



30 April 2020

## Quarterly Report to 31<sup>st</sup> March 2020

### Highlights

- **Wolfram offtake contract amendment executed**
- **Laboratory testing on flotation circuit enters near final stages**
- **Discussions with Critical Minerals Office and other authorities continuing**
- **Meetings held with western APT producers**
- **Global tungsten prices remained stable**
- **COVID-19 restrictions have not inhibited continuing activities on Dolphin**
- **Post Quarter Consolidated Mining Lease offered**
- **\$500,000 loan negotiated**

King Island Scheelite Limited (ASX: KIS) (“KIS” or “the Company”) provides its quarterly report for the three month period ended 31<sup>st</sup> March 2020, detailing the Company’s corporate activities and those at its 100% owned Dolphin Tungsten Project (“Dolphin”), one of the world’s richest tungsten deposits, located on King Island, Tasmania.

### Tungsten Concentrate Offtake Agreement

Prior to the reporting period, the Company advised shareholders that it had requested variations to the milestones contained within the tungsten offtake contract (“the Contract”), entered into with Wolfram Bergbau und Hutten AG in April 2019.

In January, KIS announced that the requested variations to the milestones contained in the Contract, had been agreed and executed.

The Contract remains subject to certain financial and operational milestones being achieved, prior to final steady state production.



## **Metallurgical Test Work**

The Company continued with metallurgical test work at ALS, Burnie. The primary aim of the work is to optimise the concentrate grade and tungsten recovery from the flotation circuit. This test work involved shipping a large sample of ore from King Island to ALS and processing it through a simulated gravity circuit to produce a test sample of identical grade and very comparable particle size distribution and mineralogy as will be produced from the rougher flotation circuit as designed from metallurgical test work late last year. This synthetic sample will be used as a feed to assess the upgrade performance of a Multi Gravity Separator (MGS) which has demonstrated a propensity to perform efficient gravity separation in similar fine and ultrafine ore fractions.

The MGS feed is currently being analysed and blended and it is anticipated that testing will be completed by the end of the current quarter.

## **Critical Minerals Office**

The Critical Minerals Facilitation Office (CMFO) is the government's central coordination point to help grow Australia's critical minerals sector and position Australia globally as a secure and reliable supplier of critical minerals. Discussions with the CMFO in addition to various other Federal, State and local authorities have continued regarding the redevelopment of the Dolphin Mine, however many of these bodies have had their attention diverted by managing the COVID-19 pandemic.

It is anticipated that these discussions will be resumed later this current quarter.

## **Meetings with APT Producers**

KIS Director, Chris Ellis, held technical meetings with a number of APT producers to further enhance understanding of their requirements so as to enable the Company to produce qualities which will maximise our net revenue stream.

## **Consolidated Mining Lease**

During the quarter, the Company applied to Mineral Resources Tasmania for a Mining Lease over the property adjacent to the current mine, known as Portside Links.

This request was acceded to after the quarter end, resulting in the Company being offered a consolidated Mining Lease over the two properties. This will allow additional flexibility with infrastructure developments.



## Tungsten Market

The APT price remained constant at US\$240 to US\$245 per metric tonne unit during the quarter. However, in the last week, prices have declined to US\$220 per mtu. This is a reflection of a weak market resulting from the impacts of the COVID-19 pandemic. Prices are forecast to remain depressed for the remainder of the year.

## COVID-19 Restrictions

The Company, together with its consultants, have continued working on optimising various aspects of the Project during the current COVID-19 pandemic. Meetings have been held remotely, using digital platforms, with no adverse impact on progress.

## Corporate

The Company's cash position as at 31 March 2020 was \$309,000.

Post quarter end, the Company arranged an unsecured loan from a company related to shareholders, Mr Richard and Mrs Gwenda Chadwick in the sum of A\$500,000, accruing interest at 5% per annum, to be capitalised. The loan is for a term of two years or repayable earlier, at the option of the Company.

The loan will provide KIS with working capital to continue with its ongoing activities, whilst allowing the Company to further progress negotiations with potential financiers and joint venture partners, to secure the funding required for the recommencement of production at the Company's 100% owned Dolphin Tungsten Project.

During the quarter, the Company acquired the old Grassy school house on a deferred settlement basis. It is planned that the premises will be reconfigured into single quarter accommodation for the mine.

This ASX release has been authorised by the Company's Board.

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## **Forward Looking Statements**

This announcement contains certain forward-looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside of the control of King Island Scheelite Limited (KIS). These risks, uncertainties and assumptions include commodity prices, currency fluctuations, economic and financial market conditions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay, approvals and cost estimates. Actual values, results or events may be materially different to those contained in this announcement. Given these uncertainties, readers are cautioned not to place reliance on forward looking statements. Any forward-looking statements in this announcement reflect the views of KIS only at the date of this announcement. Subject to any continuing obligations under applicable laws and ASX Listing Rules, KIS does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement to reflect changes in events, conditions or circumstances on which any forward-looking statements is based

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed) <sup>1</sup>	(211)	(971)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(226)	(1,106)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(89)	(243)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(526)</b>	<b>(2,317)</b>

<sup>1</sup> Following is a summary of the expenditure incurred on exploration & evaluation activities during the quarter:

Dewatering	(14)	(53)
Project management	(86)	(222)
Mine planning & geological work	(21)	(115)
Metallurgical & process plant design	(30)	(385)
Environmental	(17)	(58)
Water & tailings management	-	(26)
Hydrology/membrane wall	(3)	(29)
Process engineering contractor	(34)	(43)
Other Feasibility Study work	(6)	(40)
<b>TOTAL</b>	<b>(211)</b>	<b>(971)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(25)	(25)
(d) investments	-	-
(e) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(25)</b>	<b>(25)</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	200
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(3)
3.5 Proceeds from borrowings	-	2,000
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>2,197</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	860	454
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(526)	(2,317)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(25)	(25)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,197
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>309</b>	<b>309</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	19	37
5.2	Call deposits	290	823
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>309</b>	<b>860</b>

<b>6. Payments to related parties of the entity and their associates</b>		<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	157
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments made to Directors and their associated entities – Directors' fees \$23,000; Consulting fees \$45,000; Interest on loans \$89,000

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	4,700	4,700
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>4,700</b>	<b>4,700</b>

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Loan facilities				
Lender	Interest rates	Maturity dates	Secured or Unsecured	Amount drawn at quarter end \$A'000
CJRE Maritime Pty Ltd, an entity associated with the Company's director Christopher Ellis	Bank Bill Swap Rate (BBSW) plus 8% per annum;	5 August 2021	Secured by mortgages over the Company's King Island properties	2,000
	<ul style="list-style-type: none"> <li>For the period from financial close of the loan transaction until the date two years after commencement of production at the Dolphin Project, BBSW plus 6% per annum; and</li> <li>BBSW plus 11% per annum thereafter.</li> </ul>	29 November 2023.		2,700
<b>Total</b>				<b>4,700</b>

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(526)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(526)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	309
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	309
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>0.6</b>

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Net cash used in operating activities is expected to continue at the reduced rate, compared to the previous quarter under review (December 2019 total A\$793,000).

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Post quarter end, the Company arranged an unsecured loan from a company, related to shareholders, Mr Richard and Mrs Gwenda Chadwick in the sum of A\$500,000, accruing interest at 5% per annum, to be capitalised. The loan is for a term of two years or repayable earlier, at the option of the Company.

The loan will provide KIS with working capital to continue with its ongoing activities, whilst allowing the Company to further progress negotiations with potential financiers and joint venture partners, to secure the funding required for the recommencement of production at the Company's 100% owned Dolphin Tungsten Project.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The Company is confident that it will continue its operations and to meet its business objectives on the basis that it will be able to raise the requisite funding.

### 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.

Date: 30 April 2020

Authorised by: the Board  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.