



30 April 2021

## Quarterly Report to 31st March 2021

### Highlights

- **Additional metallurgical testwork on full scale production unit to be undertaken during April and May**
- **A \$5.6 million oversubscribed share placement has been completed, with funds used to pay off debt and strengthen balance sheet**
- **Placement cornerstoned by Swiss investment company D.A.CH.S. Capital AG**
- **KIS secures a \$10 million loan over a 10-year term from the Tasmanian Government to support the redevelopment of Dolphin Tungsten Project**
- **Further project funding is progressing**
- **Commodity price strengthening, with APT prices having increased by 30% since beginning of FY21**
- **Cash balance at 31 March 2021 of \$8.5 million – prior to repayment of loan of \$4.7 million**

King Island Scheelite Limited (ASX: KIS) (“the Company”) provides its activities report for the quarter ended 31 March 2021, detailing the Company’s activities and those at its 100%-owned Dolphin Tungsten Project (“Dolphin”), one of the world’s richest tungsten deposits, located on King Island, Tasmania.

### Dolphin Tungsten Project, King Island Tasmania

#### Update on metallurgical testwork using multi gravity separators

On 9 December 2020, the Company in an ASX announcement advised:

*“The results achieved in the pilot scale (notional 200 kg/hr) machine are extremely encouraging and have prompted the Company to verify the scale-up factors in a full-scale commercial machine using its own ore. KIS is currently in negotiation with a UK-based equipment manufacturer regarding renting or pre-purchasing a commercial-grade machine to evaluate a larger bulk sample in early 2021.”*

The Company is pleased to advise that a rental/purchase agreement was concluded with the suppliers early in the quarter. The machine arrived in Burnie on 1 April 2021 with testing starting the following week.



Following the quarter end, the first stage of “sighter” tests using the full-scale production unit, focusing on metallurgical performance and throughput, commenced.

Further optimisation tests are planned over the next few weeks with the aim to increase recovery and grade of product at optimal throughput rates and determine the number of MGS units that will need to be installed in the final concentrate plant.

## **Corporate**

### **Strongly supported \$5.6 million placement**

In March, King Island Scheelite completed a placement of 28 million shares at \$0.20 per share, raising \$5.6 million. The shares were issued pursuant to Section 708A of the Corporations Act and ASX Listing Rule 7.1. MAC Equity Partners was Lead Manager.

The placement, which was oversubscribed, was cornerstoned by Swiss investment company D.A.CH.S. Capital AG, which subscribed for 20 million shares. The balance of the shares was allocated to Australian professional investors introduced by MAC Equity Partners.

The Company will apply funds raised to paying off term debt of \$4.7 million, plus accrued interest, which the Company had previously incurred in acquiring fixed property adjacent to the Dolphin mine site and working capital to advance the Dolphin Project. The remaining \$0.5 million debt will be converted to equity subject to FIRB approval.

With a significantly strengthened balance sheet, the Company looks forward to negotiating from a much better position the debt and equity components required to fund the redevelopment of the Dolphin tungsten mine.

Following these transactions, the Company’s assets are unencumbered with \$500,000 debt remaining, awaiting conversion into equity following FIRB approval.

### **Government Loan**

In February, King Island Scheelite announced that it has secured financial support through a loan of \$10 million from the Tasmanian Government.

The proceeds will support the Company's redevelopment of its Dolphin Tungsten Project.



The Tasmanian Government facility is on the following key terms:

- Loan term of 10 years
- Interest only on a monthly basis, then fixed principal plus interest payable monthly, commencing on the first day of the month following the second anniversary of the initial loan drawdown
- No penalties for early repayment
- Security and other terms, including conditions precedent, are in line with facilities of this nature
- All other capital raisings necessary to deliver the project being successful
- Formal loan and security documentation being agreed and executed

### **Extraordinary General Meeting**

The Company provided notice that the General Meeting of Shareholders will be held at Suite 26.01, Level 26, Suncorp Place, 259 George Street, Sydney NSW 2000 commencing 11.00AM AEST on Monday 3 May 2021.

Due to current government guidelines regarding COVID-19, persons proposing to attend the General Meeting in person are requested to contact the Company by email at [kis@kisltd.com.au](mailto:kis@kisltd.com.au) at least 5 business days prior to the Meeting, so that appropriate arrangements can be made.

### **Exercise of options and cash balance**

During the period 18.3 million 10c options expiring on 1 August 2021 were exercised, providing the Company with additional cash of \$1.8 million.

The Company's cash position as at 31 March 2021 was \$8.53 million, prior to repaying the loan of \$4.7 million together with accrued interest amounting to \$357,511.

### **Financing Proposals**

The Company's debt arrangers are advancing discussions on a project debt facility. In addition, the Company is continuing discussions with equity brokers to arrange the balance of the required funding.

The Company anticipates that these discussions will be finalised late this quarter or early in the following quarter.

### **Tungsten Market Update**

The price of Ammonium Paratungstate has increased by more than 30% since 1 July 2020, reaching US\$270-US278/mtu at the end of March 2021. The price is now higher than pre COVID-19 and represents the quicker than expected recovery of the tool market and restocking of inventories. Market commentators remain of the opinion that the price will reach US\$300/mtu before the end of the year.

**COVID-19 Restrictions**

The Company continues to adhere to best practices in relation to the COVID-19 pandemic. Meetings generally continue to be held remotely and the Company and its consultants have progressed optimising various aspects of Dolphin whilst so doing.

**The Company holds the following licences and leases as at 31 March 2021:**

	<b>Interest</b>
Exploration Licence EL19/2001 at Grassy, King Island (91 sq kms) (expires 14 December 2022)	100%
Mining Lease CML 2080P/M at Grassy, King Island (566 hectares) (expires 5 June 2029)	100%

There have been no mining tenements acquired or disposed during the Quarter.

There were no substantive mining exploration activities during the Quarter.

**Payments to related parties of the entity and their associates**

The amount included in section 6.1 of the Appendix 5B includes cash payments of \$87,000 in directors' fees and remuneration.

This market announcement has been approved by the Board of King Island Scheelite Limited.

**For further information, please contact:**

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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 2021

Consolidated statement of cash flows	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation <sup>i</sup>	(305)	(877)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs <sup>ii</sup>	(572)	(991)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(7)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	56
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash used in operating activities</b>	<b>(884)</b>	<b>(1,822)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(28)	(237)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(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)	-	-
<b>2.6 Net cash used in investing activities</b>	<b>(28)</b>	<b>(237)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	6,005	8,168
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	1,939	1,939
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(18)	(169)
3.5 Proceeds from borrowings	-	250
3.6 Repayment of borrowings & leases	(250)	(250)
3.7 Prepaid transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from financing activities</b>	<b>7,676</b>	<b>9,938</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,766	651
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(884)	(1,822)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(28)	(237)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	7,676	9,938
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>8,530</b>	<b>8,530</b>

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

<b>5.</b>	<b>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	24	44
5.2	Call deposits	8,506	1,722
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>8,530</b>	<b>1,766</b>

<b>6.</b>	<b>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	87
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 \$39,800; Consulting fees \$46,717.

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

<b>7. Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>		
7.1 Loan facilities	5,200	5,200		
7.2 Credit standby arrangements	-	-		
7.3 Other (please specify)	-	-		
<b>7.4 Total financing facilities</b>	<b>5,200</b>	<b>5,200</b>		
<b>7.5 Unused financing facilities available at quarter end</b>		<b>-</b>		
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.				
<b>7.1 Loan facilities</b>				
<b>Lender</b>	<b>Interest rates</b>	<b>Maturity dates</b>	<b>Secured or Unsecured</b>	<b>Amount drawn at quarter end A\$'000</b>
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
Abex Resource Holdings Pty Ltd, an entity associated with the Company's major shareholders, Richard and Gwenda Chadwick.	5% per annum, capitalised	6 May 2022	Unsecured	500
<b>Total</b>				<b>5,200</b>
The total loan facility provided by CJRE Maritime Pty, Ltd in the amount of \$4.7m, was repaid on 1 April 2021 with accrued interest.				

<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)	(884)
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)	(884)
8.4 Cash and cash equivalents at quarter end (item 4.6)	8,530
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	8,530
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	9.65
<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?	
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?	
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?	
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>	

### Subsequent event

On 1 April 2021, the total loan facility provided by CJRE Maritime Pty, Ltd in the amount of \$4.7m, was repaid with accrued interest.

### 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 2021

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

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

## 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.

<sup>i</sup> Following is a summary of the expenditure incurred on exploration & evaluation activities during the quarter (Item 1.2 (a)):

Consolidated statement of cash flows	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
Dewatering	(16)	(39)
Project management	(145)	(293)
Mine planning & geological work	(24)	(146)
Metallurgical & process plant design	(73)	(286)
Environmental	(14)	(42)
Other Feasibility Study work	(33)	(71)
<b>TOTAL</b>	<b>(305)</b>	<b>(877)</b>

<sup>ii</sup> Administration and corporate costs (Item 1.2 (e)) include:

Payment of the state loan establishment fee	(100)	(100)
Project debt arranger fees	(120)	(120)
Insurance	(51)	(52)