

# Report for the Quarter Ended 30 June 2017

KING ISLAND  
**SHEELITE**



## ASX: KIS

Market Capitalisation	\$6.7 million
Shares on Issue	209.6 million
52 Week High	7.0 cents
52 Week Low	3.1 cents
Share Price	3.2 cents

## Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

**Tungsten APT USD 225.00/mtu (21 July 2017)**

## King Island Scheelite Limited (KIS)

through its 100% Dolphin Project on King Island, Tasmania is one of the world's richest tungsten deposits.

## King Island Scheelite Limited

**ABN 40 004 681 734**

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## HIGHLIGHTS

- **Additional information required by EPA, to issue final environmental approvals, was lodged during the previous quarter**
- **EPA issued a draft Environmental Assessment Report during the current quarter, a few issues have been raised with EPA for further discussion**
- **The Board continues to examine the potential of producing a lesser amount of concentrate at a lower grade – studies which commenced last year, will continue throughout the next two to three quarters to find the optimum development plan**
- **Results of tests on producing a concentrate product from tailings have been unable to produce marketable grade concentrate at reasonable cost and this start-up project is seemingly uneconomic, given current pricing levels**
- **Further ore sorting tests were conducted in Europe and conclusive results are awaited**
- **Pumping of water out of the open cut void continues to maintain a consistent level in the sump**
- **The market remains subdued, largely due to increased production out of China**

**31 July 2017**

King Island Scheelite Limited (**Company**) presents its activity report for the quarter ended 30 June 2017.

### Environmental Approvals

The Environmental Assessment Report ("EAR"), allowing for an eight-year opencut mine, was completed and submitted to the Environmental Protection Agency ("EPA") for its review, during the December 2016 quarter. Once approved, it will enable the EPA to issue an Environmental Protection Notice (Amended Approvals) to allow the mine to be operated in accordance with the latest development plan.

Following their review, EPA requested further information on certain aspects of the submission. Comprehensive responses to these queries were provided to the EPA during the quarter. This resulted in additional issues being raised by EPA, and these have been responded to. We are hopeful that final approvals will be agreed with the EPA during the current quarter.

### Treatment of Tailings Study

As previously advised, Directors have been reviewing the potential of producing a marketable product from reprocessing previously generated tailings. A brief scoping study on hydraulic mining of the tailings was undertaken and a hydraulic mining contractor visited site and subsequently provided an attractive indicative cost to recover the tailings. Metallurgical work on the tailings was undertaken in parallel but the ultra -fine nature of the scheelite combined with large quantities of similarly sized calcite prevented a concentrate of the required grade being made at an economically viable price in today's tungsten market. It has therefore been decided to suspend further testing of this resource – ultimately there may be an opportunity to blend some of the tailings with fresh ore to ensure optimum utilisation of all resources at Dolphin.

### Ore sorting

During the quarter, sorting of potential plant feed ores by X-Ray Transmission technology was conducted through a leading equipment supplier. Preliminary results showed reasonable success in removing mining dilution (0% WO<sub>3</sub>) material from scheelite ore but results from test work to separate low grade ore from higher grade ore were inconsistent. It was decided to submit some of the material to the supplier's European test facility which has more sophisticated equipment but results from these tests were not superior to those conducted in Australia. Therefore, it was decided to test additional samples in Australia from a different part of the orebody. The splits from these samples are currently being analysed.

### 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 March 2017 quarter, with rainfall of 142 mm, the current quarter experienced a wetter 268mm of rain.

### APT Market

APT (Ammonium ParaTungstate) is the product used as a benchmark price for the sale of WO<sub>3</sub> 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 March 2017 quarter was US\$203.00 per mtu (A\$268.00 per mtu) with the average for the June 2017 quarter being US\$219.00 per mtu (A\$292.00 per mtu).

Market commentators ascribe the weakness in the price to oversupply emanating out of China. Although the primary industry in that country is subject to strict quota allocations, set by government, producers of other minerals, where tungsten is a by-product, are not subject to these rules. High production rates of these materials is therefore causing oversupply in the tungsten market.

Although prices quoted above are greater than our anticipated production costs, financing the project – both debt and equity – would be extremely difficult and risky.

## **Finance**

### *Cash Balance*

As at 30 June 2017 the Company's cash balance was \$1.5 mil. 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 project activities during the quarter:

	\$'000
Dewatering	14
Project management	17
Mine planning & geological work	3
Metallurgical and laboratory testing	20
Environmental	11
Other Feasibility Study work	1
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**Johann Jacobs**

Chairman

**31 July 2017**

**King Island Scheelite Limited**

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For further information go to the company's website [www.kingislandscheelite.com.au](http://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")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(66)	(356)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(34)	(554)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	19
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)	41	132
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(52)</b>	<b>(759)</b>

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<b>2.</b>	<b>Cash flows from investing activities</b>		
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	<b>(1)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	(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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	<b>987</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	1,554	1,275
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(52)	(759)
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)	-	987
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>1,502</b>	<b>1,502</b>

<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	34	17
5.2	Call deposits	1,468	1,537
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>1,502</b>	<b>1,554</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

<b>Current quarter \$A'000</b>
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15
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Payment made to Directors and their associate entities – Directors' fees \$15,000; reimbursement of expense \$Nil; and consulting fees \$Nil.
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**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***Add notes as necessary for an understanding of the position*Total facility amount  
at quarter end  
\$A'000Amount drawn at  
quarter end  
\$A'000

8.1 Loan facilities

-

-

8.2 Credit standby arrangements

-

-

8.3 Other – Unsecured redeemable convertible notes

239

239

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).

A further part conversion of the notes was made on 26 June 2017 for a total value of \$825,824 (20,960,000 shares at 3.94 cents each).

Convertible Notes at 30 June 2017 total \$239,036.

## 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	27
9.2	Development	-
9.3	Production	-
9.4	Staff costs	-
9.5	Administration and corporate costs	370
9.6	Other (provide details if material)	-
<b>9.7</b>	<b>Total estimated cash outflows</b>	<b>397</b>

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**

- 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.

Sign here: .....  
(Director/Company secretary)

Date: 31 July 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.