

20 October 2015

ASX Market Announcements Office ASX Limited 20 Bridge Street Sydney NSW 2000

King Island Schellite Limited (ASX: KIS) (Company) Market Announcement "Updated Reserve Statement" dated 21 September 2015 (Market Announcement)

In accordance with ASX Listing Rules 5.9.2 and 5.22,

- The Market Announcement was based on, and fairly represents, information and supporting documentation prepared by competent persons Tim Callaghan (24 April 2015 Updated Resource Statement) and Scott McEwing (21 September 2015 Updated Reserve Statement);
- 2. Neither Tim Callaghan or Scott McEwing is an employee of the Company or the Company's related party, and the Competent Persons' employers are:
  - 2.1. Resource and Exploration Geology (Tim Callaghan); and
  - 2.2. SRK Consulting (Australasia) Pty Ltd (Scott McEwing);
- 3. Mr Callaghan is a Member or Fellow of *The Australasian Institute of Mining and Metallurgy* or the *Australian Institute of Geoscientist*s or a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time;
- 4. Mr McEwing is a Fellow and Chartered Professional of *The Australasian Institute of Mining and Metallurgy;* and
- 5. Please find following:
  - 5.1. Section 1 (sampling techniques and data), section 2 (reporting of exploration results), section 3 (estimation and reporting of mineral resources), and
  - 5.2. Section 4 (estimation and reporting of ore reserves)

of Table 1 of Appendix 5A (JORC Code); and

5.3. Copies of the Messrs Callaghan's and McEwing's Competent Persons' Statements.

Yours sincerely

Ian Morgan

Company Secretary

JORC (2012) Table 1 report

SECTION 1. SAMPLIN	SECTION 1. SAMPLING TECHNIQUES AND DATA			
Criteria	JORC Code Explanation	Commentary		
Sampling Techniques	<ul> <li>Nature and Quality of sampling (e.g. cut channels, random chips or specific specialized industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or hand held XRF instruments etc).</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1m samples from which 3kg was pulverized to produce 30g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or sampling types (e.g. submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul> <li>The Dolphin Scheelite Skarn has been sampled through numerous historic underground and surface diamond drilling campaigns between 1947 and 1984 by the previous mine operators. ,</li> <li>Recent diamond drilling campaigns were completed by KIS in 2005, 2006, 2011, 2013and 2014.</li> <li>636 historic diamond drill holes for 56,667.8m</li> <li>113 recent drillholes for 9,975.8m.</li> <li>Approximately 3 ft or 1m samples of 1-3kg were taken from diamond saw cut drill core whilst respecting geological boundaries.</li> </ul>		
Drilling Techniques	<ul> <li>Drill type (e.g. core, reverse circulation, open hole hammer, rotary air blast, auger, bangka, sonic etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face sampling bit or other type, where core is oriented and if so by what method</li> </ul>	<ul> <li>Generally NQ diamond core for surface drillholes and BQ or BQ equivalent for underground drill holes.</li> <li>Core not oriented.</li> </ul>		
Sample recovery	<ul> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximize sample recovery and ensure representative nature of the samples.</li> </ul>	<ul> <li>Core reconstituted, marked up and measured in all drilling campaigns</li> <li>Generally excellent (95-100%)</li> <li>No relationship between recovery and grade was observed</li> </ul>		

	<ul> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred.</li> </ul>	
Logging	<ul> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>Whether logging is qualitative of quantitative in nature. Core (or costean, channel etc) photography.</li> </ul>	<ul> <li>Historic core geologically logged onto typed paper logs.</li> <li>Recent core geologically logged onto excel spreadsheets by experienced geologists over 2 campaigns.</li> <li>Standard lithology codes used for interpretation.</li> <li>RQD and recoveries logged</li> <li>Historic and recent logs loaded into excel spreadsheets and uploaded into access database.</li> </ul>
Sub-Sample techniques and sample preparation	<ul> <li>If core, whether cut or sawn and whether quarter of half taken.</li> <li>If non core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry</li> <li>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>Quality control procedures adopted for all sub sampling stages to maximize representivity of samples.</li> <li>Measures taken to ensure that the sampling is representative of the insitu material collected, including for instance results of field duplicate/second half sampling.</li> <li>Whether sample sizes are appropriate to the grain size of the material being sampled</li> </ul>	<ul> <li>No record of historic sample preparation</li> <li>Half core split by diamond saw on 0.5 – 1.0m samples while respecting geological contacts.</li> <li>Bagged core delivered to commercial Laboratories in Burnie (BRL, AMMTECH, ALS)</li> <li>Whole core crushed to 80% passing 2mm</li> <li>Crushed sample quartered to 500g and pulverized to pass 75 micron.</li> </ul>
Quality of assay data and laboratory tests	<ul> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>For geophysics tools, spectrometers, hand held XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibration</li> </ul>	<ul> <li>No record of QAQC procedures were available for historic sampling.</li> <li>Recent samples assayed for WO<sub>3</sub> and Mo by XRF at Burnie Research Laboratories (AMMTECH, ALS).</li> <li>Historic samples assayed for WO<sub>3</sub> and Mo by XRF in on site mine laboratories with check samples assayed by Amdel.</li> </ul>

	factors applied and their derivation etc.	
	<ul> <li>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</li> </ul>	No formal QAQC analysis cited for recent drilling campaign.
Verification of sampling and assaying	<ul> <li>The verification of significant intersections by either independent or alternative company personnel</li> <li>The use of twinned holes</li> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols</li> <li>Discuss any adjustment to assay data</li> </ul>	<ul> <li>No independent laboratory analyses completed.</li> <li>Minor verification of historic data with recent drilling campaigns.</li> <li>No twinned holes were completed</li> <li>Primary assay data was received electronically and stored by consultant geologist.</li> <li>All electronic data uploaded to access database</li> <li>Historic data loaded onto spreadsheets and uploaded to Access database by OMI Pty Ltd.</li> <li>Data validation with Surpac software, basic statistical analysis and comparison with historic plans and sections.</li> <li>Negative results for below detection limit assay data has been entered as 0.01%WO<sub>3</sub></li> </ul>
Location of data points	<ul> <li>Accuracy and quality of surveys used to locate drill holes (collar and downhole surveys) trenches, mine workings and other locations used in mineral resource estimation</li> <li>Specification of grid system used</li> <li>Quality and accuracy of topographic control.</li> </ul>	<ul> <li>All hole collar surveys by licensed surveyor.</li> <li>All coordinates in historic mine grid ISG</li> <li>RL's as MSL</li> <li>Down hole surveys by downhole camera</li> <li>Topographic dtm created from detailed surveys</li> </ul>
Data Spacing and distribution	<ul> <li>Data spacing for exploration results</li> <li>Whether data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for Mineral Resource and Ore Reserve estimation procedures and classifications applied.</li> <li>Whether sample compositing has been applied</li> </ul>	<ul> <li>Sample spacing approximately 20 x 20m or better for much of the resource.</li> <li>Drill spacing is considered to be appropriate for the estimation of Indicated to Inferred Mineral resources.</li> <li>Samples have been composited on 1m intercepts for the resource estimation.</li> </ul>
Orientation of data in relation to geological structure	<ul> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering</li> </ul>	<ul> <li>The majority of DDH have been drilled north-south or vertical sub-perpendicular the gently dipping mineralisation.</li> </ul>

the deposit type.  If the relationship between drilling orientation and the orientation of key mineralised structures is considered to have introduced sampling bias, this should be assessed and reported if material.	Drill hole orientation is not considered to have introduced any material sampling bias.
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Criteria	JORC Code Explanation	Commentary
Mineral tenement and land tenure status	<ul> <li>Type reference, name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of tenure held at the time of reporting along with known impediments to obtaining a license to operate the area</li> </ul>	<ul> <li>1M/2006 is 100% owned by Australian Tungster Pty Ltd, a subsidiary of King Island Scheelite Pty Ltd.</li> <li>Scheelite mining district with periodic operations since the 1930's.</li> <li>EPN notice being finalized after granting of 1M/2006</li> <li>There are no known or experienced impediment to operating a license in this area</li> </ul>
Exploration done by other parties	<ul> <li>Acknowledgement and appraisal of exploration by other parties</li> </ul>	<ul> <li>Early exploration by King Island Scheelite an Geopeko commencing in the 1950's.</li> </ul>
Geology	Deposit type, geological setting and style of mineralisation	The Dolphin Deposit is a carbonate hoste metasomatic skarn hosted in hornfelsed Cambria sedimentary rocks on the northern margin of the Grassy Granodiorite. The skarn consists of layered pyroxene skarn, garnet skarn an pyroxene-garnet skarn replacing two principal carbonate horizons. Scheelite occurs as coars and fine grained disseminations in calc-silicate skarn.
Drill Hole Information	<ul> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes</li> <li>easting and northing of the drill hole collar</li> <li>elevation or RL of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>downhole length and interception depth</li> <li>hole length</li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the</li> </ul>	See Appendix 1 in this report.

	understanding of the report, the Competent Person should clearly explain why this is the case
Data aggregation methods	<ul> <li>In reporting of Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cutoff grades are usually material and should be stated.</li> <li>Where aggregate intercepts include short lengths of high grade results and longer lengths of low grade results, the procedure used for aggregation should be stated and some examples of such aggregations should be shown in detail</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>
Relationship between mineralisation widths and intercept lengths	<ul> <li>These relationships are particularly important in the reporting of Exploration Results with respect to the drill hole angle is known, its nature should be reported.</li> <li>If it is not known and only the downhole lengths are reported, there should be a clear statement to this effect (e.g. down hole length, true width not known)</li> <li>Intercept lengths have been reported as downhole lengths.</li> <li>Most holes have been drilled to intercept the deposit at high angles to best represent true widths.</li> <li>Refer to the sections included in the body of the announcement to view the relationship between downhole lengths and mineralisation orientations.</li> </ul>
Diagrams	<ul> <li>Appropriate maps and sections (with scales) and tabulated intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill collar locations and appropriate sectional views.</li> <li>See body of the announcement for relevant plan and sectional views and tabulated intercepts.</li> </ul>
Balanced reporting	Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/ or widths should be practiced to avoid misleading reporting of Exploration      Not applicable      Not applicable

	Results	
Other substantive exploration data	Other exploration data, if meaningful and material, should be reported including (but not limited to); geological observations, geophysical survey results, geochemical survey results, bulk samples — size and method of treatment, metallurgical results, bulk density, groundwater, geochemical and rock characteristics, potential deleterious or contaminating substances.	
Further work	<ul> <li>The nature and scale of planned further work (e.g. test for lateral extensions or depth extensions or large scale step out drilling)</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	Continuing resource infill drilling and exploration drilling on known magnetite skarns in the district.

Criteria	Explanation	Status
Database Integrity	<ul> <li>Measures to ensure the data has not been corrupted by, for example transcription or keying errors, between its initial collection and its use for Mineral Resource estimation.</li> <li>Data Validation and procedures used.</li> </ul>	Access database by database consultants OMI.
Site Visits	<ul> <li>Comment on any site visits by the competent person and the outcome of any of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>	campaigns between 2011 - 2015.
Geological Interpretation	<ul> <li>Confidence in (or conversely the uncertainty of) the geological interpretation of the mineral deposit.</li> <li>Nature of the data used and any assumptions made.</li> <li>The effect if any of alternative interpretations on Mineral Resource estimation</li> <li>The use of geology in guiding and controlling the Mineral Resource estimation</li> <li>The factors effecting continuity of both grade and geology</li> </ul>	<ul> <li>quality sectional interpretation form mapping and drill hole data by Geopeko Ltd.</li> <li>Diamond drillholes and sections used for geological domaining.</li> <li>No alternative geological interpretations were attempted.</li> <li>Geology model used for mineralised domain modeling.</li> </ul>
Dimensions	The extent and variability of the mineral resource expressed as length (along strike or otherwise) plan width and depth below surface to the upper and lower limits of the Mineral	<ul> <li>Semi-continuous shallow plunging and dipping stratabound mineralisation adjacent to granodiorito intrusion.</li> </ul>

	Resource	750m width and dips from 80m above sea level in the west to 380m below sea level in the east.
Estimation and Modelling techniques	<ul> <li>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</li> <li>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</li> <li>The assumptions made regarding recovery of by products</li> <li>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterization).</li> <li>In the case of blockmodel interpolation the block size in relation to the average sample spacing and search employed.</li> <li>Any assumptions behind modeling of selected mining units</li> <li>Any assumptions about correlation between variables</li> <li>Description of how the geological interpretation was used to control the resource estimates.</li> <li>Discussion of the basis for using or not using grade cutting or capping</li> <li>The process of validation, the checking process used, the comparison of model data to drill hole data, and the use of reconciliation data if available.</li> </ul>	<ul> <li>Block modeled estimation completed with Surpac<sup>TM</sup> software licensed to Tim Callaghan.</li> <li>Wire-framed solid models created from diamond drillholes and 20m sectional interpretation.</li> <li>Solid models snapped to drill holes</li> <li>Minimum mining width of 3m @ 0.2% WO<sub>3</sub></li> <li>Internal dilution restricted to 3m with allowances for geological continuity</li> <li>Data composited on 1m intervals including WO<sub>3</sub> and Mo</li> <li>Top cutting based on CV and grade histograms.</li> <li>Excellent correlation between WO<sub>3</sub> and Mo grades for C lens, poor correlation for B Lens</li> <li>Model extent of 563600N to 564500N, 219250E to 220600E, -400mRL to 100mRL. Block dimensions of 10mN x 10mE x 10mRL block size with subcelling to 1.25m.</li> <li>Variogram models well constructed with moderate to high nugget effect (30 - 50%) and moderate range of 15 to 30m to sill for most geological domains.</li> <li>Search ellipse set at 100m spherical range to ensure all blocks populated with minor anisotropy of 1:2</li> <li>Ordinary kriged model estimated model constrained by geology solid model</li> <li>Block grades validated visually against input data</li> <li>Good correlation with previous estimations</li> <li>Very good correlation of depleted model with historic production</li> </ul>

Moisture	<ul> <li>Whether the tonnages were estimated on a dry basis or with natural moisture, and the method of determination of moisture content.</li> <li>The estimate based on a dry tonnage</li> </ul>
Cut-off Parameters	<ul> <li>The basis of the adopted cutoff grades or cutoff parameters</li> <li>Cut off grades have been based on estimated mine grade break even costs. Operating costs and financial parameters were provided by external consultants and KIS. A break even cutoff grade of 0.3% WO<sub>3</sub> is calculated for open pit resources.</li> </ul>
Mining Assumptions	<ul> <li>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or if applicable external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters made when estimating Mineral Resources may not always be rigorous. When this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</li> <li>Conventional blast load haul open pit operation in the first 4 - 7 years of mine life. Ore production rate of 400ktpa and waste movement of approximately 1-2Mtpa is expected from scoping studies.</li> <li>Underground mining will involve conventional decline accessed room and pillar extraction with waste and sand backfill. Production rates are expected to be 300-400ktpa.</li> </ul>
Metallurgical assumptions	<ul> <li>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions made regarding metallurgical treatment processes and parameters made when estimating Mineral Resources may not always be rigorous. When this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</li> <li>Flow sheet design involves a standard 3 stage crushing-grinding circuit followed by a gravity concentration circuit prior to flotation. Metallurgical testwork suggests process recovery is expected to be around 80 - 85% producing a concentrate grade of 55% from the lower grade open cut mineralisation.</li> <li>The 2012 DFS proposed a 3 stage crushing and grinding circuit followed by whole ore floatation. Testwork suggested a recovery of 90% producing a 65% concentrate.</li> </ul>
Environmental assumptions	<ul> <li>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of</li> <li>Detailed studies and permitting of waste dumps, tailings disposal and storage of hazardous materials has been completed for the 2009 and 2012</li> </ul>

	determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status for early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	feasibility studies.
Bulk Density	<ul> <li>Whether assumed or determined. If assumed the basis for the assumptions. If determined the methods used, whether wet or dry, the frequency of measurements, the nature size and representativeness of the samples.</li> <li>The bulk density for bulk materials must have been measured by methods that adequately account for void spaces (vughs, porosity etc), moisture and difference between rock and alteration zones within the deposit.</li> <li>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</li> </ul>	<ul> <li>Bulk density derived from historic operations (Balind 1989).</li> <li>B Lens = 3.1</li> <li>C Lens = 3.4</li> <li>Waste = 2.9</li> <li>Bulk density measurements made on diamond core from recent drilling using the Archimedes method support historic assumptions.</li> </ul>
Classification	<ul> <li>The basis for the classification of the Mineral Resource into varying confidence categories.</li> <li>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in continuity of Geology and metal values, quality, quantity and distribution of the data).</li> <li>Whether the result appropriately reflects the Competent Persons view of the deposit.</li> </ul>	<ul> <li>Confidence in the geological model, data quality and interpolation is considered to be sufficient for Mineral Resource located within 30m of sample data to be classified as Indicated Resource.</li> <li>Excellent correlation of grade with historic production provides confidence in the estimation.</li> <li>The resource classification appropriately reflects the views of the Competent Person</li> </ul>
Audits or Reviews	<ul> <li>The results of any Audits or Reviews of the Mineral Resource estimates.</li> </ul>	<ul> <li>No audits or reviews have been completed for this estimation</li> </ul>
Discussion of relative	Where appropriate a statement of the relative	The geological model and data quality within 30m of

accuracy/confidence	accuracy and confidence level in the Mineral Resource Estimate using an approach or	level development is well understood and modeled.  • The effects of localised brittle faulting is well
	procedure deemed appropriate by the	understood from mapping and drilling.
	Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy of the estimate.  • These statements of relative accuracy and confidence of the estimate should be compared	There is good confidence in the global tonnage estimation.
	confidence of the estimate should be compared with production data, where available.	

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### **Competent Person's Consent Form**

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

#### Report name

### Dolphin Mine Mineral Resource Estimate, April, 2015

(Insert name or heading of Report to be publicly released) ('Report')

### King Island Scheelite Pty Ltd

(Insert name of company releasing the Report)

### Dolphin Scheelite Deposit, King Island

(Insert name of the deposit to which the Report refers)

If there is insufficient space, complete the following sheet and sign it in the same manner as this original sheet.

# April 2015 (Date of Report)

Statement

I/We,

#### Tim Callaghan

(Insert full name(s))

confirm that I am the Competent Person for the Report and:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).
- I am a Competent Person as defined by the JORC Code, 2012 Edition, having five years experience
  that is relevant to the style of mineralisation and type of deposit described in the Report, and to the
  activity for which I am accepting responsibility.
- I am a Member or Fellow of *The Australasian Institute of Mining and Metallurgy* or the *Australian Institute of Geoscientists* or a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.

I am a full time employee of

# Tim Callaghan – Resource and Exploration Geology

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(Insert company name)		
Or		
I/We am a consultant working for		
Resource and Exploration Geology	7	
(Insert company name)		
and have been engaged by		
King Island Scheelite Pty Ltd		
(Insert company name)	-	
to prepare the documentation for		
Dolphin Scheelite Deposit		ъ
(Insert deposit name)		
on which the Report is based, for the period ended		

(Insert date of Resource/Reserve statement)

**April**, 2015

I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.

I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Exploration Targets, Exploration Results, Mineral Resources and/or Ore Reserves (select as appropriate).

# Tim Callaghan – Resource and Exploration Geology

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#### Consent

I consent to the release of the Report and this Consent Statement by the directors of:

King Island Scheelite Pty Ltd  (Insert reporting company name)		
Signature of Competent Person:	Date: 20/4/2015	
Professional Membership: <b>AUSIMM</b> (insert organisation name)	Membership Number: <b>222210</b>	A Section
Signature of Witness:	Print Witness Name and Residence: (eg town/suburb)	



# Appendix A. TABLE 1 – JORC CODE (2012) COMPLIANCE CHECK LIST SUMMARY

Section 4 – JORC Estimation and Reporting of Ore Reserves

No.	Criteria	JORC Code explanation	Comment
1	Mineral Resource estimate for conversion to Ore Reserve	as a basis for the conversion to an Ore Reserve.  Clear statement as to whether the Mineral to Resources are reported additional to, or inclusive of, the Ore Reserves.	The Mineral Resources Statement was signed by Mr Tim Callaghan, an Independent Consultant. Mr Callaghan is an AUSIMM member and has sufficient relevant experience to qualify as a Competent Person.
			The Resources are estimated to total 9.6 Mt at a grade of 0.90% WO3, all of which are classified Indicated. The Reserves have been estimated using the same geological model as used in the April 2015 Resource Statement.
			The Mineral Resource reported is inclusive of the Ore Reserves.
2	Site visits	<ul> <li>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>	On the 29th June, 2014 Mr Scott McEwing visited the site.
3	Mineral Resource The Code requirements Feasibility Studices convert Mineral studies will have determined a achievable and	Mineral Resources to be converted to Ore Reserves.  • The Code requires that a study to at least Pre-	Numerous studies have been conducted by KIS over the past decade. More recently, in early 2012, a positive Feasibility Study was completed based on the re-accessing of underground operations and retreatment of historic tailings. However, prevailing financial conditions have resulted in the project being shelved for the medium term.
		convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.	In 2013, Resource and Exploration Geology (REG) were requested to complete a desktop review on recovering remnant resources from within the historic open cut through minor pit extensions. This study found that a significant remnant resource from within the base of the historic Dolphin Mine open pit could be recovered through minor pit extensions.
			Consequently, Xenith were commissioned by KIS to complete a Prefeasibility study on the open cut, as well as Reserve Estimate for the Dolphin Open Cut Project to further assess its viability.



No.	Criteria	JORC Code explanation	Comment
4	Cut-off parameters	The basis of the cut-off grade(s) or quality parameters applied.	The mine planning and ultimate pit design was prepared based on the marginal cut-off grade of 0.2% $\mbox{WO}_3$ .
5	Mining factors or assumptions	<ul> <li>The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).</li> <li>The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.</li> <li>The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.</li> <li>The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).</li> <li>The mining dilution factors used.</li> <li>The mining recovery factors used.</li> <li>Any minimum mining widths used.</li> <li>The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.</li> <li>The infrastructure requirements of the selected mining methods.</li> </ul>	The mining method used to determine the Ore Reserve was conventional open pit mining using backhoe style hydraulic excavators loading off-highway dump trucks for both waste and ore mining.  The in-situ ore was modified in order to simulate the mining process and the effects this has upon ore recovery, losses and dilution.  The pit crest was limited to the east by the existing shoreline and the Grassy Fault. Geotechnical advice showed that if the pit wall passes through the Grassy fault the angle of the wall needs to be significantly laid backed. Therefore to avoid this scenario the pit crest remains to the west of the Grassy fault. Also due to the physical dimensions of the existing void and having to maintain ramp access to the bottom of the pit, the depth of the pit was constrained to RL-150. In summary the basis for the open pit limits were:  • Location of the Shoreline  • Location of the Grassy fault  • Extent of the ore body to the Reserve to the west and south  • Existing void and the town of Grassy to the north. (apart from a small amount of ore located near surface in the north highwall)  • RL-150 depth, which is the maximum depth based on ramp grade.  Xenith has used the Whittle open pit optimisation software to verify the economics of the pit limit. This software uses the Lerchs-Grossmann algorithmn. This technique determines the maximum sized pit that can be mined until the final walls represent marginal or break even material. The outcomes of this exercise proved the pit limit determined by the physical constraints lay well within the economic limit determined by the optimiser.  15 cm loss and 15 cm dilution was applied to all mineralization in the block model, along any block edge that was immediately adjacent a waste block.  An independent geotechnical report by PSM formed the basis for the pit design parameters.



No.	Criteria	JORC Code explanation	Comment
			<ul> <li>Design parameters for the pit include:</li> <li>30° batters in the upper pit, above base of sand and through old waste dump material.</li> <li>Safety berm width of 20 m at base of sand/ top of fresh rock.</li> <li>20 m bench heights at a cut angle of 65° in the lower pit, below the base of sand.</li> <li>Berm widths of 10 m in the lower pit.</li> <li>Total pit slope 45-50°.</li> <li>20 m single-truck, 10% grade starting from south wall.</li> <li>No inferred resources were modelled in the Mineral Resource model hence the project is completely insensitive to inferred resources.</li> </ul>
6	Metallurgical factors or assumptions	<ul> <li>The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.</li> <li>Whether the metallurgical process is well-tested technology or novel in nature.</li> <li>The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.</li> <li>Any assumptions or allowances made for deleterious elements.</li> <li>The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.</li> <li>For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?</li> </ul>	During the past 8 years a great deal of laboratory testing has been undertaken on King Island ores to find the most appropriate and cost effective way of producing a saleable scheelite concentrate from the Dolphin ores.  The proposed treatment method at King Island is to process the ore in two stages. The first stage was gravity separation, where the coarser particles of scheelite in the ore are recovered from the ground feed slurry and concentrated using spirals, tables, magnets and flotation to remove sulphides.  The chosen process flow sheet includes three stage crushing to reduce the run of mine ore from minus 600mm to minus 13mm, followed by primary grinding in a wet ball mill to minus 150 microns. The classified slurry from grinding is fed to gravity separation, using spirals, where up to 33% of lower specific gravity gangue material is separated from this stream and sent to tails.  The remaining material from the gravity process is classified and the coarse fraction reground to 75 microns then fed to a 2 stage flotation circuit. Rougher flotation concentrate is fed to Concentrate Dressing and Scavenger flotation concentrate is returned to the head of the rougher circuit. The reagents used are Soda ash, Sodium silicate and a modified soap based collector. These reagents are all available in Australia and relatively inexpensive.  A more detailed description of the proposed treatment method at King Island included in



No.	Criteria	JORC Code explanation	Comment
		the J	ORC Statement documentation.
7	Environmental	impacts of the mining and processing operation.  Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.  The 2 basel compasses will h	has previously applied, and received approval from King Island Council in 2006, for development of a large open pit and processing plant at the Dolphin mine site.  111 KIS commissioned a revised Environmental Effects Report (EER) to detail a gs and underground mining operation and compares them against the mining ations for which the Development Application (DA) was granted. Following the two by the Tasmanian Environment Protection Authority issued a set of amended litions within an Environmental Protection Notice under which future mining activities be regulated by the Environment Protection Authority (EPA).  2012 DFS had the required EPA and Council approvals in place and all of the eline testing for noise, dust and the levels of flora and fauna on the site had been coleted to allow the project to proceed. These approvals are now being reviewed to ss what effect the changes to open cut mining and surface deposition of waste rock have.  The project impact to the local community and the environment. KIS has held a community consultation evening at Grassy to answer questions from the content project. King Island Council have formally advised KIS that the noded mining operations would not trigger any requirement for a further development cation to be lodged or a permit issued.
8	Infrastructure		site run off dam an administration office, change rooms and associated ablutions and sewage disposal system



No.	Criteria	JORC Code explanation	Comment  • explosives storage
9	Costs	<ul> <li>The derivation of, or assumptions made, regarding projected capital costs in the study.</li> <li>The methodology used to estimate operating costs.</li> <li>Allowances made for the content of deleterious elements.</li> <li>The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co- products.</li> <li>The source of exchange rates used in the study.</li> <li>Derivation of transportation charges.</li> <li>The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.</li> <li>The allowances made for royalties payable, both Government and private.</li> </ul>	Xenith has developed operating costs from 1st principles using mine owner equipment fleet.  Xenith utilised its in house equipment database and cost model to develop operating and capital costs for the open cut, which were then fed into the KIS economic model to determine the Project NPV. In addition KIS supplied Xenith with its own internal budget estimate. Xenith has independently reviewed these costs and is of the opinion the costs used (both capital and operating) are in line with the costs developed from 1 <sup>st</sup> principles and are appropriate for this style of deposit and are in line with similar sized mines in Australia.  The commodity pricing has been taken from an independent study and checked against current market pricing. Sensitivities indicate the project is robust against price fluctuations and exchange rates.  The majority of the budget costs supplied by KIS are based on quotes from suppliers.  All costs and revenues were estimated in AUD.
10	Revenue factors	<ul> <li>The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.</li> <li>The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.</li> </ul>	The APT price is currently approximately \$USD 210 per mtu, however the long term forecast is for the APT price to increase beyond \$USD 350 per mtu by 2017/18. The APT price will be discounted by the purchaser for KIS concentrate by 20% for the lower (55% WO3) grade of concentrate and by a further 3% for high molybdenum content.
11	Market assessment	<ul> <li>The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.</li> <li>A customer and competitor analysis along with the identification of likely market windows for the</li> </ul>	An independent market assessment has been previously commissioned for the project. This included commentary on supply and demand. The study indicated that Tungsten is used in many diverse commercial, industrial and military applications.  The marketing report is summarised in the JORC Statement and included as an Appendix to the PFS document.



No.	Criteria	JORC Code explanation	Comment
		<ul> <li>product.</li> <li>Price and volume forecasts and the basis for these forecasts.</li> <li>For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.</li> </ul>	
12	Economic	<ul> <li>The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.</li> <li>NPV ranges and sensitivity to variations in the significant assumptions and inputs.</li> </ul>	An economic model was developed from 1st principles using mine owner equipment fleet.  Xenith utilised its in house equipment database and cost model to develop operating and capital costs for the open cut, which were then feed into the KIS economic model to determine the Project NPV. The potential future underground mine and reclamation of tailings has not been included in the economic analysis of the open cut for the purposes of estimating Reserves. However the full capital cost of the processing plant and site establishment was allocated to the open cut.  Sensitivities' were conducted on the economic model, with the project found to be sensitive to both APT price, exchange rate and plant recovery.
13	Social	The status of agreements with key stakeholders and matters leading to social licence to operate.	KIS has recently engaged with the Tasmanian EPA and King Island Council to explain the likely changes in project impact to the local community and the environment. KIS has also held a community consultation evening at Grassy to answer questions from the public on the current project. King Island Council have formally advised KIS that the amended mining operations would not trigger any requirement for a further development application to be lodged or a permit issued.
14	Other	<ul> <li>To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:</li> <li>Any identified material naturally occurring risks.</li> <li>The status of material legal agreements and marketing arrangements.</li> <li>The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and</li> </ul>	No issues noted.



No.	Criteria	JORC Code explanation	Comment
		statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.	
15	Classification	<ul> <li>The basis for the classification of the Ore Reserves into varying confidence categories.</li> <li>Whether the result appropriately reflects the Competent Person's view of the deposit.</li> <li>The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).</li> </ul>	Ore Reserves have been classified based on the confidence of the Mineral Resources, the level of detail in the mine planning, and the level of risk associated with the Project. Generally, Indicated Resources have been classified as Probable Reserves and Measured Resources within the pit shell have been classified as Proved Reserves. No Inferred Resources have been used in this estimate.
16	Audits or reviews	The results of any audits or reviews of Ore Reserve estimates.	As per findings in this review, plus internal reconciliation and peer review
17	Discussion of relative accuracy/ confidence	<ul> <li>Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.</li> <li>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</li> </ul>	<ul> <li>The relative confidence in the Ore Reserve estimation is high. This is due to the following:</li> <li>The economics have been modelled as robust with sensitivity to cost and revenue low.</li> <li>The orebody is well understood and well-studied.</li> <li>Additional resource drilling is currently planned for 2015 prior to the planned commencement of mining.</li> <li>Dewater of the open pit is completed indicating a commitment to the project development</li> </ul>



No.	Criteria	JORC Code explanation	Comment
		<ul> <li>Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.</li> <li>It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</li> </ul>	





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## **Competent Person's Consent Form**

Pursuant to the requirements of ASX Listing Rule 5.6, 5.22 and 5.24 and Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

#### Report name

Statement of JORC Ore Reserves, Dolphin Open Cut, as at 30 July 2015 ('Report')

King Island Scheelite Limited

Dolphin Open Pit Tungsten Project

September 2015

## **Statement**

I, Scott McEwing, confirm that I am the Competent Person for the Report and:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).
- I am a Competent Person as defined by the JORC Code 2012 Edition, having five years' experience
  which is relevant to the style of mineralisation and type of deposit described in the Report, and to the
  activity for which I am accepting responsibility.
- I am a Fellow and Chartered Professional of The Australasian Institute of Mining and Metallurgy.
- I have reviewed the Report to which this Consent Statement applies.

I am a consultant working for SRK Consulting (Australasia) Pty Ltd and have been engaged by Xenith Consulting Pty Ltd, on behalf of King Island Scheelite Limited, to prepare the documentation for Dolphin Open Pit Tungsten Project on which the Report is based, for the period ended September 2015.

I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.

I verify that the Report is based on and fairly accurately reflects in the form and context in which it appears, the information in my supporting documentation relation to Ore Reserves.



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### Consent

I consent to the release of the Report and this Consent Statement by the directors of: King Island Scheelite Limited



Signature of Competent Person Date: 10/9/2015

Professional Membership: FAusIMM, CP Membership Number: 111809

Grant Walker,

Signature of Witness Name and Residence: