

ASX Announcement

King Island Scheelite Limited (KIS)



1st March 2012

Dolphin Project – Definitive Feasibility Study

King Island Scheelite Limited is pleased to announce results from the recently completed Definitive Feasibility Study (DFS) for its 100% owned Dolphin Project.

Redevelopment of this world class, high grade, tungsten deposit on King Island (Tasmania) has the potential to generate strong cash flows over an initial 10 year mine life, during the course of which it would produce approximately one quarter of the current world non-Chinese supply of tungsten.

Key Outcomes from the DFS show that at current tungsten prices and a capital outlay of \$133M, this project would deliver;

- Surplus cash of >\$300M.
- An ungeared NPV of >\$100M.
- An IRR of >25%.

The DFS is based on the current reserves and does not include the potential to for additional high grade ore immediately down-plunge.

With amendments to permits and approvals now agreed, necessary freehold land acquired and the team in place, this project is ready to construct subject to funding. The company is well placed to progress off-take discussions and secure project funding.

An overview of the project and outcomes of the DFS are provided in the attached report. The company remains focused on delivering the Dolphin Project and will provide updates on off-take and funding arrangements as they develop.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Simon Bird', with a large, stylized flourish underneath.

Simon Bird
Chief Executive Officer
(02) 8622 1400

Dolphin Project

Definitive Feasibility Study

February 2012



Key Outcomes

The historic world class, high-grade Dolphin Project tungsten deposit is set for redevelopment.

The Definitive Feasibility Study (DFS) outcomes are as follows:

- A 10 year mine life from remnant underground mining and retreated tailings.
- Potential for additional high-grade ore immediately down-plunge from the current ore blocks.
- Production of 3,500 tonnes per annum of contained tungsten trioxide (WO₃) in an industry standard 65% WO₃ concentrate.
- Project NPV range of A\$69 million to A\$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 US\$169 / metric tonne unit (mtu = 10 kg WO₃).
- Initial capital expenditure would be A\$133 million.

King Island Scheelite Limited (KIS), the 100% owner of the project, has reached agreement for all project permits and approvals with the Tasmanian Environment Protection Authority, Minerals Resources Tasmania and King Island Council. The Dolphin Project is within a retention licence (RL) that has adjacent exploration licences (EL's). A mining licence (ML) would be activated upon payment of the agreed environmental bond.

The outright freehold purchase of key mine-related land from the King Island Council was announced on 13th February 2012.

Strong interest has been received from potential off-takers for all concentrate production and global tungsten consumption is expected to substantially increase between 2010 and 2020.

Discussions are underway with financiers and potential joint venture partners to secure funding for this mine redevelopment.

Refer to cautionary statement on second last page.

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1. Introduction

King Island Scheelite Limited (ASX code: KIS) is pleased to announce a positive result from the Definitive Feasibility Study (DFS) of its Dolphin Project, a tungsten ore body located on King Island, Tasmania.



The project involves re-establishing mining and processing operations at the historic Dolphin tungsten mine which operated between 1917 and 1990. Mine closure at the time was due to low world tungsten prices, not exhaustion of ore or any operational issues.

The DFS incorporates the mining of underground ore from the Dolphin ore body and nearby Bold Head ore body, with early concentrate production from re-treatment of historic mine tailings.

The DFS projects a 10 year mine life based on firstly, reserves from remnant underground operations at Dolphin and Bold Head and secondly, on certain tailings re-treatment. Mineralisation remains open immediately down-plunge thereby providing potential for substantially extending underground mine life. This exploration up-side is consistent with historic precedent at the Dolphin mine.

Production from the re-treatment of historic mine tailings has been incorporated into the DFS and permitting process. A mining scenario (“Dolphin Only”) that includes only Dolphin ore could be scheduled in the event off-taker and/or funding are not secured for Bold Head and/or the historic mine tailings.

Exploration targets, including those with significant tungsten drill intercepts, have been identified away from the immediate mine environment but within key exploration tenements owned 100% by KIS.

The plan is to mine 350,000 tonnes of ore per annum which will be processed to produce a tungsten ore concentrate with 65% contained WO_3 .

A separate study undertaken by GR Engineering, reviewed the potential of further beneficiation to produce ammonium paratungstate (APT). The result is positive, however KIS determined that the capital cost and technical requirements, combined with potential to delay first production, were not in the interest of KIS or its shareholders. Whilst there could be an opportunity to review this study at a later stage, the focus is on accelerating implementation of the DFS.

The DFS and Dolphin Only financial results are:

Item	Unit	DFS	Dolphin Only
Production WO_3 LOM	tonnes	30,999	25,189
Initial Capital ¹	\$M	133	120
Operating costs, Years 1-4 ²	\$/mtu	169	158
DFS mine life	years	10	7.5
Annual ore throughput	tonnes	350,000	350,000
Financial results			
Net cash flow LOM ³			
High	\$M	349	318
Low	\$M	241	227
Project NPV			
High	\$M	116	112
Low	\$M	69	71
Project IRR			
High		28.5%	29.8%
Low		20.7%	22.8%

Notes:

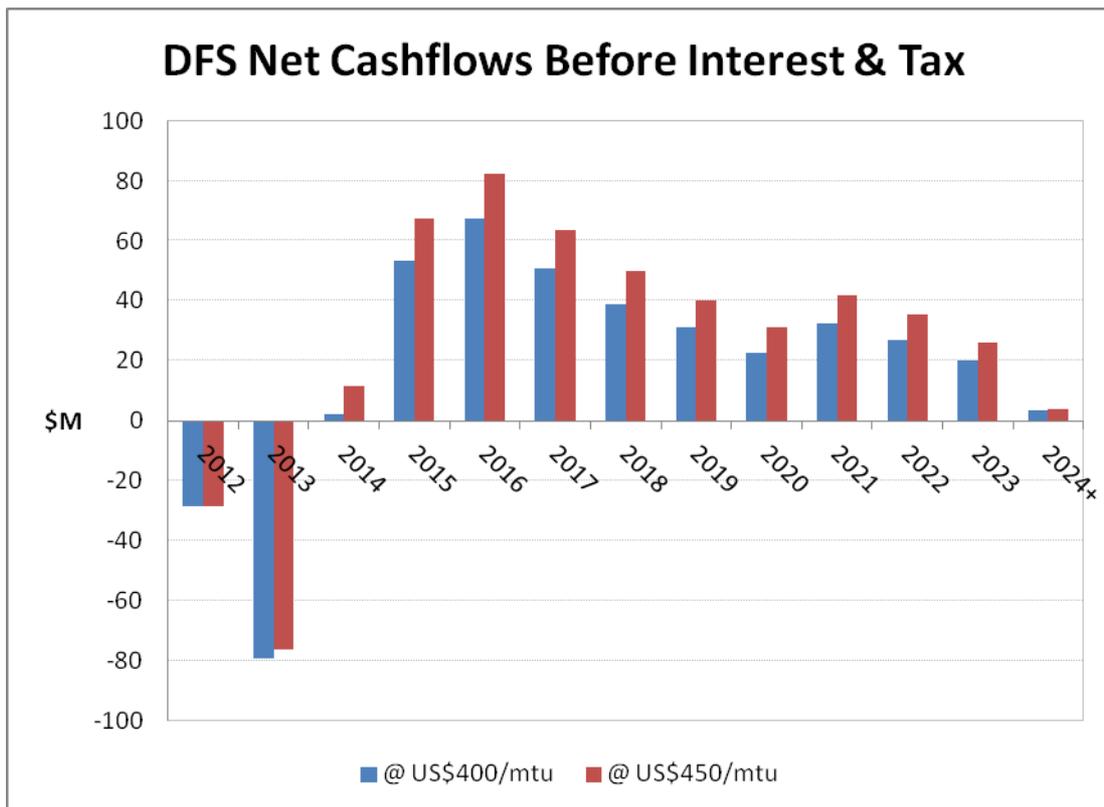
1. Capital required to commence operations for Dolphin Only, excludes incremental capital for Tailings and Bold Head.
2. Operating costs include mining, processing, site administration and royalties.
3. Cash flow is before interest and tax.



The economic assumptions used for the DFS are:

Economic Parameters			
APT prices			
High	\$/mtu		450
Low	\$/mtu		400
Concentrate Discount	%		20
Tailings Concentrate Discount	%		30
Discount rate (real, after tax)	%		8
Exchange rate	US\$:A\$		1.00
Company Tax			30%
Power	\$/kwh		0.335
Fuel (diesel)	\$/litre		1.20

The annual project cash flows before tax based on the assumptions in the table above are illustrated in the chart below:



Every additional year of production from Dolphin at 300ktpa (assuming an average tungsten grade of 1%) would generate >\$40M additional cash flow before interest and tax.

Construction Costs

Life of mine, including ongoing capitalised development.

	Dolphin Only \$ '000	Bold Head '\$ '000	Tailings '\$ '000	DFS '\$ '000
Tailings re-treatment & storage facilities	5,540		4,175	9,715
Mining capital	27,748	9,501		37,249
Processing plant & associated infrastructure	68,625		8,591	77,216
Owner's capital (including general contingency)	16,570	475	638	17,683
	118,483	9,976	13,404	141,863

Operating Costs

Average C1 cash costs for years 1 – 4 of production. C1 cash costs are operating costs including mining, processing, site administration and royalties.

	Dolphin Only \$/mtu	DFS \$/mtu
Mining	79.03	84.45
Processing	41.27	45.28
Royalties, Administration, etc	37.84	38.92
	158.14	168.65



Sensitivities

Sensitivities on the DFS project net present value (NPV) and internal rate of return (IRR) have been run with results for various inputs shown in the following table. An APT price of US\$445/mtu was applied in the DFS, consistent with prices at the time.

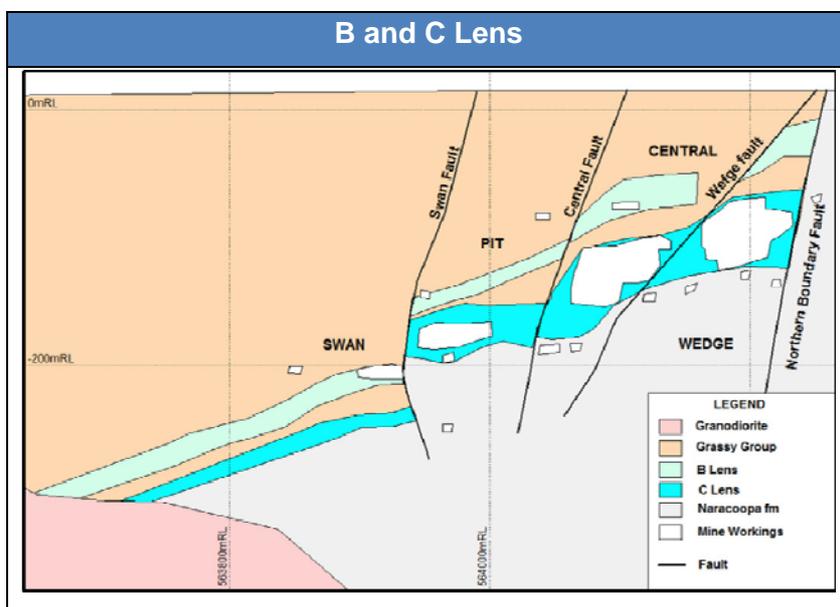
APT Price US\$/mtu	NPV \$mill	IRR %		FX US\$:A\$	NPV \$mill	IRR %
450	115.7	28.5		0.90	158.9	35.3
445	110.9	27.8		1.00	110.9	27.8
400	68.6	20.7		1.10	72.7	21.4
Recovery						
Recovery %	NPV \$mill	IRR %		WACC %	NPV \$mill	IRR %
95	128.3	30.3		7	122.4	27.8
91	110.9	27.8		8	110.9	27.8
87	93.8	25.1		9	100.2	27.8
Capex						
Capex %	NPV \$mill	IRR %		Opex %	NPV \$mill	IRR %
-15	125.9	33.6		-15	143.1	32.7
0	110.9	27.8		0	110.9	27.8
15	95.9	23.2		15	80.3	22.8

2. Mineral Resources

Minerals and Geology

Scheelite (Ca WO_4) is the main mineral of economic importance to the Dolphin Project.

- Mineralogical examination of underground composites from B Lens and C Lens, and tailings, show that scheelite represents approximately 95% of the WO_3 in B and C Lens ore and 85% in the tailings.
- Minerals wolframite and tungstite make up the balance.



This ore body with an in-situ resource valued at over \$2.9 billion is classified by the United States Geological Survey, as a world class deposit.

Dolphin Resource Estimates

The resource estimates for the DFS were compiled by independent consultant T Callaghan of Resource and Exploration Geology Pty Ltd.

The data used includes 681 drill holes for 62,326 metres undertaken by former owner GeoPeko (now a subsidiary of Rio Tinto). Wire-framed solid models of geological and mineralisation domains were created from 20m spaced north-south cross sections utilising drill hole data and historic GeoPeko geological sections.



Mineralised WO₃ domains were delineated using a minimum mining width of 3m and cut-off grade of 0.5% WO₃ with some allowances for geological continuity. A total of 17 mineralised domains were identified.

The Dolphin Resource WO₃ grades were interpolated into a block model using an ordinary kriging algorithm. The block model and digital mine model were validated by comparing the sliced models with the drafted GeoPeko cross sections.

The estimated mineral resource for the Dolphin Mine at a 0.25% and 0.70% WO₃ cut-off is summarised as follows:

Dolphin Mineral Resource

Classification	0.25% WO ₃ Cut off			0.70% WO ₃ Cut off		
	tonnes (000)	WO ₃ (%)	WO ₃ tonnes	tonnes (000)	WO ₃ (%)	WO ₃ tonnes
Indicated	8,419	0.95	79,980	4,752	1.29	61,300
Inferred	524	0.50	2,620	7	0.73	50
Total	8,943	0.92	82,600	4,759	1.29	61,350

Bold Head Resource Estimates

The Bold Head resource estimates were undertaken on a similar basis to Dolphin. The estimated mineral resource for the Bold Head mine at a 0.5% WO₃ cut-off is summarised as follows:

Bold Head Mineral Resource

Classification	0.50% WO ₃ Cut off		
	tonnes (000)	WO ₃ (%)	WO ₃ tonnes
Indicated	1,500	0.93	13,950
Inferred	150	1.22	1,830
Total	1,650	0.96	15,780

Tailings Resource Estimates

A drilling programme designed to provide a reliable resource estimation of the historic tailings was completed in March 2011. A total of 112 holes were drilled for 1,212 metres.

The tailings resource WO₃ grades were interpolated into a block model using an ordinary kriging algorithm.

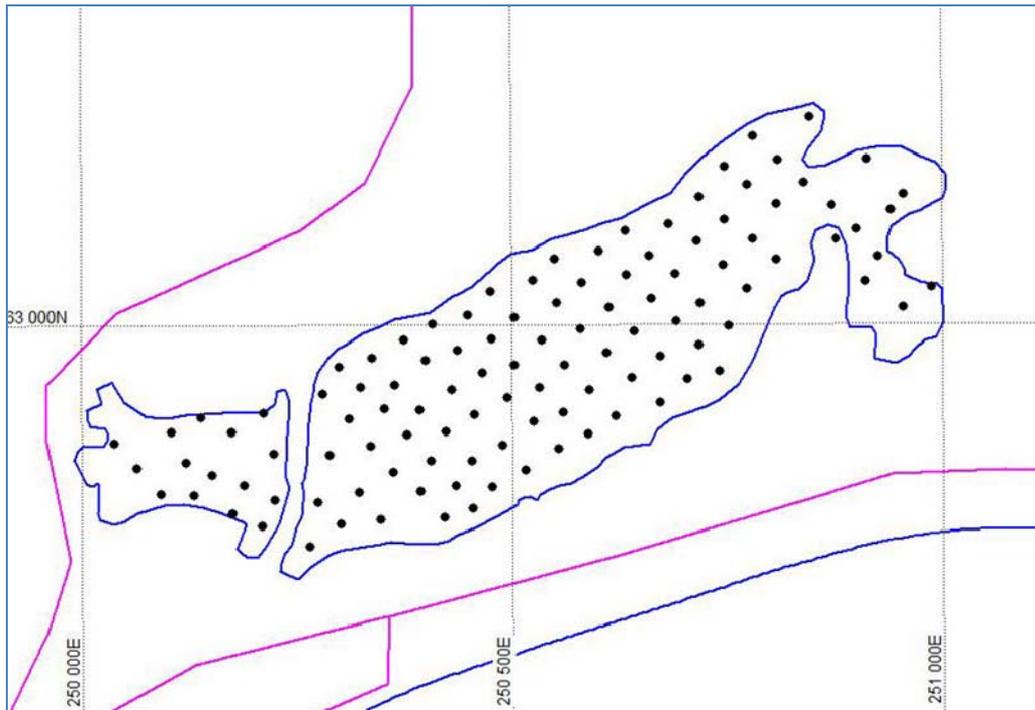
The estimated mineral resource for the tailings at a 0.08% WO₃ cut-off is summarised as follows:



Tailings Mineral Resource

Classification	0.08% WO ₃ Cut off		
	tonnes (000)	WO ₃ (%)	WO ₃ tonnes
Measured	2,700	0.17	4,590
Total	2,700	0.17	4,590

Tailings Dam Location and Drill Holes



3. Mining and Reserves

Dolphin

There is significant history from past operations at the Dolphin mine which provides the basis for current mine design.

Mine planning criteria, based on historic geotechnical, hydrological and ventilation data from the past operation, were developed for mine planning and reserve estimation purposes.

- A mine production rate of up to 300,000 tpa has been proposed utilising a twenty- four hour, seven day per week operation. The previous operation’s production rate was 120,000 tpa in its final years of operation utilising a five day operation on a single eight hour shift with ten underground operators and a shift foreman. A recent review indicates a production rate of 350,000 tpa is achievable.
- Three principal mining methods have been selected to generate a mine plan: post pillar cut and fill, simple cut and fill and bench stoping utilising a primary/secondary stope system. Cemented paste fill will be provided by a paste plant utilising tailings from the processing plant.
- The historic mining policy of minimal subsidence will be maintained through the use of cut and fill techniques and relatively small bench stopes as part of the mine is located below the sea shore. The former practice of monitoring water entering the mine through diamond drill holes and structures for salinity is also proposed. Geotechnical issues around major fault structures are not expected to be significant.
- An ore reserve was prepared by the application of appropriate dilution and recovery estimates to obtain estimated production data for all planned mining shapes.

Dolphin Ore Reserve

Tonnes (000)	WO ₃ (%)	mtu WO ₃ (000)	Category
2,687	1.04	2,806	Probable

- The existing open pit (approximate 3 Mm3) and underground openings are currently filled with fresh water. It is planned to dewater the open pit into the adjacent ocean within six months of project approval and progressively dewater the underground as required for development and production.
- A contract miner will be used for all underground development and production activities.

A detailed life of mine schedule has been produced based on the ore reserve information, development requirements, stope schedules and a target production rate of 300,000 tpa. The



schedule details the dewatering, rehabilitation, development and production stages of the underground operation for the entire life of mine. Feed from the underground mine has been scheduled from both B and C mineralised lenses. The resultant production schedule is as follows:

Item	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Ore mined (000)	5.4	255.7	301.6	301.6	305.2	300.6	297.5	305.2	305.5	205.7	35.3	2,619.4
Grade WO ₃ (%)	1.07	1.24	1.20	1.35	1.13	1.01	0.89	0.86	0.92	0.87	0.88	1.05

Bold Head

There is also significant history from past operations at the Bold Head mine.

A mine production rate of up to 100,000 tpa is proposed utilising a twenty-four hour, seven day per week operation.

- Similar mining methods as proposed for Dolphin will be used for Bold Head.
- Ore will be trucked on an existing road to the Dolphin processing plant.

Bold Head Ore Reserve

Item	Tonnes (000)	WO ₃ (%)	mtu WO ₃ (000)	Category
Mining Reserve	609	0.76	464	Probable

Tailings

GHD Pty Ltd has undertaken a study of the mining of the existing tailings.

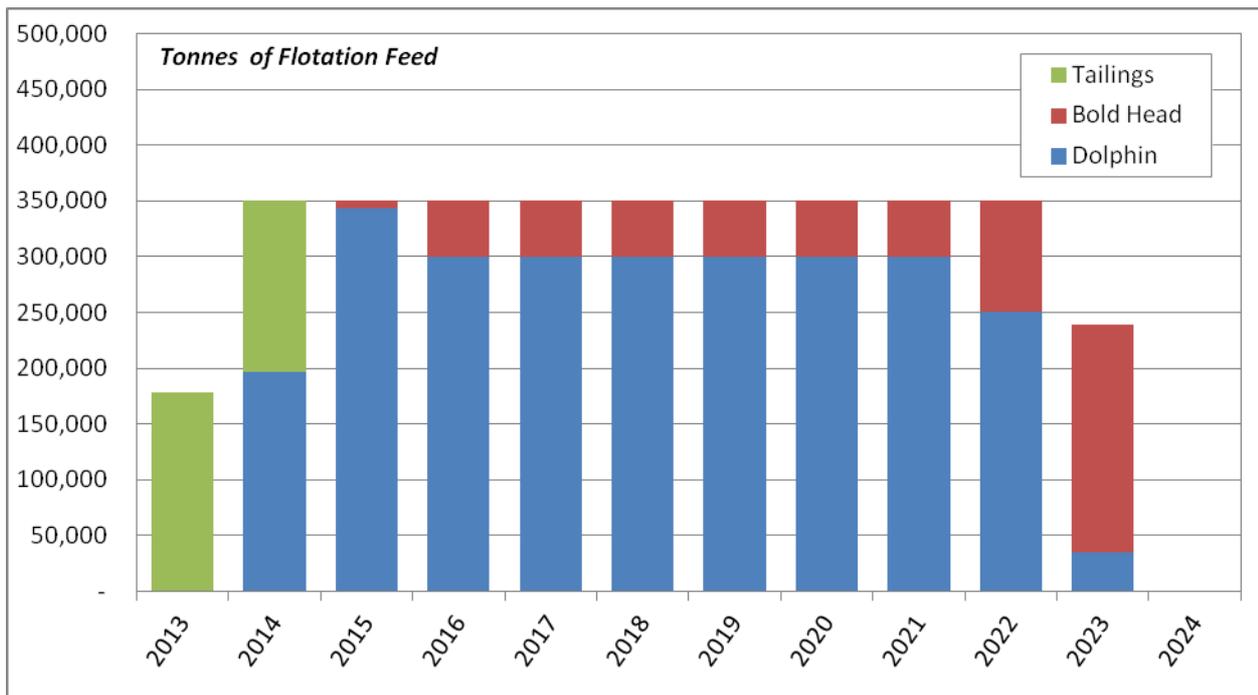
Mining of the tailings will be by a contract miner using excavators, bulldozers and trucks at a rate of 165 tonnes per hour. Tailings can be screened and then pumped to the processing plant at a rate of 1.3 Mtpa.



Tailings Ore Reserve

Cell	Million cubic metres (Mm ₃)	Tonnes (000)	WO ₃ (%)	mtu WO ₃ (000)	Category
4	0.80	1,290	0.21	270.9	Proven
1, 2 & 3	0.39	620	0.15	90.1	Proven
Total	1.19	1,910	0.19	361.0	

Total Ore Production Schedule



4. Metallurgy and Process Design

GR Engineering Services Limited (GRES) were engaged to review past test work conducted during 2009 and 2011 by Guangzhou Research Institute of Non-ferrous Metals (GZRINM).

GRES were also requested to provide a process design and project process and infrastructure capital and operating cost estimates.

The metallurgical process flow sheet proposed for the Project comprises three stage conventional crushing, grinding to 80% passing (P80) size of 90 μ m, magnetic separation (for tailings re-treatment only), low grade whole ore flotation, attritioning, high grade flotation, concentrate filtration and bagging, tailings neutralisation and tailings disposal.

The high level process flow sheet is set out in the Annexures. The process plant can be built in two stages:

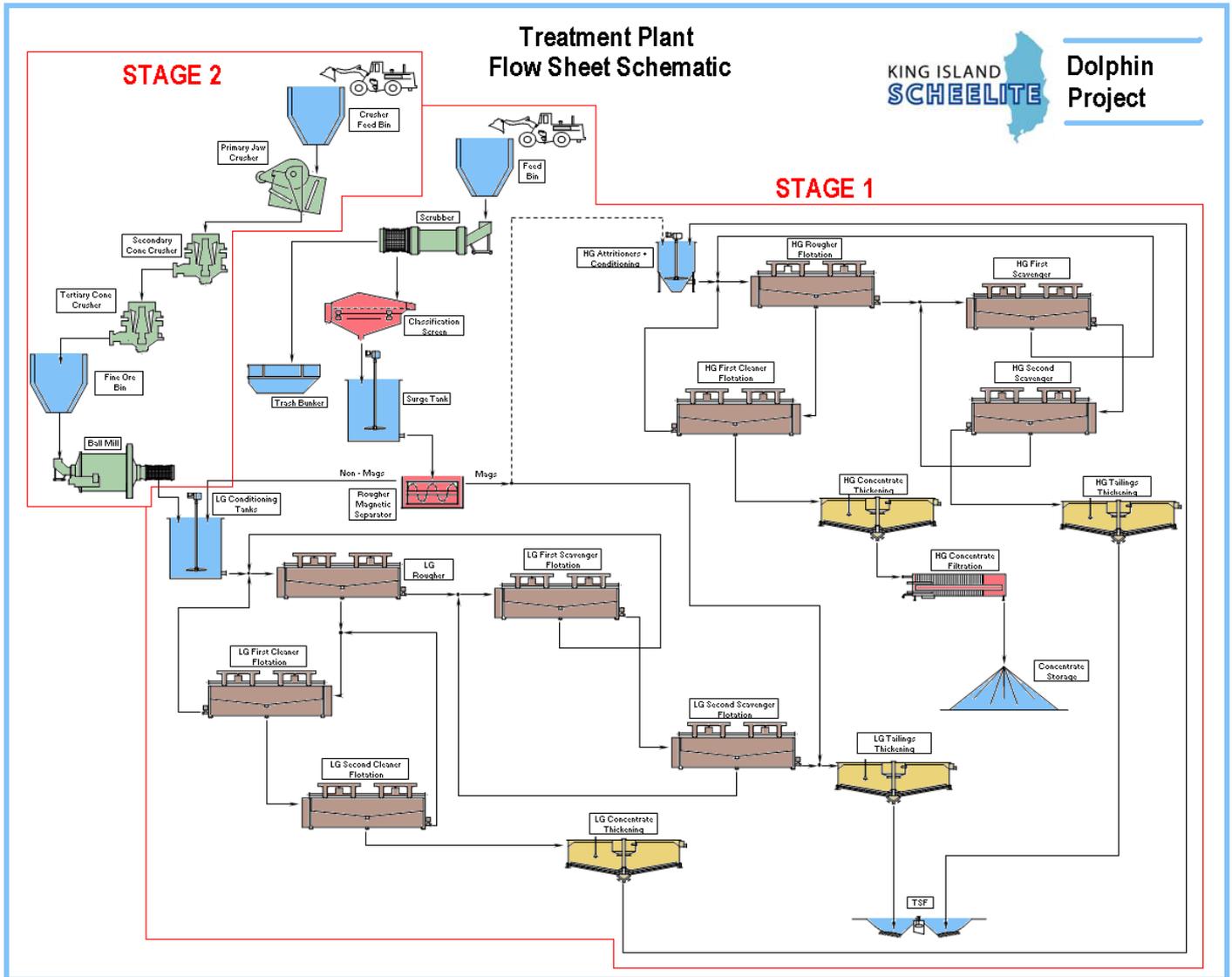
- Stage 1 is designed for treatment of only the existing tailings; and,
- Stage 2 comprises addition of crushing and grinding circuits required for treatment of underground ore from the Dolphin and Bold Head Mines.

Whole ore flotation (WOF) of ore from Dolphin will produce a concentrate containing greater than 65% WO₃ while achieving greater than 90% recovery. Molybdenum levels in Dolphin concentrate are expected to vary between 1 and 2%.

High magnetic intensity separation and WOF treatment of tailings will produce a concentrate containing greater than 50% WO₃. This concentrate can be sold as is or upgraded via leaching to 65% WO₃. Molybdenum levels in upgrades tailings concentrate are expected to be up to 4%.



See recovery process flow sheet below



5. Infrastructure and Logistics

5.1 Water

Raw water for the Project will be drawn from the existing Lower Grassy Dam.

5.2 Power

The estimated mine demand of 8 megawatts will be provided by a power station, under a build-own-operate contract.

5.3 Fuel Supply

King Island Ports currently purchase liquid fuels in bulk and distributes to the power station and resellers. KIS will construct fuel storage and distribution systems at the mine site and is actively pursuing an alternative ocean transport mode involving bulk tanker delivery.

5.4 Communications

The Project site is well serviced with mobile phone network. Provision will be made to distribute fibre-optic communication cabling throughout the process plant and phone connection to the new site offices.

5.5 Logistics

The Grassy port is capable of handling a 5,000 tonne ship. King Island is currently serviced by a weekly shipping operation based on a triangular route between Melbourne, Devonport and King Island.

Regional Express Airline (REX) flies daily services between King Island and Melbourne. Semi regular flights are also flown from Launceston and Burnie to the island.

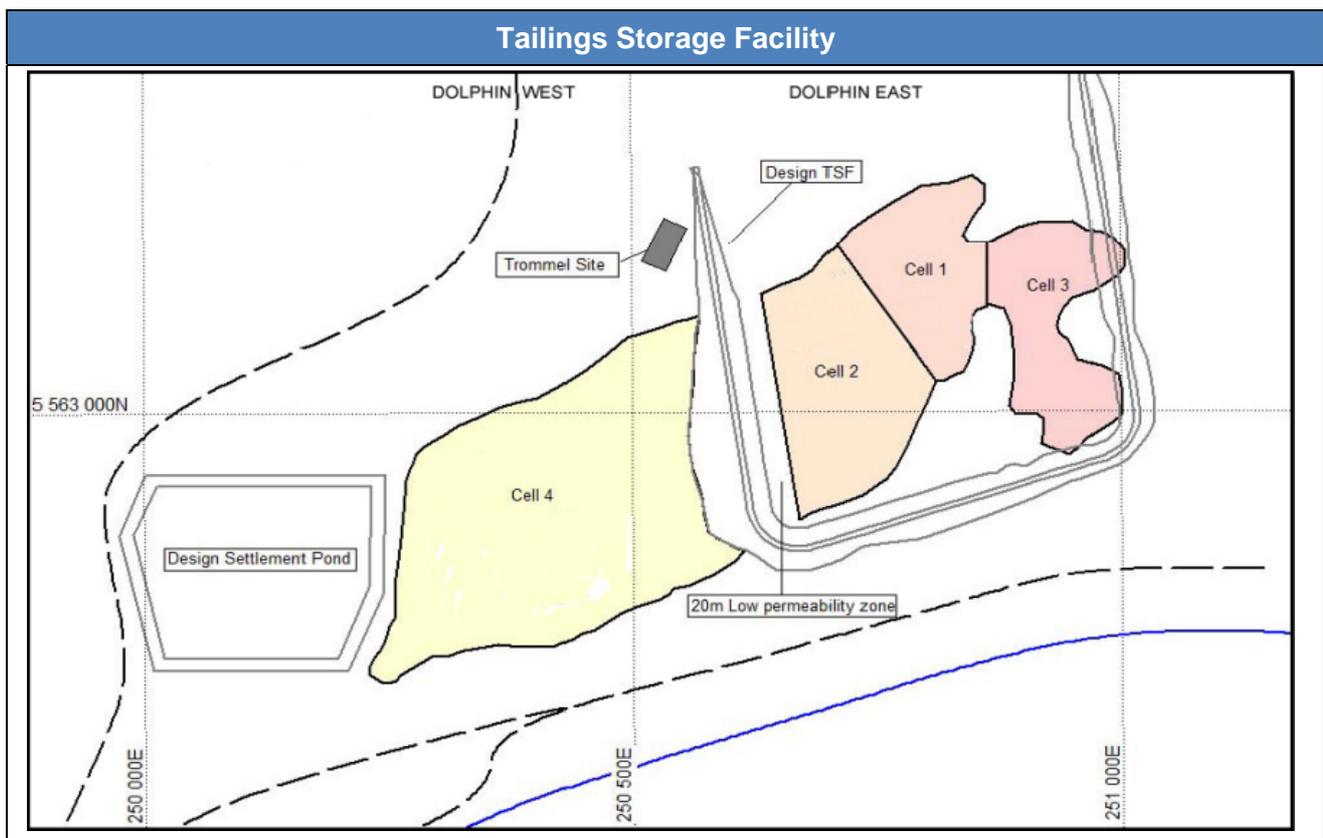


6. Tailings Disposal

The proposed tailings storage facility may be split into three containment areas (refer illustration). The first, the Dolphin East, will be a new embankment constructed to contain re-processed tailings and have a storage volume of approximately 1.6 million cubic metres.

- Dolphin East and Dolphin West are anticipated to contain sufficient storage for the tailings produced over the current design mine life, less the amount used as paste fill underground. The Dolphin West cell may be raised to provide further storage beyond the proposed life of mine.
- The spillways for all embankments have been conservatively designed to pass a 1:10,000 annual exceedance probability (AEP) storm event, which is considered appropriate for a “Significant” hazard category dam.

Re-treatment of tailings will provide a source material to make paste fill for use in the initial year of underground production at Dolphin. If tailings are not re-treated rock fill available from the surface may have to be utilised in the initial production year.



7. Exploration Potential

There are several significant tungsten exploration targets around the Grassy and Bold Head granodiorite intrusions within the tenement holding of the Project.

Dolphin South

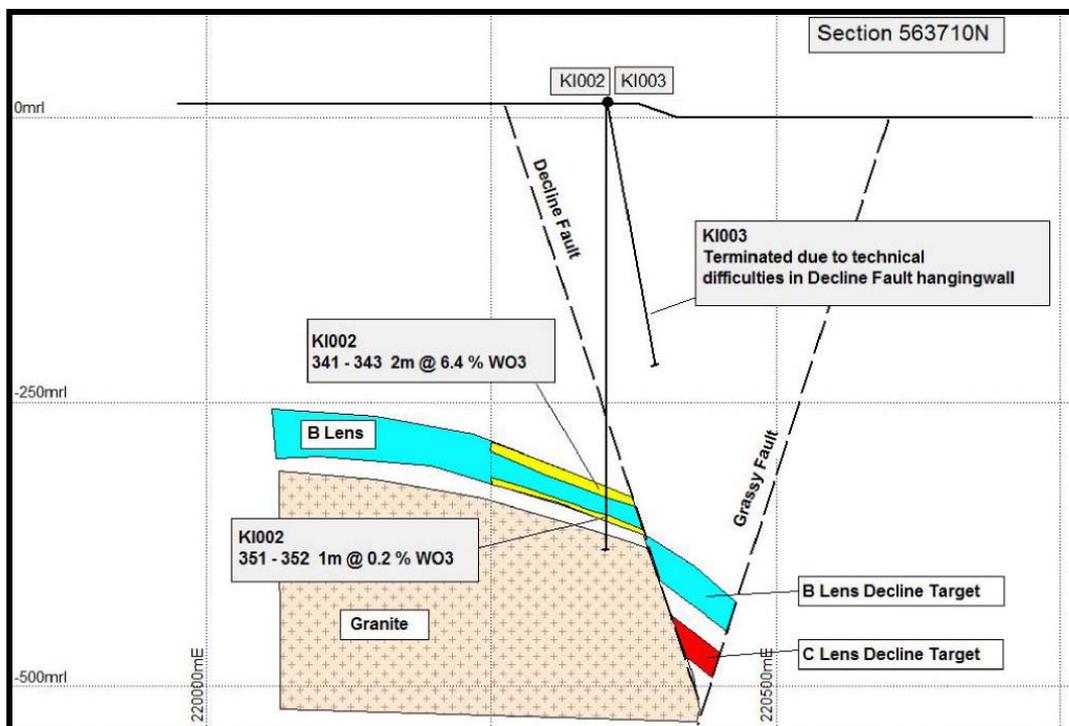
Additional resources from the Dolphin South area would have high strategic importance for the project adding to mine life. There is very good potential to add an additional 1-2 million tonnes of high grade resources amenable to underground exploitation.

Dolphin South has long been regarded as a high priority target being to the south and at depth from previous operations. The target area is difficult to target from surface as it is just off-shore and drill paths from shore need to travel through a known fault

A surface diamond drilling programme to test Dolphin South was undertaken in 2011.

- Holes 1 and 2 targeted mineralisation known to exist immediately south of past operations. Results showed that the anticipated C Lens had been stoped out by intruding granite. Intercepts of B Lens provided encouraging results.

Section 563,710mN



- The surface drilling programme was terminated due to difficult drilling conditions encountered with Hole 3.

It is now anticipated that the target areas will be better accessed by drilling from underground positions at an RL of -250m early in the Dolphin redevelopment.

Bold Head

There is near-surface potential at Bold Head. Several existing drill intersections carry significant grade providing potential for a small open pit.

It has also been postulated that there is significant potential for mineralisation at depth along the main fault zone separating Bold Head and Dolphin.

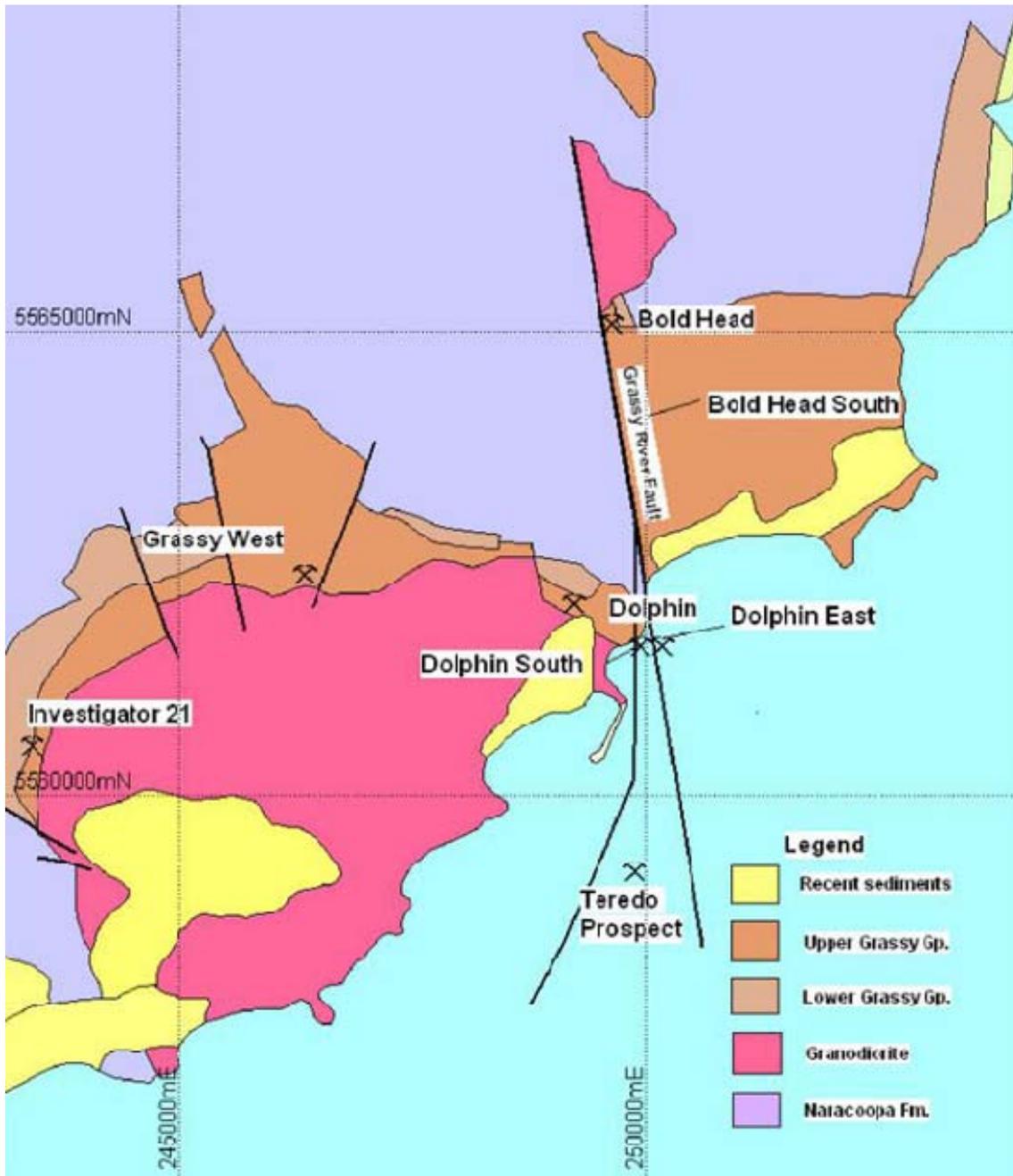
Regional Exploration Potential

A seven kilometre length of Grassy Group volcanics is exposed along the northern and western margin of the Grassy granodiorite. The geology is moderately well defined from previous first pass drilling, mapping and magnetic surveys and has been studied and explored by the previous mine operators. Mineralisation has been identified in a number of prospects (e.g. Investigator 21 and Grassy West).

Previous exploration has confirmed the prospectivity of the periphery of the Grassy granodiorite identifying mineralised calc-silicate skarn adjacent to the granodiorite. Several major fault structures have been mapped regionally. Additional detailed exploration is required including collation of drilling data and geological information and interpretation of gravity and aeromagnetic data followed by further targeted exploration drilling.

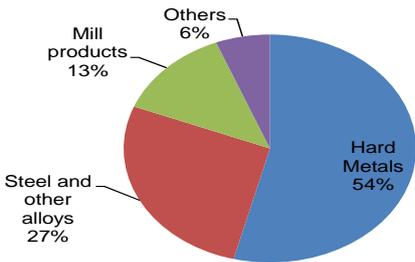
There is the potential to discover several small 1-2Mt resources of low to medium grade around the Grassy Pluton.





8. Tungsten Market

Tungsten has a number of unique properties as indicated below. These properties make it suitable for use in a wide variety of applications, particularly cemented carbides (hard metals).

Properties	Tungsten consumption by market segment 2009
<ul style="list-style-type: none"> • Highest melting point & lowest vapour pressure of all metals. • Highest tensile strength at high temperatures. • Tungsten carbide products are the hardest of all metals. • Among the heaviest of all metals. • Brilliant sheen, is scratch and corrosion resistant and conducts electricity well. 	 <p>Source: C&M, ITIA</p>
Applications	
<ul style="list-style-type: none"> • Cutting tools. • Mining / oil / gas drilling equipment. • Military applications • Specialty chemicals. 	

Supply

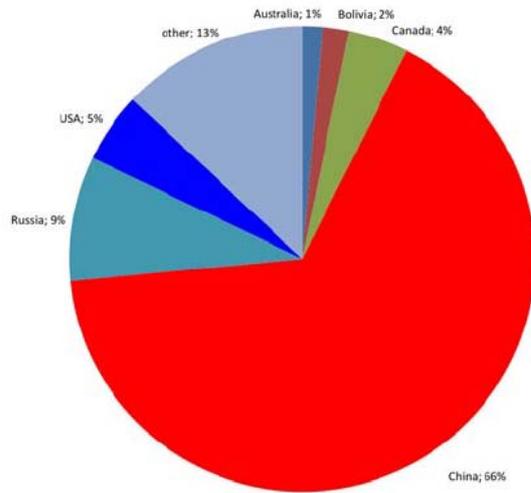
Tungsten concentrates containing 50% to 68% WO_3 are produced by mining, milling and processing. The principal intermediate product is ammonium paratungstate (APT) which is produced from concentrate or scrap metal. In addition, tungsten oxides (yellow and blue) are also produced. Almost 66% of all tungsten used (primary and scrap) is ultimately converted to tungsten metal powder.

The tungsten minerals of economic importance are scheelite and wolframite.

China is the dominant global supplier of concentrate and APT with production of approximately 60,000 tonnes relative to global production of approximately 70,000 tonnes in 2010. In recent years China has preferred to export processed WO_3 , and has restricted the supply of tungsten concentrates and intermediate products by imposing significant quotas and taxes. Western downstream processors are seeking non-Chinese sources of supply for tungsten concentrates.

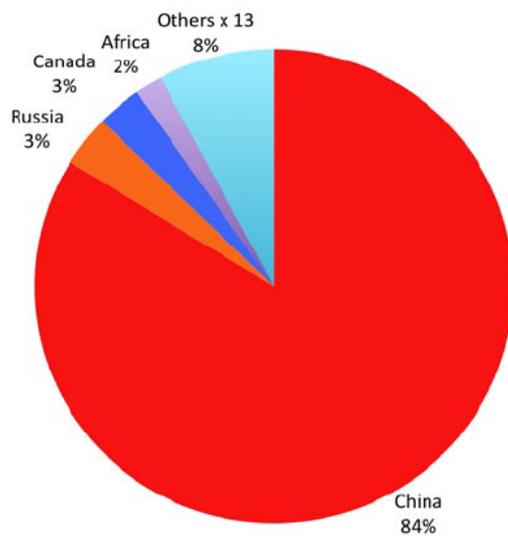


World Tungsten Reserves, Share by Country 2011 (%)



Source: USGS, Geoscience Australia

Primary Tungsten Supply by Country, 2009 (%)



Source: C&M, ITIA, USGS



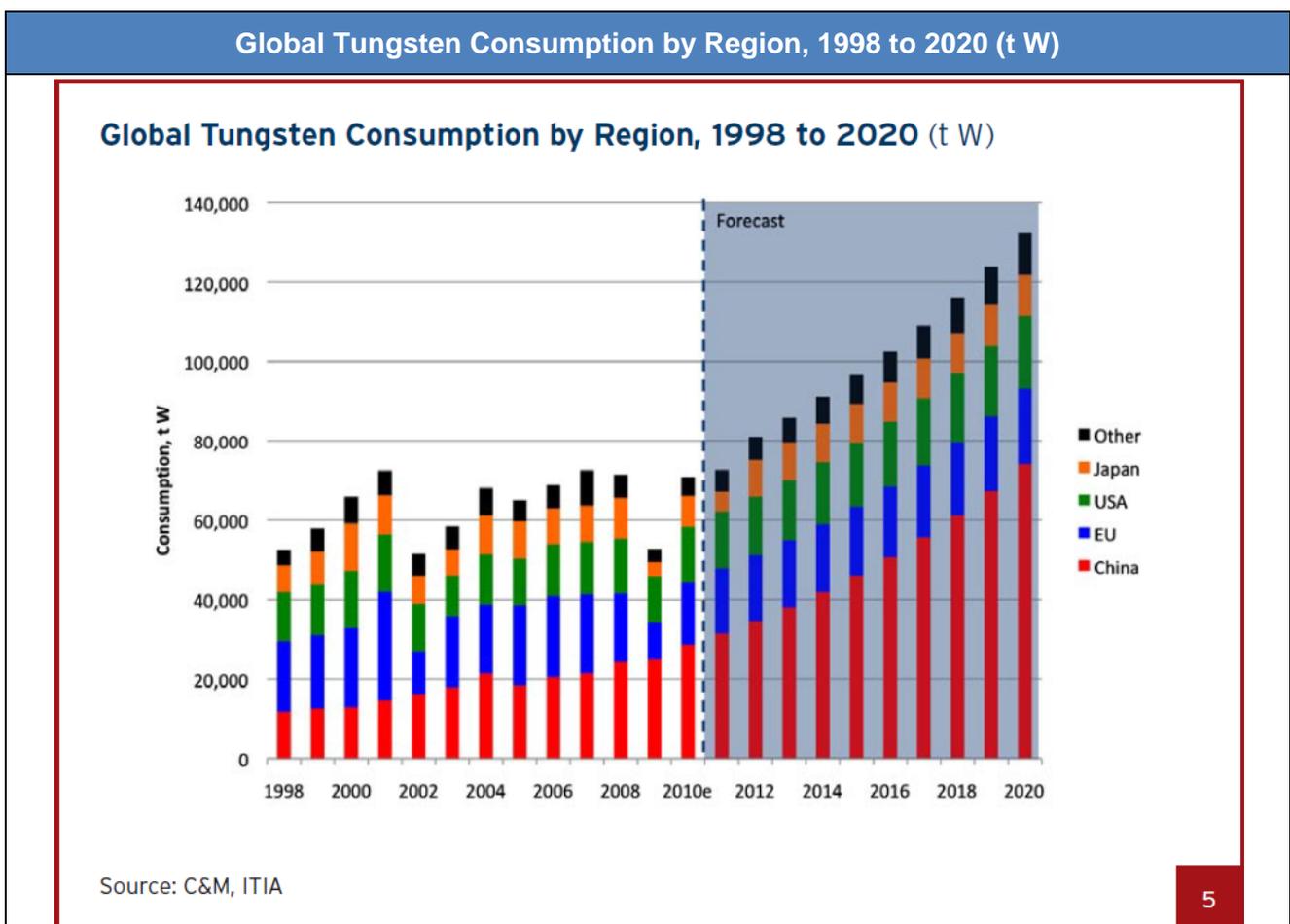
Western stockpiles are depleting and Western processors rely heavily on recycling. Tungsten was declared a US “conflict metal” in 2010 and identified by the EU as one of 14 ‘critical’ minerals.

Demand

Historically, tungsten demand has been closely correlated to economic growth. The level of industrial output is the key driver for growth of tungsten markets, especially the rate of machine-tool capital spending related to automotive production, aerospace industries, drilling in the mining and energy sectors and military spending.

China currently accounts for 37% of total tungsten consumption and has had an average growth rate of 7% over the past 10 years. Cemented carbide consumption is strongly linked to GDP per capita - potentially causing tungsten consumption to grow faster than GDP in China.

A confidential report prepared for KIS has forecast global tungsten consumption to rise to 132,000 tonnes by 2020, providing a strong outlook for tungsten demand and pricing.



9. Board of Directors

King Island Scheelite Limited has an experienced board of directors with a track record in project development.

Tony Haggarty
Non-Executive Chairman

Tony joined the Board in March 1998 and became Chairman in February 2007. He has more than 25 years of experience in mining in Australia and overseas. Tony was a co-founder and Managing Director of Excel Coal Limited until its acquisition by Peabody Energy Corporation in 2006. He is currently Managing Director of Whitehaven Coal and Non-Executive Director of IMX Resources.

Robin Morritt
Non-Executive Director

Robin joined the Board in May 2005. He is an exploration geologist with over 30 years of experience. Robin co-founded ReLODE Ltd (now Integra Mining Ltd) as was the Chairman and Managing Director of that company in its formative years. He put together the package of gold tenements that now forms the core of Integra's activities in the Goldfields of Western Australia. Robin worked extensively with the former Western Mining Corporation Ltd in Australia, the USA, Brazil and Chile. He also represented Franco-Nevada Mining Ltd in Australia. Robin is a Director of Pleiades Resources Pty Ltd, a private company exploring in Australia.

Andrew Plummer
Non-Executive Director

Andy joined the board in March 2006 and has over 30 years of industry experience ranging from mining finance/investments to mining engineering and operations. Until 2006 he was an executive director of Excel Coal Limited, where he was responsible for the group's business development activities. He is also a Director of Whitehaven Coal.

Li Li (Fang Wu, alternate)
Non-Executive Director

Mr Li joined the Board in May 2011. He is a Director of Hunan Nonferrous Metals Corporation Limited

Ian Morgan
Company Secretary

Ian is an experienced Chartered Company Secretary and Chartered Accountant, with over 25 years of experience in corporate administration.



10. Management Team

The management team has the technical and financial skill mix required for the development of a project of this nature.

Simon Bird
Chief Executive Officer

Simon has extensive management and finance experience through senior roles at Stockland Limited, GrainCorp Limited and Wizard Mortgage Corporation. He is a Fellow of the Australian Institute of Company Directors (FAICD) and Fellow of CPA Australia (FCPA). Simon is a Non-Executive Director of Metals Finance Limited and Mount Gibson Iron Limited and is a former Director of CPA Australia Limited.

Paul Carrick
Manager Mining Operations

Paul has over 20 years of experience in open pit and underground mines throughout Australia and overseas including feasibility studies, mine design and construction, contractor and operational management.

Alvin Johns
Chief Metallurgist

Alvin has over 25 years of mining industry experience and has been involved in commissioning a number of processing facilities around the world as well as in Tasmania.

Sue Jolliffe
Finance Manager

Sue has over 20 years of experience in various roles focused on management accounting and finance management. She spent significant time working in finance within the coal industry in the Hunter Valley.

King Island Scheelite Limited also has a team of consultants with long experience working on the Dolphin Project and other projects in Tasmania.



11. Implementation Strategy

The large scale of the Dolphin project means that KIS will seek a partner to assist in funding and developing the project.

Key implementation steps are as follows.

Approvals

- All approvals are in an advanced stage and expected to be finalised in March 2012.

Off-taker

- KIS is in advanced discussions with potential tungsten off-takers in Europe, North America, Japan and China.
- Acceptability of Dolphin concentrate has been confirmed.

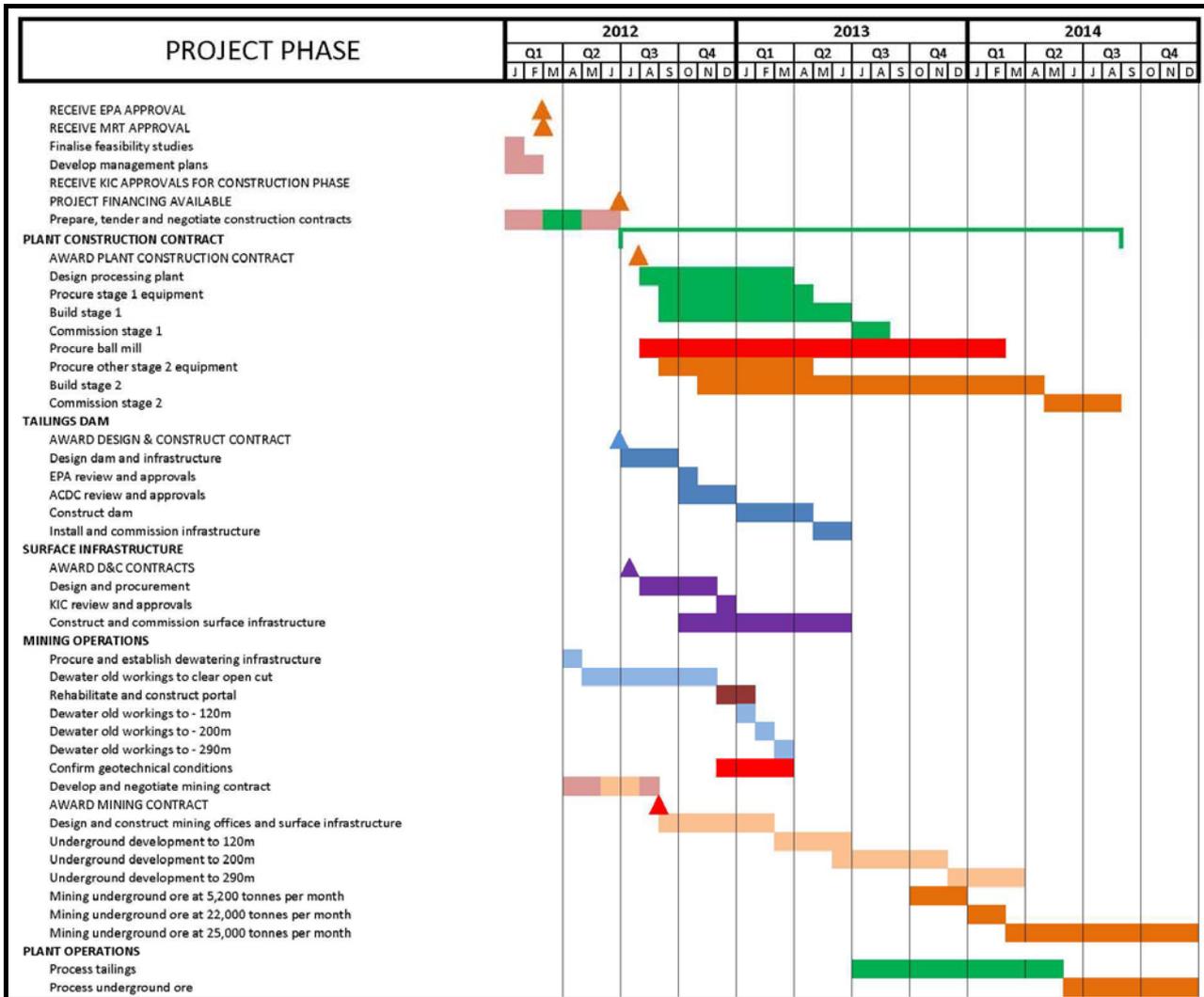
Financing

- Financing plan includes debt supported by off-taker commitments.
- Discussions with potential equity joint venture partners have commenced.



Project implementation

A project schedule is outlined below.



12. Mineral Resources & Reserves

Resource			
	Tonnes (000)	WO ₃ %	WO ₃ Tonnes
Dolphin	0.70% WO ₃ cut off		
Indicated	4,752	1.29	61,300
Inferred	7	0.73	50
Total	4,759	1.29	61,350
Bold Head	0.50% WO ₃ cut off		
Indicated	1,500	0.93	13,950
Inferred	150	1.22	1,830
Total	1,650	0.96	15,780
Tailings	0.08% WO ₃ cut off		
Measured	2,700	0.17	4,590
TOTAL	9,109	0.90	81,720

Resource estimate is in accordance with JORC code 2004

Explanatory Notes for Resource Statement: Competent Person and JORC Code

The resource report was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Consultant Geologist Mr Tim Callaghan of Resource and Exploration Geology, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM"); has a minimum of twenty years of experience as a geologist, five of which are in the estimation, assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his estimations and he has consented in writing to the resource report in the form and context in which it appears.



		Reserve		
		Tonnes (000)	WO ₃ %	WO ₃ Tonnes
Dolphin	Probable	2,687	1.04	28,060
Bold Head	Probable	609	0.76	4,640
Tailings	Proven	1,900	0.19	3,610
TOTAL		5,196	0.70	36,310

Explanatory Notes for Reserves Statement: Competent Person and JORC Code

The reserves report (for Dolphin and Bold Head) was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Consultant Mining Engineer Mr Alan Fudge of Polberro Consulting, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM") and has a minimum of five years of experience in the estimation, assessment and evaluation of Mineral Reserves of this style and is a Competent Person as defined in the JORC Code (2004). This announcement accurately summarises and fairly reports his estimations and he has consented in writing to the reserve report in the form and context in which it appears.

Explanatory Notes for Reserves Statement: Competent Person and JORC Code

The reserves report (Tailings) was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Consultant Geologist Mr Tim Callaghan of Resource and Exploration Geology, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM"); has a minimum of twenty years of experience as a geologist, five of which are in the estimation, assessment and evaluation of Mineral Reserves of this style and is a Competent Person as defined in the JORC Code (2004). This announcement accurately summarises and fairly reports his estimations and he has consented in writing to the reserve report in the form and context in which it appears.



13. Data Sources

Consultant	Study area
Burnie Laboratories	Drilling assays and metallurgical test work
E3 Planning	EPA approvals & mining permits
Esker Milling & Processing	Flow sheet and metallurgical test work
GHD	Engineering for tailings extraction and dams
GR Engineering	Process plant design and costings
GZRINM ¹	Metallurgical test work
Mancala	Underground mining contractor costs
Metsolve	Gravity test work
Neville J Wiggs & Associates	Dewatering plan and general engineering (W R Hill)
Polberro Consulting	Underground mine plan, reserve and schedule
Resource and Exploration Geology	Resource estimation
R W Nice Consulting	Metallurgy and process review
Rob Hill & Associates	Island Establishment/Infrastructure engineering
Clark & Marron Pty Ltd	Tungsten Markets

Note 1: Guangzhou Research Institute of Non-ferrous Metals



14. Cautionary statement / disclaimer

This report has been prepared by King Island Scheelite Limited (“KIS”) as a summary of its King Island Scheelite Project. It is for general information purposes only.

This report is not and should not be considered as an offer or invitation to subscribe for or purchase any securities in KIS, or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in KIS will be entered into on the basis of this report.

This report contains certain forward-looking statements which have not been based solely on historical facts but, rather, on KIS current expectations about future events and on a number of assumptions which are subject to significant uncertainties and contingencies many of which are outside the control of KIS and its directors, officers and advisers.

This report contains Exploration Targets which are conceptual in nature where there has been insufficient exploration to define full mineral resources and it is uncertain that further exploration will result in the determination of a Mineral Resource.

Due care and attention has been taken in the preparation of this report. However, the information contained in this report (other than as specifically stated) has not been independently verified for KIS or its directors and officers, nor has it been audited. Accordingly, KIS does not warrant or represent that the information contained in this report is accurate or complete. To the fullest extent permitted by law, no liability, however arising, will be accepted by KIS or its directors, officers or advisers, for the fairness, accuracy or completeness of the information contained in this report.



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