₃
 - An average strip ratio of 3.1 tonne for tonne

Sale of Unmarketable Parcels

During the quarter the Company finalised a programme to allow shareholders with unmarketable parcels of shares to dispose of them without incurring any brokerage costs. The invitation was sent to shareholders whose holding was valued at \$240.00 or less. In the final analysis 310 shareholders either availed themselves of the facility or did not respond. The number of shareholders reduced to 628. This reduction will result in a significant saving in administration costs.

Finance

As at 31 March 2015 the cash balance of the Company was \$632,000.

Subsequent to the end of the quarter the Company announced an equity raising through a non-renounceable rights issue, partially underwritten, at \$0.135 per share to raise approximately \$1,866,000 before issue costs.

At the date of this report the capital raising has not closed.

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	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
	Mining Lease Application MLA 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	98
Dewatering	47
Project management	52
Mine planning & geological work	25
Metallurgical & laboratory testing	24
Environmental	31
Water & tailings management	96
Process engineering contractor	50
Other Feasibility Study work	36
	459

Markets

Ammonium paratungstate (APT) is currently trading at an average of US\$25,750 (A\$33,900) per tonne (December quarter average US\$32,670 (A\$38,170) per tonne).



Johann Jacobs

Chairman

30 April 2015

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

Dolphin 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 16th 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 also incorporated the results of the delineation drilling at Bold Head and Dolphin West, which was separately announced to the ASX on 15 January 2014.

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

- 5 December 2014 Updated Reserve Statement
- 24 April 2015 Updated Resource Statement April 2015

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 and Reserves, 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.

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")

31 March 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(459)	(1,658)
(b) development	-	-
(c) production	-	-
(d) administration	(226)	(642)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	25
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(680)	(2,275)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(28)	(162)
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)	46	89
Net investing cash flows	18	(73)
1.13 Total operating and investing cash flows (carried forward)	(662)	(2,348)

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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)	(662)	(2,348)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	2,027
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)	-	(77)
Net financing cash flows		-	1,950
Net increase (decrease) in cash held		(662)	(398)
1.20	Cash at beginning of quarter/year to date	1,294	1,030
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	632	632

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	26
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 \$14,000; reimbursement of expenses \$7,000; and consulting fees \$5,000.
 Details of amount at Item 1.12: Royalty income of \$46,000 received.
 Details of amount at Item 1.8(c): Part-payment of \$28,000 made on plant & equipment.

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	566
4.2 Development	-
4.3 Production	-
4.4 Administration	327
Total	893

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	10	66
5.2 Deposits at call	622	1,228
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	632	1,294

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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			
	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.

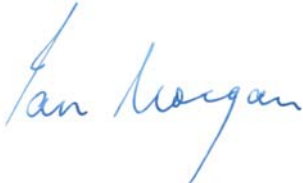
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)	-	-		
7.2 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 +Ordinary securities	152,046,757	152,046,757		
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 April 2015
(~~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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