



29 July 2021

Quarterly Report to 30th June 2021

Highlights

- **Testing of Multi Gravity Separators confirmed results achieved from pilot scale testing**
- **Tasmanian Environmental Protection Authority approves further Management Plan for Dolphin**
- **Gekko Systems has been selected as the preferred engineering company to design and build the Dolphin Processing Plant**
- **The Company and Gekko currently undertaking detailed contract discussions and updating costs in anticipation of awarding a fixed price contract**
- **Appointment of additional key managerial staff**
- **Regional exploration grant received from Tasmanian Government**
- **Price of Ammonium Paratungstate (“APT”) has improved by 20% since 1st January 2021**
- **Negotiations on finalising a syndicated funding package is advancing**
- **Cash balance of \$3.19 million as at 30th June 2021**

King Island Scheelite Limited (ASX: KIS) (“the Company”) provides its activities report for the quarter ended 30th June 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

As advised to the market on 9th December 2020, significant test-work has been undertaken by ALS in Burnie, Tasmania utilising a pilot-scale Multi Gravity Separator (MGS) to separate heavy scheelite particles and reject lighter calcite particles from ore extracted at the Company’s Dolphin Tungsten Mine.

The results achieved in the pilot scale machine were extremely encouraging and prompted the Company to verify the scale-up factors in a full-scale machine. During the March quarter, KIS entered into a rental/purchase agreement with the suppliers of the MGS machines, resulting in a full-scale



machine arriving in Burnie on 1st April 2021. Also, during that quarter, the Company extracted a 10 tonne representative ore sample from Dolphin and shipped it to Burnie.

First stage “sighter” tests commenced in early April, focusing on metallurgical performance and throughput. Results to date have confirmed the number of units required for full scale production. Metal recovery is also in line with the Revised Feasibility Study.

The concentrate from these tests has been fed to the dressing stage (flotation) with results that are consistent with the best pilot scale results in terms of grade and recovery to dressed concentrate.

Optimisation testing is ongoing, with a focus on building on the Company’s understanding of the effect of machine operating parameters on the recovery of scheelite to concentrate.

Management Plan Approval

In June, the Company announced the approval by the Environmental Protection Authority (“EPA”) of the Company’s first Mine Closure, Decommissioning and Rehabilitation Management Plan (“MCDRMP”). The approval of the MCDRMP was one of the conditions of the EPA Environmental Protection Notice EPN 7442/2, issued on 9th October 2017 for the development of the Dolphin Mine. The MCDRMP requires annual updating and approval by the EPA and sets the standards to be met during the mine’s operations and ultimate closure.

Further management plans are currently being prepared for submission to the various authorities for approval prior to the commencement of mining operations.

Gekko Systems Pty Ltd (“Gekko”) selected as preferred Process Engineers for construction

During the quarter, the Company selected Gekko as its preferred process engineering company to undertake final designs of the processing plant at Dolphin and thereafter to construct the plant on a fixed price turnkey basis.

The Company and Gekko are currently finalising the battery limits, updating previous quotations as well as negotiating the terms of the contract. This will enable the contract to be awarded as soon as funding is completed.

Gekko has been involved in the Dolphin Project for 3 years and has been instrumental in designing the processing facilities based on laboratory results from the ALS laboratory in Burnie, Tasmania.

Appointment of additional KIS Managerial Staff

During the quarter, the Company announced its appointment of Alvin Johns to the KIS management team in the position of Processing Manager & Metallurgical Technical Expert. Alvin has been involved



with the Dolphin Project for over 10 years as a consultant, where his primary focus has been the development of a simple and cost-effective processing flowsheet.

In addition, Paul Richardson has been appointed on a two-year term as Project Construction Manager. Paul is a metallurgist by profession and has significant experience in both construction and managing operations of a similar scale in the minerals sector.

Regional Exploration Grant

As recently advised, the Company was successful in its application for a regional exploration grant, introduced by the Tasmanian Government to stimulate exploration drilling across Exploration Licences located in Tasmania. The funds will be utilised to further explore the Company's Exploration Licence EL19/2001, situated on King Island in close proximity to the Dolphin Project.

It is anticipated that drilling will commence in the December 2021 quarter.

Project Financing

In May 2021, the Company advised that its discussions with financiers were ongoing, with an aim to achieve financial close by late June / early July 2021.

These discussions are continuing but taking longer than previously anticipated. The Company expects to conclude these discussions with a syndicate who will provide a combination of equity, debt and a convertible instrument by the end of the current quarter or early the following quarter.

Tungsten Market Update

As at 1st January 2021, the price of Ammonium Paratungstate ("APT"), the benchmark for pricing tungsten concentrate, was US\$233.00 per metric tonne unit (mtu=10 kilograms). The price rose by 20% over the subsequent six months, closing on 30th June 2021 at US\$280/mtu.

After the quarter end, the APT price has increased further, to US\$290/mtu. The increases in price reflects strong demand for hard metal tools, higher freight levels and delayed shipping schedules. Demand is forecast to remain strong despite the lowest average count of oil rigs, heavy users of hard metal tools, in the last 7 years.

COVID-19 Restrictions

The Company continues to adhere to best practices in relation to the COVID-19 virus. Meetings continue to be held remotely. The Company and its consultants have progressed optimising various aspects of Dolphin whilst adhering to the restrictions being enforced by local governments across the various locations they reside.



Corporate

The Company's cash position as at 30th June 2021 was \$3.19 million.

As at the date of this report, 2.5 million 10c options expiring on 1 August 2021 have yet to be exercised. To date, \$5.3 million has been raised by the Company from the exercise of these options.

The Company holds the following licences and leases as at 30th June 2021:

	Interest
Exploration Licence EL19/2001 at Grassy, King Island (91 sq kms) (expires 23 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 \$15,245 in directors' fees and remuneration.

This announcement has been authorised for release by the Directors of King Island Scheelite Ltd.

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This report contains no new exploration results. The work referred to here can be found in numerous announcements available at www.kingislandscheelite.com.au.

The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcements and 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 Persons' findings are presented have not been materially modified from the original market announcements.

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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation ⁱ	(571)	(1,448)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(474)	(1,465)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(384)	(394)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	155	211
1.8 Other (provide details if material)	9	9
1.9 Net cash used in operating activities	(1,265)	(3,087)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(237)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-

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

Consolidated statement of cash flows	Current quarter	Year to date (12 months)
	\$A'000	\$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)	-	-
2.6 Net cash used in investing activities	-	(237)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,168
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	631	2,570
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(6)	(175)
3.5 Proceeds from borrowings	-	250
3.6 Repayment of borrowings & leases	(4,700)	(4,950)
3.7 Prepaid transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from financing activities	(4,075)	5,863

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	8,530	651
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,265)	(3,087)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(237)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(4,075)	5,863
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	3,190	3,190

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

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	32	24
5.2 Call deposits	3,158	8,506
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)	3,190	8,530

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	15
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 \$12,045; Consulting fees \$3,200.

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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. Not applicable		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,265)
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)	(1,265)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,190
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,190
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.52
<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 events

Exercise of Options

Subsequent to Quarter end, 28,268,001 quoted options and 3,000,000 unquoted options have been exercised raising \$3,066,800.

Project Financing

In May 2021, the Company advised that its discussions with financiers were ongoing, with an aim to achieve financial close by late June / early July 2021.

The Company expects to conclude these discussions with a syndicate who will provide a combination of equity, debt and a convertible instrument. These discussions are continuing but taking longer than previously anticipated. Nonetheless the Company anticipates achieving financial close by the end of the current quarter or early the following quarter.

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: 29 July 2021

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

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.

ⁱ 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 (12 months)
	\$A'000	\$A'000
Dewatering	(14)	(53)
Project management	(100)	(393)
Mine planning & geological work	(21)	(167)
Metallurgical & process plant design	(111)	(397)
Tailings storage facility	(71)	(71)
Environmental	(22)	(64)
Multi gravity separator testing	(171)	(171)
Other Feasibility Study work	(61)	(132)
TOTAL	(571)	(1,448)