



30 April 2019

QUARTERLY REPORT to 31st MARCH 2019

Highlights

- King Island Scheelite signs Offtake Agreement with Wolfram Bergbau und Hutten AG, a wholly owned subsidiary of Sandvik AB
- KIS will deliver Wolfram 140,000 metric tonne units (mtu), or 1,400 tonnes of WO₃ (2,200t concentrate), over four years
- Experienced finance executive Greg Hancock appointed as a Director
- Gekko Systems Pty Ltd completed Level 3 engineering study for Processing Plant
- Approval received for Processing Plant relocation – new site reduces civils costs and environmental impact
- \$1.0million cash balance as at 31 March 2019

King Island Scheelite Limited (ASX: KIS) (“the Company”) presents its activity report for the quarter ended 31 March 2019, detailing the Company’s activities at its 100% owned Dolphin Tungsten Project located on King Island, Tasmania. Dolphin is one of the world’s richest tungsten deposits.

Offtake Agreement

The Company entered an Offtake Agreement (**Wolfram Agreement**) for tungsten concentrate with Wolfram Bergbau und Hutten AG, a wholly owned subsidiary of Swedish listed Sandvik AB. With 2018 revenue of more than US\$10 billion, the Sandvik Group is an international engineering group in mining and rock excavation, metal-cutting and materials technology.

Under the terms of the Wolfram Agreement, KIS will deliver 140,000 metric tonne units (mtu), or 1,400 tonnes of WO₃, over a four-year period. This equates to approximately 2,200 tonnes of concentrate produced by the redeveloped Dolphin Mine over that period.

The Wolfram Agreement embodies contractual take or pay principles and is subject to the seller (KIS Group) achieving certain financial and operational milestones leading up to 31 March 2021.

Milestones are commencement of groundworks after placement of orders for longer lead time items, commencement of dry commissioning, and completion of ramp up.

The price for the concentrate will reference the APT price as quoted by Fastmarkets MB, previously known as London Metal Bulletin. APT (Ammonium Paratungstate) is an intermediate product,



containing 88.5% WO₃, the price of which is the internationally accepted benchmark for tungsten products. Traditionally, concentrate producers receive between 75% and 80% of the quoted APT price per mtu of WO₃ delivered.

At full production, the redeveloped Dolphin Mine is expected to produce approximately 2,000 tonnes of WO₃ per annum, contained in 3,100 tonnes of concentrate per annum. The Wolfram Agreement therefore represents approximately 20% of its annual production.

Negotiations covering further offtake contracts with other APT producers are at an advanced stage.

Processing Plant Engineering Study

The Gekko Systems Pty Ltd engineering study encompassing the processing plant, commencing with the ore stockpile through to final bagging of product, has been finalised. The study was conducted to a Level 3 standard, meaning that the costings are within an accuracy limit of +/-10%. Costs.

Based on a modular design, Gekko determined that detailed design, procurement, construction and commissioning could be achieved within a twelve-month period after financial commitment. KIS is currently continuing negotiations on commercial terms with Gekko.

Processing Plant Site

The new Processing Plant site, approved by authorities, demonstrates further significant operational advantages over the previous site, in terms of greater operating flexibility, reduced environmental impact (noise and visual), vehicle accessibility, proximity to the Grassy Port, reduced civil engineering costs and a much safer environment for light vehicles.

APT Market

APT prices continued to track in the range of US\$262.50 to US\$275.00 per metric tonne unit during the quarter. APT (Ammonium Paratungstate) is an intermediate product in the conversion of concentrate to final tungsten products and its price is used as a benchmark price for the sale of WO₃ concentrate, as it is regularly determined and publicly quoted.

Industry forecasts are that prices should be maintained at current levels, for at least the next six months, as China continues to implement environmental controls.

Longer term, the tungsten price is predicted to rebound, with global markets returning to growth following several years of oversupply and low prices. Independent minerals research and consulting group Roskill's tungsten market outlook recently stated *"Global tungsten markets are returning to growth following several years of oversupply and low prices. Tungsten market fundamentals have changed as demand from defence, industrial, and oil and gas applications has picked up, just as*



environmental policies in China have curbed supply and added cost pressures for producers...with several major mines set to reach their end of life during the outlook period, new mine supply will be required to ensure stable supply of primary material.”

Board Changes

In February, KIS appointed experienced finance executive Greg Hancock to its Board.

Mr Hancock has more than 25 years' experience in capital markets, practicing in the area of Corporate Finance. He has extensive experience in both Australia and the United Kingdom through his close links to the stockbroking and investment banking community.

He has specialised in mining and natural resources with a background in the finance and management of listed companies. He is chairman of AusQuest Ltd and BMG Resources Ltd, and a Non-Executive Director of Golden State Mining Ltd; Strata- X Energy Ltd; Zeta Petroleum Plc and Cobra Resources Plc.

Mr Hancock continues his close association with the capital markets in Australia and the United Kingdom, through his private company Hancock Corporate Investments Pty Ltd.

His skill set is ideally suited to assist the Company in securing funding for the redeveloped Dolphin Mine.

His appointment followed the retirement of Allan Davies as a Director after five years in the role. The Board thanks Mr Davies for this invaluable service and contribution over that period.

Shares Issued

On 5 April 2019, the Company issued a total of 303,386 ordinary fully paid shares for an issue price of A\$0.07 per share, for a corporate advisory fee. A cleansing notice was lodged with the ASX on 11 April 2019.

For further information, please contact:

Executive Chairman
Johann Jacobs
King Island Scheelite Limited
E: kis@kisltd.com.au
T: +61 416 125 449

Investor Relations
Tim Dohrmann
NWR Communications
E: tim@nwrcommunications.com.au
T: +61 468 420 846

W: www.kingislandscheelite.com.au