



ASX: KIS

Market Capitalisation	\$ 9.1m
Shares on Issue (26/07/12)	82.7m
52 Week High	\$ 0.28
52 Week Low	\$ 0.09
Share Price (26/07/12)	\$ 0.11

King Island Scheelite Limited

The Dolphin Project on King Island, Tasmania could meet a significant proportion of the world's tungsten requirements over a 10 year mine life. Producing 3,500 tonnes of tungsten trioxide (WO₃) per annum in an industry standard 65% tungsten concentrate which typically trades at a 20% discount to ammonium paratungstate (APT).

Tungsten price

Metal Pages APT USD40,000 / tonne
(30/06/2012)

Project Resources

Dolphin – 61,350t WO₃
Bold Head – 15,780t WO₃
Tailings – 4,590t WO₃

Contact

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Dolphin Project:

- **High-grade tungsten ore body**
- **Development ready**
- **High tungsten prices**
- **Project funding pending**

Key elements of the Dolphin Project now in place are as follows:

- Definitive Feasibility Study (DFS);
- Robust development plan;
- Freehold title and requisite minerals titles;
- Development and mining approvals in place; and
- Production scheduled within 24 months of project funding.



Mine site preparation of land acquired on King Island.

Continued active interest in this project from off-takers, financiers and investors.

Delays in securing project funding have necessitated the implementation of corporate cost-cutting measures.

Dolphin Project

The Dolphin Project is ready for development. A robust development plan, supported by strong market fundamentals, can generate acceptable economic returns. There is down-plunge exploration scope to significantly extend the current 10-year mine life. There is also scope to identify new tungsten mineralisation within current KIS tenements.

The development plan is based on re-opening the former Dolphin underground mine to produce up to 350,000 tonnes of tungsten ore per annum at an average grade of 1.04% WO₃. Recoveries of 91% WO₃ from the ore will produce an industry standard 65% tungsten concentrate using well-understood flotation techniques.

In production, the Dolphin Project is scheduled to produce up to 25% of current global supply, excluding Chinese production.

The DFS assumes AUD: USD parity, an APT price range of USD40,000 / tonne to USD45,000 / tonne for contained WO₃ and a 20% discount for the industry standard 65% tungsten concentrate.

Key DFS outcomes:

- A 10-year mine life from underground mining and existing mine tailings.
- Potential for additional high-grade tungsten ore immediately down-plunge from the current ore blocks.
- Producing 3,500 tonnes of tungsten ore per annum of contained WO₃ in a standard 65% tungsten concentrate.
- Project NPV range of \$69 million to \$116 million: un-g geared, post-tax.
- Project IRR range of 21% to 29%: un-g geared, post-tax.
- Cash cost in the first four years of \$169 / metric tonne unit (mtu = 10 kg WO₃).
- An initial capital expenditure requirement of \$133 million.

KIS, the 100% owner of the project, has purchased key mine-related land (240.9ha) from the King Island Council. KIS has also reached agreement for all project permits and approvals with the Tasmanian Environment Protection Authority, Minerals Resources Tasmania and the King Island Council. The Dolphin Project is within a retention licence that has adjacent exploration licences. A mining licence will be activated upon presentation of the agreed environmental bond.

Discussions continue with key international tungsten consumers and financiers, as well as potential equity partners and investors, to establish the optimal Dolphin Project funding structure.

The Dolphin Project is, subject to securing the necessary funding, development ready.

Markets

Tungsten prices remained strong during the quarter ended June 2012. Concentrate continues to trade at approximately 20% discount to the more widely traded APT: currently trading at between USD40,500 and USD39,500 per tonne. This equates to approximately USD32,000 / tonne for the industry standard 65% tungsten concentrate.

Financial

As at 30th June 2012 the cash balance was \$1.02 million (March 2012 \$1.61 million). Until market conditions improve, initiatives to reduce corporate and other costs to less than \$1 million per annum are being implemented.

Outlook

The company is well placed to finalise Dolphin Project funding arrangements and to commence development.

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

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

30th June 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(189)	(3,168)
(b) development	-	-
(c) production	-	-
(d) administration	(417)	(1,038)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	140
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	(593)	(4,066)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(20)
(c) other fixed assets	(4)	(550)
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)	-	-
Net investing cash flows	(4)	(570)
1.13 Total operating and investing cash flows (carried forward)	(597)	(4,636)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(597)	(4,636)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(597)	(4,636)
1.20	Cash at beginning of quarter/year to date	1,618	5,657
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,021	1,021

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	30
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 (Directors' fees \$23,000 and expenses reimbursed \$7,000).

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

+ 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	90
4.2 Development	-
4.3 Production	-
4.4 Administration	395
Total	485

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	22	19
5.2 Deposits at call	999	1,599
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,021	1,618

+ See chapter 19 for defined terms.

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 , Tasmania (8 sq kms)	Ownership of mining tenement	100%	100%
	Exploration Licence 19/2001 at Grassy, King Island, Tasmania (91 sq kms)	Ownership of mining tenement	100%	100%
	Exploration Licence 16/2002 at Grassy, King Island , Tasmania (18 sq kms)	Ownership of mining tenement	100%	100%
	Lease 1M/2006 at Grassy, King Island , Tasmania (544 hectares)	Ownership of mining tenement	100%	100%
	Exploration Licence EL27/2007 at Balfour Tasmania	Ownership of mining tenement	70%	70%
	Exploration Licence EL40/2007 at Frankland River - Mt Lily - NW / S of Balfour, Tasmania	Ownership of mining tenement	70%	70%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

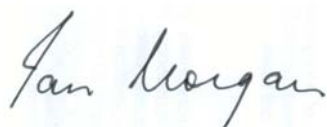
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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	82,745,908	82,745,908		
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>			<i>Exercise price</i>	<i>Expiry date</i>
Tranche 1	1,000,000	-	25 cents	31 December 2013
Tranche 2	1,500,000	-	50 cents	31 December 2013
Tranche 3	2,000,000	-	\$1.00	31 December 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>	-	-		

+ See chapter 19 for defined terms.

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 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: _____ Date: 27th July 2012
(~~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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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