



31st July 2020

Quarterly Report to 30th June 2020

Highlights

- **Metallurgical testing of a revised gravity and flotation circuit makes a significant breakthrough**
- **Re-engineering of the processing circuit to incorporate Multi Gravity Separators commenced**
- **Review to extend project life well advanced**
- **Update on Offtake Agreement**
- **Discussions are continuing with Critical Minerals Office and other authorities**

King Island Scheelite Limited (ASX: KIS) (“the Company”) provides its activities report for the quarter ended 30th June 2020, detailing the Company’s activities at its 100% owned Dolphing Tungsten Project (“Dolphin”), one of the world’s richest tungsten deposits, located on King Island, Tasmania.

Operations

Metallurgical Testing

During the quarter, the Company continued with metallurgical test work at ALS, Burnie. The primary aim of the work is to optimise the concentrate grade from the fine gravity circuit. The revised flowsheet used a combination of a Multi Gravity Separator (“MGS”) with a conventional scheelite flotation circuit to process selected tailings streams from the coarse gravity plant, as an alternative to a large volume flotation circuit and concentrate dressing processes that the previous flowsheet was based on. The grade in the new flowsheet far exceeded the previous flowsheet and the elimination of the large flotation circuit and concentrate dressing equipment is expected to have significant capex and opex benefits¹.

¹ Refer Forward Looking Statements (page 5)



With these promising results, particularly in terms of grade, the Company is continuing to assess the operational and financial implications.

Revised Flowsheet

Following the successful laboratory scale testing of the MGS, it has been decided that (subject to establishing viable scale-up factors) the MGS equipment should be incorporated into the flowsheet, thus significantly reducing the size of the conventional flotation circuit by a factor of more than tenfold. The circuit redesign is currently being performed by Gekko Systems Pty Ltd, the Company's processing engineers.

Review to Extend Mine Life

The Dolphin deposit contains a Mineral Resource, above a 0.2% WO₃ cut-off, of 9.6 Mt at a grade of 0.9% WO₃, estimated according to the guidelines of the 2012 edition of the JORC Code (*ASX: KIS, 15 April 2015*)².

The current project feasibility study (*ASX: KIS, 3 June 2019*) is based on an 8 year open cut mine which recovers a Probable Reserve, of 3.0 Mt at a grade of 0.73% WO₃ (cut-off 0.2%)². KIS is currently investigating the viability of resuming underground mining below and east of the proposed open pit, after the open cut mine reserves have been depleted, to significantly increase the life and projected cash flow of the project³. The feasibility study is anticipated to be completed in the current September Quarter.

Update on Offtake Agreement

The tungsten offtake contract between the Company and Wolfram Bergbau und Hutten AG ("Wolfram"), originally entered into in April 2019, was inter alia subject to KIS entering committed funding facilities by 30 June 2020. In the event that the Company did not satisfy the condition by that date, Wolfram have the right to terminate the Contract.

² Refer Competent Person's Declarations (page 5)

³ Refer Forward Looking Statements (page 5)



Due to delays experienced this year by KIS, to which COVID-19 was a major contributory factor, the Company was not able to conclude committed financing by the date as stated in the Contract. However, Wolfram has advised KIS that it has currently elected not to terminate the Contract.

The Company is currently pursuing additional potential offtake opportunities and financing options which will allow KIS to move towards targeted production in late 2021.

Critical Minerals Office

The Critical Minerals Facilitation Office (“CMFO”) is the Australian Government’s central coordination point to assist Australia’s critical minerals sector and position Australia globally as a secure and reliable supplier of critical minerals. The CMFO has identified tungsten as a critical mineral and has placed tungsten in the top 10 of the 24 critical minerals identified.

Discussions between the Company and the CMFO, in addition to various other Federal, State and local authorities, commenced earlier this year and have continued during the current quarter. KIS is seeking support from various government ministries (both State and Federal) for the redevelopment of the Dolphin Mine given its strategic and regional economic importance.

Tungsten Market

COVID-19 has had an impact on global demand for tungsten, given that the largest global consumption of tungsten is in cutting tools used in the automotive and aircraft industries, both of which have been adversely impacted by the pandemic. The reduced demand has resulted in the price of APT declining to between US\$210 to US\$215/mtu

COVID-19 Restrictions

The Company continues to adhere to best practices in relation to the COVID-19 virus. Meetings continue to be held remotely and the Company and its consultants have progressed optimising various aspects of Dolphin, whilst adhering to all movement restrictions being enforced by local and state governments.



Corporate

In April, the Company announced it had entered into a loan agreement with Abex Resource Holdings Pty Ltd, a company related to substantial shareholders Mr Richard and Mrs Gwenda Chadwick, for \$500,000.

The loan provides KIS with working capital required 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 Dolphin. The unsecured loan facility has a termination date 24 months from loan drawdown and an interest rate of 5% pa above the bank bill swap rate (BBSW). Interest accrued on the outstanding amount will be capitalised.

The Company's cash position as at 30 June 2020 was \$0.651 million.

For further information, please contact:

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Competent Person's Declarations

The information in this announcement that relates to mineral resources, ore reserves and feasibility studies is based on, and fairly represents, information and supporting documentation compiled by Mr. Tim Callaghan, an independent mining consultant working for Resource and Exploration. Mr. Callaghan is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr. Callaghan has reviewed the contents of this news release and consents to the inclusion in this announcement of all technical statements based on their information in the form and context in which they appear.

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.

Authorisation

This report is authorised by the Board of King Island Scheelite Limited.

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")

30 June 2020

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 ¹	(199)	(1,176)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(90)	(1,191)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(2)	(244)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	158	158
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(133)	(2,450)

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

Dewatering	(15)	(69)
Project management	(69)	(290)
Mine planning & geological work	(18)	(138)
Metallurgical & process plant design	(68)	(453)
Environmental	(15)	(74)
Water & tailings management	-	(26)
Hydrology/membrane wall	-	(29)
Process engineering contractor	(5)	(48)
Other Feasibility Study work	(9)	(49)
TOTAL	(199)	(1,176)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(25)	(50)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(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)	-	-
2.6 Net cash from / (used in) investing activities	(25)	(50)
3. Cash flows from financing activities		
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	500	2,500
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)	-	-
3.10 Net cash from / (used in) financing activities	500	2,697

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	309	454
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(133)	(2,450)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(25)	(50)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	500	2,697
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	651	651

5. Reconciliation of cash and cash equivalents		Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1	Bank balances	13	19
5.2	Call deposits	638	290
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)	651	309

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	32
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 \$17,000; Consulting fees \$15,000.

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

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000		
7.1 Loan facilities	5,200	5,200		
7.2 Credit standby arrangements	-	-		
7.3 Other (please specify)	-	-		
7.4 Total financing facilities	5,200	5,200		
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"> 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 BBSW plus 11% per annum thereafter. 	29 November 2023		2,700
Abex Resource Holdings Pty Ltd, an entity associated with the Company's major shareholder, Richard and Gwenda Chadwick.	5% per annum, capitalised	6 May 2022	Unsecured	500
Total				5,200

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(133)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(133)
8.4 Cash and cash equivalents at quarter end (item 4.6)	651
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	651
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.9
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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: Not applicable	
8.8.2 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: Not applicable	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Not applicable	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

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: 31 July 2020

Authorised by: Ian Morgan, Company Secretary
(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.