

Report for the Quarter Ended 31 December 2017

KING ISLAND
SCHEELITE



ASX: KIS

Market Capitalisation	\$7.8 million
Shares on Issue	217.3 million
52 Week High	7.0 cents
52 Week Low	2.5 cents

Share Price

25 January 2018	3.6 cents
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Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

Tungsten APT Price

16 January 2018	USD 310/mtu
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King Island Scheelite Limited (KIS) wholly owns the Dolphin Project on King Island, Tasmania, one of the world's richest tungsten deposits.

King Island Scheelite Limited

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HIGHLIGHTS

- The KIS Board continues to evaluate alternatives to reduce the capital costs of the Dolphin Project.
- Studies commenced in 2016 will continue throughout the next quarter to find an optimum development plan.
- Fluorescence sorting of scheelite was considered, however it is considered too costly.
- Crushing test work, to investigate more efficient breakage of ore prior to gravity separation, continues – to date results look very promising.
- An exploration programme on Exploration Licence (EL 19/2001) is being designed and drilling is expected to commence in February.
- Pumping of water out of the open cut void continues to maintain a consistent level in the sump.
- The current market for Tungsten APT remains buoyant, with the prices at US\$310 per mtu. Suspension of a Chinese exporter's licence and low feedstock supply are the major contributor.
- Outlook for all forms of tungsten products is of strengthening prices.
- The remaining Convertible Notes were converted into equity during the quarter.

29 January 2018

King Island Scheelite Limited (**Company**) presents its activity report for the quarter ended 31 December 2017.

Ore sorting

Earlier tests on ore sorting conducted in Australia and in Europe proved to be inconclusive and it was therefore decided to test additional samples from a different part of the orebody. The splits from these samples were also not at the level required. A different mineral detection method (fluorescence) for sorting was investigated. After an initial review, it was decided not to pursue this method as it is deemed too costly and has high risk.

Crushing test work

Scheelite is softer than the rock in which it is hosted and breaks up preferentially in processing. KIS is trialing a fine crushing machine (VSI) in place of grinding, to assess the possibility of producing a feed to gravity separation that has coarser scheelite than produced in a conventional flowsheet. Coarser scheelite would lead to better recovery of scheelite into concentrate. This work will be conducted over the next two quarters.

Initial results indicate that the VSI can efficiently reduce the ore to the size required for the first concentration stage. Test work is ongoing to assess the metallurgical performance of the crushed ore versus conventionally crushed material.

Development Plan

The Company remains confident that the results of the additional test work currently being undertaken to develop an optimum flow sheet will be completed by the end of the second quarter 2018. The Company will continue discussions with potential offtake partners during this time, anticipating an investment decision later in 2018.

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 wetter 482mm of rain in the September quarter, the December quarter was dry with only 133mm.

Exploration Drilling

Drilling on Exploration License EL 19/2001 will commence in February. The EL covers the periphery of the Grassy Granite and is prospective for scheelite skarn mineralisation similar to the Dolphin and Bold Head deposits. Historic exploration in the 1970s identified mineralised mine sequence at several locations around the intrusion. A program of four to five exploration holes is planned to test the western edge of the granite. The expenditure to be incurred, will satisfy the expenditure requirements related to the Exploration Lease.

Whilst the drill rig is on site it will also extract some additional core samples from the open cut pit to be used in further confirmatory testing of the VSI crushing.

APT Market

APT (Ammonium ParaTungstate) is the product used as a benchmark price for the sale of WO₃ 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 per mtu (A\$250 per mtu) over this period.

Tungsten markets rebounded significantly during the last two calendar quarters of 2017, with the average price for the September and December quarters being respectively, US\$260 per mtu (A\$329 per mtu) and US\$289 per mtu (A\$376 per mtu) compared to the average for the 2017 calendar year of US\$243 per mtu (A\$316 per mtu).

After peaking in early September, APT prices in China have fallen steadily on destocking and profit taking by suppliers. However prices have continued rising into 2018, mostly on stronger demand and reduced availability. Demand is expected to continue growing especially in the oil exploration and production sector, which is a good indicator of tungsten demand. This sector is expected to grow by 8% this year.

A medium term significant factor, which may negatively impact prices, could be the release of Tungsten APT stocks held by the now defunct Fanya Metal Exchange in China. Prior to ceasing operations, it was believed that the exchange held more than 2.5 million mtu of APT.

Finance

Conversion of Notes

In late December 2017 the Company converted the remaining balance of the Convertible Notes, amounting to \$248,758 including interest, into equity; resulting in the issue of a further 7,681,273 shares.

Cash Balance

As at 31 December 2017 the Company's cash balance was \$1.1 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 ML 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

King Island Scheelite Limited Activity Report for the quarter ended 31 December 2017

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

	\$'000
Dewatering	20
Project management	17
Metallurgical and laboratory testing	11
Environmental	4
	<u>52</u>



Johann Jacobs

Chairman

29 January 2018

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

Name of entity

KING ISLAND SCHEELITE LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(52)	(122)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(135)	(313)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
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)	24	24
1.9 Net cash from / (used in) operating activities	(160)	(405)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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	-	-

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	-	(5)
3.5	Proceeds from borrowings	-	-
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	-	(5)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,252	1,502
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(160)	(405)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(5)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,092	1,092

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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	7	5
5.2 Call deposits	1,085	1,247
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)	1,092	1,252

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

Current quarter \$A'000
33
-

Payment made to Directors and their associate entities – Directors' fees \$23,000 and reimbursement of Company expenses \$10,000.

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

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Mining exploration entity and oil and gas exploration entity quarterly report

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 (please specify)	-	-
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	240
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	250
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	490

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 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: 29 January 2018

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 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.