

# Report for the Quarter Ended 31 December 2018

KING ISLAND  
**SCHEELITE**



## ASX: KIS

Market Capitalisation	\$20.9 million
Shares on Issue	261.6 million
52 Week High	13.5 cents
52 Week Low	3.5 cents
Share Price	8.0 cents

## Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

Tungsten APT US\$ 263/mtu  
(29 January 2019)

## 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

- Flotation metallurgical test-work at ALS Burnie ongoing
- Geotechnical design of the eastern highwall based on recent drilling is completed.
- Xenith Consulting completed assessment of ADTs (articulated dump trucks) compared with conventional rigid body trucks
- Processing Plant engineering study by Gekko - completed in December
- Approval granted for the positioning of the processing plant to the South of the Dolphin Pit
- Purchase of Portside Links, an adjoining property to the Dolphin Project, was completed and settled
- Company drew down on the mortgage facility provided by an entity associated with a Director
- \$1.375 million raised through a cash placement to sophisticated and professional investors
- Annual general meeting held on 29 November 2018. Shareholders passed all resolutions
- The tungsten market for APT remains buoyant, with the current price at US\$263/mtu

King Island Scheelite Limited (**ASX: KIS**) presents its activity report for the quarter ended 31 December 2018.

### Metallurgical Testing Program

During 2018, KIS completed a diamond drilling program in the Dolphin Mine void to recover samples of typical ore types in locations representative of ore mined in the early years of production.

Testing on all three samples, in terms of the gravity circuit, is completed and resulted in the addition of another scavenger stage in the flowsheet. Testing this flowsheet produced a concentrate grade of near 65% WO<sub>3</sub> with a recovery of approximately 60%.

Flotation test work is ongoing. The aim of this work is to produce a low-grade concentrate from a relatively cheap and simple flotation circuit, using selected tailings streams from the gravity circuit.

### Geotechnical Drilling

After completion of geotechnical drilling during the September Quarter, consultants Pells Sullivan Meynink (**PSM**) completed a geotechnical review of the eastern wall of the Dolphin Open Cut. Their review provided guidelines for pit design, which has been adjusted to comply with PSM's assessment and the physical constraints of the Dolphin Mine location. Geotechnical assessment work is on-going. The work will be used to finalise the eastern highwall design and reduce the depth of the membrane cut-off wall.

### Updated Mining Plan

The impact of the slightly modified pit design on Reserves and Resources, as well as costs, on the proposed Dolphin Mine is currently being evaluated. It is expected that the impact will be marginal.

Xenith Consulting completed their assessment of ADT's (articulated dump trucks) compared to conventional rigid body trucks. In the final analysis, the conventional rigid body trucks provided the optimal solution with the resulting costs now incorporated into the financial model.

### Processing Plant Engineering Study

Earlier in the year, the Company engaged Gekko Systems Pty Ltd (**Gekko**) to design and cost a Processing Plant, capable of treating 60 tonnes of ore per hour from the proposed Dolphin Mine. The plant flow-sheet (gravity/flotation) is based on the metallurgical test work completed at the ALS laboratory in Burnie, Tasmania. A modular design is preferred, as this will minimize construction and commissioning times on site and reduce costs.

Gekko completed their study in December 2018, after certain revisions requested by the Company. The study was conducted to a Level 3 standard, meaning that the costings are within an accuracy limit of +/-10%. Costs determined by Gekko are within the range anticipated by the Company, as determined by our internal estimates. Capital and operating costs are significantly lower than those determined in previous feasibility studies, largely due to the re-design of the flow sheet.

Based on the modular design, Gekko determined that detailed design, procurement, construction and commissioning could be achieved within a twelve-month period after financial commitment. KIS are currently negotiating commercial details with Gekko.

### Processing Plant Site

During the December Quarter, the Company made application to King Island Council to re-locate the site of the Processing Plant from the northern side of the pit to the southern side.

Approval for this change was granted by King Island Council by Planning Permit DA 2018/41, after consulting with the Tasmanian Environmental Protection Agency.

The new Processing Plant site has significant operational advantages over the previous site, in terms of 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.

### Acquisition of and Settlement on Portside Links

During the December Quarter, KIS's wholly owned subsidiary Australian Tungsten Pty Ltd (**ATPL**) contracted and settled the acquisition of the property and improvements, known as Portside Links, which adjoins the Dolphin mine site. KIS regards the Portside Links acquisition to be strategically important, providing direct access to the Grassy Port and enabling KIS to secure all land necessary to redevelop the Dolphin Mine. In addition, when redevelopment commences, all the structures on the property will be utilized as offices, accommodation, stores or workshops.

The contracted purchase price for Portside Links was A\$2.6 million, financed through a loan totaling \$2.7 million by an entity associated with KIS's director and substantial shareholder Mr Chris Ellis. The loan is secured by a registered mortgage over Portside Links, as well as some ATPL residential properties in the Grassy township.

ATPL drew down the entire facility during the December Quarter.

### Capital Raising of \$1.375 million through Cash Share Placement

During the quarter KIS raised \$1.375 million cash through a placement, at \$0.08 per share, to sophisticated and professional investors. MAC Equity Partners acted as Lead Manager to the cash placement.

### Pit pumping

Consistent with our previous plans, inflow of water predominantly from rain water runoff is managed with a pump utilised on a regular basis to maintain a consistent water level in the sump.

After a wetter September quarter, the December quarter had about average rainfall for this part of the year of 151mm.

### KIS Annual General Meeting 2018

Shareholders passed all resolutions at the Company's Annual General Meeting held on 29 November 2018.

### APT market

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 WO<sub>3</sub> concentrate, as it is regularly quoted in industry journals. APT reached an all-time high of US\$460-500/mtu in May 2011, however prices 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.

## King Island Scheelite Limited Activity Report for the quarter ended 31 December 2018

Tungsten market prices rebounded significantly in the second half of 2017 and into 2018, commencing in July 2017 at US\$223/mtu and reaching a high of US\$350/mtu.

The average price for the quarter ending September 2018 was US\$311/mtu. The price has fallen since however, with the average price in the December 2018 quarter being US\$276/mtu (A\$384/mtu). The price is currently US\$263/mtu (A\$369/mtu).

### Finance

	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
Dewatering	16
Project management	74
Mine planning & geological work	131
Metallurgical & process plant design	308
Power	1
Environmental	42
Other Feasibility Study work	38
TOTAL	<u>610</u>

### Web-Site

KIS recently completed a re-write of its web-site, which can be viewed at [www.kingislandscheelite.com.au](http://www.kingislandscheelite.com.au)



**Johann Jacobs**

Chairman

29 January 2019

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For further information go to the company's website

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