

Report for the Quarter Ended 31 December 2015

KING ISLAND
SHEELITE



ASX: KIS

Market Capitalisation \$13.2 million

Shares on Issue 165.3 million

52 Week High 16.5 cents

52 Week Low 7.5 cents

Share Price 8.0 cents

Board of Directors

Johann Jacobs Chairman

Allan Davies Director

Chris Ellis Director

Tungsten APT USD 16,750 / tonne (26
January 2016)

King Island Scheelite Limited (KIS)

through its 100% Dolphin Project on King Island, Tasmania is one of the world's richest tungsten deposits and could meet a significant proportion of the world's tungsten requirements over a minimum 13 years.

King Island Scheelite Limited

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HIGHLIGHTS

- Revised updated Reserve Statement issued
- Secured up to A\$2 million funding through the issue of Convertible Notes. The funds are to be drawn down in two tranches, the first A\$1 million was drawn during December 2015, whilst the next A\$1 million will be drawn if required
- Work continued on finalising the Definitive Feasibility Study
- Meetings held with Environmental Protection Agency to amend prior approvals
- Annual General Meeting held 15 October 2015

29 January 2016

King Island Scheelite Limited (**Company**) is pleased to present its activity report for the quarter ended 31 December 2015.

Revised Updated Reserve Statement

Dolphin open-cut reserve statement was re-issued, compliant with JORC 2012 and indicating:

- Probable Reserves of 3.14 Mt at 0.73% WO₃ (at 0.2% WO₃ cut-off), for a total of 22,900 tonnes of WO₃
- Compares to previously reported Probable Reserves of 1.90 Mt at 0.55% WO₃ (at 0.2% WO₃ cut-off), for a total of 10,450 tonnes of WO₃
- Average strip ratio of 9.7:1 tonne for tonne (previously 3.1 tonne for tonne)
- This will support an open-cut mine life of 8 to 9 years (previously 4-5 years)
- Total Indicated Resources for Dolphin remain 9.60 Mt at 0.90% WO₃ (at 0.2% WO₃ cut-off) for 86,400 tonnes of WO₃.

Definitive Feasibility Study ("DFS")

Work continued on the consolidation of recent studies into a Definitive Feasibility Study. Ironstone Capital, the Company's financial advisors, have compiled an Information Memorandum, which will be circulated to interested finance providers.

It is anticipated that the DFS will be completed during next quarter.

Environmental Protection Agency ("EPA")

The Company continued discussions with EPA on amending the previously granted approvals to be consistent with the operations envisaged in the current DFS.

Finance

Cash Balance

As at 31 December 2015 the Company's cash balance was \$1.5 million.

Convertible Notes

During the December 2015 Quarter the Company secured up to A\$2.0 million funding through the issue of Convertible Notes. The funds are drawn down in two tranches, the first A\$1.0 million was drawn during December 2015, whilst the next A\$1.0 million will be drawn if required. The principal terms of the Convertible

Notes are:

- Face Value A\$500,000 each
- Interest Rate 8% per annum
- Maturity Date 31 December 2016 or on being repaid whichever is earlier
- Unsecured
- Conversion or repayment is at the sole discretion of the Company
- Conversion price is lower of 15% below either any major capital raising, or 30 day VWAP where no capital raising takes place
- As required by the ASX Listing Rules, prior to any conversion the Company would request shareholder approval at a General Meeting.
- Funds will be utilised to finalise the Definitive Feasibility Study and general working capital.

Mining Tenements

KIS group activities have related to exploration, there have been no activities relating to production or development.

	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 Application MLA 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

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

	\$'000
Dewatering	13
Project management	46
Mine planning & geological work	55
Environmental	19
Water & tailings management	17
Other Feasibility Study work	13
	<u>163</u>

Markets

Ammonium paratungstate (**APT**) is currently trading at an average of US\$16,750 (A\$23,900) per tonne (September US\$17,000(A\$23,500) per tonne).



Johann Jacobs

Chairman

29 January 2016

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For further information go to the company's website www.kingislandscheelite.com.au

Competent Person's Statement

Previously Released Information

This ASX announcement refers to information extracted from the following reports, which are available for viewing on the Company's website www.kingislandscheelite.com.au

- 24 April 2015 Updated Resource Statement
- 21 September 2015 and 20 October 2015 Updated Reserve Statement

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcements, and, in the case of estimates of Mineral Resources and Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcements.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(163)	(478)
(b) development	-	-
(c) production	-	-
(d) administration	(315)	(646)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	44	58
Net Operating Cash Flows	(431)	(1,059)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(431)	(1,059)

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Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(431)	(1,059)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	1,000	1,000
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	1,000	1,000
	Net increase (decrease) in cash held	569	(59)
1.20	Cash at beginning of quarter/year to date	940	1,568
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,509	1,509

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2 (d)	29
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payment made to Directors and their associated entities - Directors' fees \$23,000 and reimbursement of company expenses \$6,000.

Details of amount at Item 1.7: Royalty income of \$44,000 received.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-
3.3 Unsecured redeemable convertible notes ¹	2,000	1,000

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	198
4.2 Development	-
4.3 Production	-
4.4 Administration	264
Total	462

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	20	1
5.2 Deposits at call	1,489	939
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,509	940

¹ The Company obtained up to \$2,000,000 committed funding through the issue of four \$500,000 unsecured redeemable convertible notes maturing 31 December 2016 with an interest rate of 8% per annum (**Notes**).

The Company drew \$1,000,000 during December 2015 (Tranche 1) and, if required, the remaining \$1,000,000 would be drawn (Tranche 2).

Conversion or repayment of the Notes is at the Company's sole discretion. Conversion would be at a share issue price discounted by 15% of the lower of:

- 30 day VWAP; and
- Where conversion is within three months of a capital raise of at least \$10,000,000, the capital raise share issue price.

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Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			
	Exploration Licence EL 19/2001 at Grassy, King Island, TAS (91 sq kms)	Ownership of mining tenement	100%	100%
	Lease 1M/2006 at Grassy, King Island, TAS (544 hectares)	Ownership of mining tenement	100%	100%

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Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 +Ordinary securities	165,251,702	165,251,702		
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs	-	-		
7.5 +Convertible debt securities <i>(description)²</i>	4	-		
7.6 Changes during quarter				
(a) Increases through issues	4	-		
(b) Decreases through securities matured, converted	-	-		
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
Tranche 1	2,000,000	-	15 cents	31 Dec 2018
Tranche 2	3,000,000	-	22 cents	31 Dec 2019
Tranche 3	4,000,000	-	28 cents	31 Dec 2020
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

² Refer to item 3.3 for more details.

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 28 January 2016
(~~Director~~/Company secretary)

Print name: Ian Morgan

Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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