

Report for the Quarter Ended 30 June 2018

KING ISLAND
SCHEELITE



ASX: KIS

Market Capitalisation	\$9.8 million
Shares on Issue	217.3 million
52 Week High	7.0 cents
52 Week Low	2.5 cents
Share Price	5.0 cents

Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

**Tungsten APT USD 335/mtu
(27 July 2018)**

King Island Scheelite Limited (KIS)

through its 100% Dolphin Project on King Island, Tasmania is one of the world's richest tungsten deposits.

King Island Scheelite Limited

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HIGHLIGHTS

- **Diamond drilling of four drill holes completed to recover 300kg of a range of ore types to verify results from the previous metallurgical test work**
- **Completed VSI (vertical shaft impact) comminution of samples and transferred to the ALS laboratory at Burnie for metallurgical test-work**
- **Exploration diamond drilling program at the Investigator 21 Prospect successfully identified scheelite bearing skarn mineralisation in three of four holes, with high grade mineralisation in two holes**
- **Confirmed exploration potential along further sections of the Grassy Pluton's 9 km strike length**
- **Engaged Xenith Consulting to update the mine plan utilising smaller more manoeuvrable dump trucks**
- **A 1 for 8 Renounceable Rights Offer to raise \$1,490,000 (before costs) and fund redevelopment activities completed (July 2018)**
- **The tungsten market for APT remains buoyant, with the current price at US\$335/mtu**

31 July 2018

King Island Scheelite Limited (ASX: KIS) presents its activity report for the quarter ended 30 June 2018.

Metallurgical Drilling Programme (April 2018)

KIS completed a short diamond drilling program in the de-watered void of the Dolphin Project. The purpose was to recover three x 100 kg samples from typical ore types from locations that will be representative of ore mined in the early years of production when the Dolphin Project recommences.

Ore was recovered from three locations below the current pit floor with one site requiring two parallel drill holes to ensure sufficient sample mass was recovered for the metallurgical test work program. All boreholes intersected the anticipated ore zones including combinations of “B Lens”, “C Lens” and “Banded Footwall Beds”. The intersection intervals and averaged WO₃ grades are summarised in the table below. One metre sample assay data is included in the appended consulting geologist’s report.

Borehole ID	Mineralised Intersection		Thickness (m)	WO ₃ %	Ore Type
	from	To			
KIS 056	8.7	26.0	17.3	0.82	C Lens
and	51.5	60.0	8.5	0.53	B Lens
KIS 057	17.5	32.1	14.6	0.71	C Lens and BFB
including	17.5	23.5	6.0	1.13	C Lens only
KIS 058	6.8	14.1	7.3	0.87	B Lens
KIS 059	7.7	14.3	6.6	1.23	B Lens

The sample sites were selected based on previous drilling and modelling but the average WO₃ grade of the intersections recovered were somewhat higher than expected, based on this previous work.

The actual interval that will be composited into the three metallurgical samples (particularly the B Lens) will have some minor interval adjustments so that the average grade of the metallurgical samples is close to 0.74% WO₃, (which is the average of the Dolphin open-cut Reserve) so no “grade bias” is introduced into the metallurgy test-work.

Three 100 kg samples were despatched to a laboratory in Melbourne to undergo the same VSI comminution that was successfully used for the metallurgical test work on the generic sample reported on 6 March 2018.

Metallurgical Test-Work

These three samples are currently being subjected to a test-work program, as previously detailed in the ASX Releases dated 6 March 2018 and 23 April 2018. Preliminary results from the first sample are consistent with results from previous test-work.

The testing is to confirm the flow sheet of utilizing gravity separation with some gravity tailings streams reporting to a flotation circuit.

Development Plan

KIS engaged Xenith Consulting to undertake a further iteration of its mine plan with the objective of better matching production schedules to the revised processing capacity and examining the benefits of using smaller and more maneuverable dump trucks for the haulage of waste and ore in the mining operation. It is anticipated that the maneuverability of these trucks and their ability to manage increased ramp grades will enable a tighter pit shell to be developed with reductions in waste ore ratios and thus operating costs. This work is being undertaken in parallel with the processing plant assessment discussed above and will be completed in Q3 2018. The Company will continue discussions with reputable potential offtake partners during this time, anticipating an investment decision later in 2018.

Exploration Drilling Programme (May 2018)

KIS further completed a regional exploration drilling program, testing the Investigator 21 Prospect in the Grassy District of King Island. The program successfully defined scheelite bearing skarn mineralisation in three of the four holes completed with high grade mineralisation intersected in multiple lenses from two holes:

KI060	103.2 – 106.3	3.0m @ 0.5% WO ₃
	181.5 – 184.4	2.6m @ 0.5% WO ₃
KI062	90.4 – 93.0	3.0m @ 0.4% WO ₃
	103.2 – 106.5	3.3m @ 1.7% WO ₃

The Investigator 21 prospect is located 6 km west of the KIS Grassy Project. The geology of Investigator 21 is similar to the two nearby historic scheelite mines, Dolphin and Bold Head also held by KIS within Mining Lease M1/2006 and Exploration Licence EL19/2001 respectively.

The KIS drilling program is the first exploration drilling to be conducted in the area for over 35 years. The successful exploration results highlight the prospectivity of the KIS tenements away from the previously mined areas on King Island. The additional scheelite skarn mineralisation intersected, demonstrates the potential to delineate additional tungsten resources outside of the Resources and Reserves associated with the Dolphin and Bold Head Deposits. In particular the ultra-high grades intersected in KI 062 confirm the propensity of the metamorphic aureole around the Grassy Pluton to carry tungsten grades over mineable intervals an order of magnitude higher than those typically encountered in other tungsten projects being developed elsewhere.

Based on regional geological mapping the metamorphic aureole prospective for scheelite skarn mineralisation has a strike distance of at least 9 km with limited exploration drilling having been undertaken to date. This exploration target has scope to increase the mine life of the Dolphin Mine beyond the 8-year open cut operation currently scheduled for this project (ASX releases 21/09/2015 and 20/10/2015).

Pit pumping

Consistent with our previous plans, the inflow of water from predominantly rain water runoff is being managed with the installed smaller pump utilised on a regular basis to maintain a consistent water level in the sump. After dry December and March quarters (133mm & 134mm of rain respectively), the June quarter had average rainfall of 296mm.

Renounceable Rights Offer

On 19 June 2018, KIS announced a renounceable 1 for 8 rights offer priced at A\$0.055 per new share (an 18% discount to the traded price on 18 June 2018) plus, for each two new shares taken up under the Offer, a free attaching option exercisable at A\$0.10 each over a 3-year period. Existing eligible shareholders also had the opportunity for a top up increase, in addition to their existing rights. The Offer closed on 25 July 2018 and is underwritten to the balance not committed by major shareholders.

The Offer raised \$1,493,878 before costs associated with the capital raising. Funds raised will be mainly used to fund the redevelopment of the Dolphin site.

APT market

APT (Ammonium Para Tungstate) is the product used as a benchmark price for the sale of WO₃ concentrate, as it is regularly quoted in industry journals. APT reached an all-time high of US\$460-500/mtu in May 2011 however then declined rapidly, reaching nine-year lows late in 2015 and remained depressed throughout most of 2016 and into early 2017, averaging US\$190/mtu (A\$255/mtu) over this period.

Tungsten markets rebounded significantly during the last two calendar quarters of 2017, with the average price during the quarters, commencing 1 July 2017, being US\$275/mtu and the average price for the quarter ended 30 June 2018 being US\$355/mtu (A\$480/mtu).

A leading international market research company estimates that the CAGR (compound annual growth rate) of world-wide tungsten demand will be around 5.51% during the period 2018-2022.

Tenements

	Tenement reference	Nature of interest
Mining tenements held at the end of the quarter	Exploration Licence EL 19/2001 at Grassy, King Island, TAS (91 sq kms)	100% ownership
	Mining Lease ML 1M/2006 at Grassy, King Island, TAS (544 hectares)	100% ownership
Mining tenements acquired during the quarter	Nil	Nil
Mining tenements relinquished during the quarter	Nil	Nil
Beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter	Nil	Nil
Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed during the quarter	Nil	Nil

Project Expenditure

Following is a summary of the expenditure incurred on project activities during the quarter:

	\$'000
Exploration drilling programme	155
Dewatering	14
Project management	41
Mine planning & geological work	33
Metallurgical & laboratory testing	31
Environmental	13
Other Feasibility Study work	3
	<u>290</u>

Web-Site

KIS recently completed a rewrite of its web-site, which can be viewed at www.kingislandscheelite.com.au



Johann Jacobs

Chairman

31 July 2018

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

Competent Person's Statement

The Information in this announcement relating to Mineral Resources and Exploration Results are extracted from the following reports lodged as market announcements and available to view on the Company's web-site www.kingislandscheelite.com.au:

- "Updated Resources Statement April 2015" released 24 April 2015
- "Updated Reserve Statement" released 21 September 2015
- "Updated Reserve Statement released 21 September 2015" released 20 October 2015
- "Dolphin Project Drilling Results April 2018" released 23 April 2018
- "Exploration Drilling Results May 2018" released 17 May 2018

The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(290)	(495)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(167)	(568)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	57
1.9 Net cash from / (used in) operating activities	(455)	(996)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(9)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(3)	(3)
3.10	Net cash from / (used in) financing activities	(3)	(12)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	952	1,502
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(455)	(996)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3)	(12)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	494	494

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	-	4
5.2 Call deposits	494	948
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	494	952

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	103
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payment made to Directors and their associate entities – Directors' fees \$30,000 (including \$15,700 accrued to 31 March 2018), Directors' consulting fees \$62,000 (including \$60,000 accrued to 31 March 2018), Directors' expenses \$11,000

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

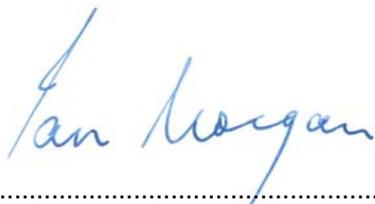
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	609
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	312
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	921

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Exploration Licence EL19/2001 at Grassy, King Island, TAS (91 sq kms)	Ownership of mining tenement	100%	100%
	Mining Lease 1ML/2006 at Grassy, King Island, TAS (544 hectares)	Ownership of mining tenement	100%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 31 July 2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.