

Report for the Quarter Ended 31 March 2017

KING ISLAND
SCHEELITE



ASX: KIS

Market Capitalisation	\$7.9 million
Shares on Issue	188.6 million
52 Week High	7.5 cents
52 Week Low	4.0 cents
Share Price	4.2 cents

Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

Tungsten APT USD 215.00/mtu (26 April 2017)

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

ABN 40 004 681 734

Level 26, 259 George Street

Sydney NSW 2000

GPO Box 5154

Sydney NSW 2001

P. +61 2 8622 1400

F. +61 2 8622 1401

www.kingislandscheelite.com.au

HIGHLIGHTS

- Received response from EPA to The Environmental Assessment Report submitted in November 2016
- Additional information required by EPA has been lodged for assessment
- Tungsten markets remain depressed with limited potential for significant price increases
- As a result of the current depressed tungsten market the Board continues to examine the potential of producing a lesser amount of concentrate at a lower grade – these studies will continue throughout the next two quarters and will include processing previously produced tailings
- Initial results of laboratory tests on tailings from previous processing activity were received during the quarter, further tests are currently being undertaken
- Scheduled to commence a further round of ore sorting test work aimed at increasing plant feed grades
- Pumping of water out of the open cut void continued so as to maintain a consistent level in the sump

28 April 2017

King Island Scheelite Limited (**Company**) is pleased to present its activity report for the quarter ended 31 March 2017.

Environmental Approvals

During the previous quarter the Environmental Assessment Report, allowing for an eight year opencut mine, was completed and submitted to the Environmental Protection Agency for its review, and ultimately its approval so as to enable them to issue an Environmental Protection Notice (Amended Approvals). This would then allow the mine to be operated in accordance with the latest development plan.

Following the review, EPA requested further information with regard to the submission. To comprehensively respond to these queries additional studies were required to be undertaken by our consultants. The supplementary report was lodged with EPA in mid-April and we now await a response from them.

Treatment of Tailings Study

As previously advised, due to the depressed tungsten market, the Directors have been reviewing the potential of reprocessing previously generated tailings. Several samples were taken and submitted for analysis, with a laboratory, so as to formulate the most appropriate flowsheet. Several alternatives have been identified however work continues to ensure that an optimum solution is developed.

Ore sorting

Sorting of potential plant feed ores by X-Ray technology has been conducted in the past with some success. KIS are about to commence a further program of work with a market leading equipment supplier, with the aim of significantly improving potential ore feed grades. This technology also has the potential of converting some portion of current waste rock and low grade stockpiles to plant feed grades.

Pit Pumping

Consistent with our previous plans, the inflow of water, from predominantly rain water runoff, is being managed with the installed smaller pump utilized on a regular basis to maintain a consistent water level in the sump. After a moderate December 2016 quarter, with rainfall of 284 mm, the current quarter experienced a drier 142mm of rain.

APT Market

APT (Ammonium ParaTungstate) is the product used as a benchmark price for the sale of WO_3 concentrate, as it is regularly quoted in industry journals. APT reached an all-time high of US\$460-500/mtu in May 2011 however then declined rapidly, reaching nine-year lows late in 2015 and remaining depressed throughout most of 2016 and into 2017, averaging US\$190.00 per mtu (A\$250.00 per mtu).

The average price for the December 2016 quarter was US\$194.00 per mtu (A\$259.00 per mtu) with the average for the March 2017 quarter being US\$203.00 per mtu (A\$268.00 per mtu)

Although the prices quoted above are greater than our anticipated production costs, financing the project – both debt and equity – would be extremely difficult and risky. The major impact on the market has been from the drop in specialty steel demand.

Finance

Cash Balance

As at 31 March 2017 the Company's cash balance was \$1.6 million.

Expenditure

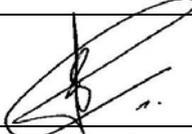
Following is a summary of the expenditure incurred on exploration activities during the quarter:

	\$'000
Dewatering	22
Project management	16
Mine planning & geological work	3
Environmental	3
Water & tailings management	24
Other Feasibility Study work	2
	<u>70</u>

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


Johann Jacobs

Chairman
28 April 2017

King Island Scheelite Limited
Level 26, 259 George Street
Sydney NSW 2000

Phone (02) 8622 1400
Fax (02) 8622 1401
Email info@kisltd.com.au

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

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, 01/05/13, 01/09/16

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(70)	(291)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(113)	(520)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	26	92
1.9 Net cash from / (used in) operating activities	(153)	(707)

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2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(1)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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	-	(1)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(1)	(13)
3.5	Proceeds from borrowings	-	1,000
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)	-	-
3.10	Net cash from / (used in) financing activities	(1)	987

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,708	1,275
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(153)	(707)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1)	987
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,554	1,554

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	17	25
5.2	Call deposits	1,537	1,683
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)	1,554	1,708

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	32
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payment made to Directors and their associate entities – Directors' fees \$32,000.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other – Unsecured redeemable convertible notes	1,042	1,042

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

The Company obtained \$2,000,000 committed funding (excluding interest) through the issue of four \$500,000 unsecured redeemable convertible notes (**Notes**).

The Company drew \$1,000,000 during December 2015 (Tranche 1) and the remaining \$1,000,000 during August 2016 (Tranche 2). Conversion or repayment is at the Company's sole discretion.

Principal terms of the Notes are:

1. Face value of \$500,000 each Note
2. Interest rate of 8% per annum
3. Unsecured
4. Maturity date is 31 December 2017 or on being repaid, whichever is earlier
5. Conversion or repayment is at the Company's sole discretion:
 - a. The number of Shares to be issued on conversion of Notes is = (Face value of the Notes being converted plus interest accrued) / Conversion Price
 - b. Conversion Price is the lower of:
 - i. the VWAP of Shares over the 30 trading days ending on trading day before the conversion date, discounted by 15%; and
 - ii. if, at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (Capital Raise) and conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%.

At the Company's Annual General Meeting held on 2 November 2016, members resolved to approve the issue of Company shares on any conversion of up to four Notes, each with a face value of A\$500,000 convertible into shares.

A part conversion of the notes was made on 7 December 2016 for a total value of \$1,094,980 (23,397,000 shares at 4.68 cents each).

Convertible Notes at 31 March 2017 total \$1,042,384.

Mining exploration entity and oil and gas exploration entity quarterly report

9. Estimated cash outflows for next quarter		\$A'000
9.1	Exploration and evaluation	78
9.2	Development	-
9.3	Production	-
9.4	Staff costs	-
9.5	Administration and corporate costs	200
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	278

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Exploration Licence EL19/2001 at Grassy, King Island, TAS (91 sq kms)	Ownership of mining tenement	100%	100%
		Mining Lease Application 1ML/2006 at Grassy, King Island, TAS (544 hectares)	Ownership of mining tenement	100%	100%

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 28 April 2017

Print name: Ian Morgan

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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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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