

ASX: KIS

Market Capitalisation	\$ 5.5m
Shares on Issue	96.5m
52 Week High	\$ 0.175
52 Week Low	\$ 0.052
Share Price (31/12/12)	\$ 0.057

King Island Scheelite Limited (KIS)

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 USD31,500 / tonne (31/12/2012)

Contact

Simon Bird
Chief Executive Officer

King Island Scheelite Limited
ABN 40 004 681 734

Level 26, 259 George Street
Sydney NSW 2000

GPO Box 5154
Sydney NSW 2001

P. +61 2 8622 1400

F. +61 2 8622 1401

www.kingislandscheelite.com.au

Dolphin Project (100% KIS)

King Island, Tasmania

- High-grade tungsten ore body
- Development ready
- Optimisation under review

Balfour Joint Venture (70% KIS)

NW Tasmania

- Tin-tungsten mineralisation intersected
- Tin-tungsten drill-ready targets
- Copper-gold mineralisation intersected
- Copper-gold drill-ready target

Dolphin Project Definitive Feasibility Study (DFS):

- Finalised
- Freehold title and requisite minerals titles
- Environmental approvals in place
- Development and mining approvals in place
- Production within 24 months of project funding



Dolphin Project

The Dolphin Project, owned 100% by KIS, is ready for development. There is scope for down-plunge exploration from underground drilling stations to significantly extend the proposed current 10-year mine life. There is also scope to explore several known tungsten mineralized areas within current KIS tenements.

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

This Development Plan is currently under review to reduce capital and operating costs and improve returns.

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

KIS 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 to establish the optimal Dolphin Project funding structure and source funding.

Balfour Joint Venture

The Balfour Joint Venture (BJV), owned 70% by KIS and managed by KIS, is focused on exploration in a highly mineralised area of NW Tasmania. Two tenements cover the historic Balfour copper and tin-tungsten mining areas. The BJV undertook a very detailed ground-based gravity survey to identify the location and extent of the mineralising source granite. A number of targets for tin-tungsten mineralisation and one for copper-gold mineralisation were identified. Limited drill testing of the Specimen Hill tin-tungsten target and the Roaring 41 South copper-gold target intersected mineralisation at both locations. The primary gold mineralisation intersected is the first known in the area and is associated with what appears to be iron-oxide, copper-gold (IOCG) type mineralisation. Additional drilling is required to test these and other drill-ready targets. Following these encouraging results a limited drilling program has been developed which, subject to funding, will be undertaken in 2013.

Markets

Tungsten prices declined 10% during the December 2012 quarter. Concentrate continues to trade at approximately 20% discount to the more widely traded APT. Currently APT is trading at between USD30,500 and USD32,500 per tonne. APT prices averaged USD35,000 during the September quarter.

Financial

During the quarter further corporate and cost reductions were implemented; including a pro-rata reduction in CEO remuneration for a six month period to 30 June 2013. As at 31st December 2012 the cash balance was \$1.08 million.

Board

Mr Tony Haggarty stepped down as Director and Chairman of King Island Scheelite Limited during this quarter to reduce his corporate commitments. Mr Haggarty remains a major shareholder. Mr Chris Ellis was appointed a non-executive Director on 8th November 2012 and Mr Johann Jacobs was appointed Director and Independent Chairman on 30th November 2012.

Mr Jacobs has substantial commercial and mining experience. His background includes executive roles in resource companies, where he managed acquisitions, expansions or start-ups of mining operations in Australia and South Africa. He has played a leading role in arranging the financing of a coal project in Queensland followed by the financing and development of a mineral sands mine in South Australia. Whilst Chairman of IMX Resources Limited, he assisted that company becoming the first iron ore producer in South Australia in over 100 years. Mr Jacobs is a Fellow member of both the Institute of Chartered Accountants and the Institute of Company Directors of Australia.

Mr Ellis is a significant shareholder of the Company and brings a wealth of relevant knowledge and experience to the Board. He is a geologist with more than 35 years of experience in exploring, evaluating and developing mining projects, principally in the coal sector.

Outlook

The Company remains focused on securing funding to redevelop the well-understood and high-grade tungsten deposit on King Island.

Discussions continue with a number of parties who may be able to assist KIS with project funding.

The board and management are assessing the potential to reduce both capital and operating costs associated with the Dolphin Project, including any scope to further stage the current development plan.

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

Simon Bird
Chief Executive Officer
King Island Scheelite Limited

Level 26, 259 George Street
Sydney NSW 2000
Phone (02) 8622 1400
Fax (02) 8622 1401
Email simon.bird@kisltd.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 2012

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	-	(15)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(423)	(961)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	21
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	95
Net Operating Cash Flows		(412)	(860)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	(9)	(10)
	(c) other fixed assets	-	-
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)	14	14
Net investing cash flows		5	4
1.13	Total operating and investing cash flows (carried forward)	(407)	(856)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(407)	(856)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	993
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	(48)	(79)
	Net financing cash flows	(48)	914
	Net increase (decrease) in cash held	(455)	58
1.20	Cash at beginning of quarter/year to date	1,534	1,021
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,079	1,079

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	16
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 \$12,000 and Expenses \$4,000).

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	-
4.2 Development	-
4.3 Production	-
4.4 Administration	232
Total	232

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	27
5.2 Deposits at call	1,073	1,507
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,079	1,534

+ 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, 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%

+ 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 (description)	-	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions	-	-		
7.3	*Ordinary securities	96,537,291	96,537,291		
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	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 (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

+ 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 5).
- 2 This statement does ~~/does not~~* (delete one) give a true and fair view of the matters disclosed.



Sign here: (Director/Company secretary)

Date: 31st January 2013

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.

== == == == ==

+ See chapter 19 for defined terms.