

# Report for the Quarter Ended 30 September 2016



## ASX: KIS

Market Capitalisation	\$8.1 million
Shares on Issue	165.3 million
52 Week High	11.0 cents
52 Week Low	4.9 cents
Share Price	4.9 cents

## Board of Directors

Johann Jacobs	Chairman
Allan Davies	Director
Chris Ellis	Director

**Tungsten APT USD 19,500 / tonne (26 October 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

**ABN 40 004 681 734**

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## HIGHLIGHTS

- **Studies were completed during the Quarter to satisfy EPA requirements for the Revised Environmental Assessment Report**
- **This final Environmental Assessment Report will be submitted to EPA in November 2016**
- **Pumping of water out of the open cut void continues so as to maintain a consistent level in the sump**
- **Tungsten markets remain depressed with limited potential for significant increase in prices**
- **As a result of current tungsten market the Board is examining the potential of producing a lesser amount of concentrate at a lower grade – a “Start-up Option”**

**31 October 2016**

King Island Scheelite Limited (**Company**) is pleased to present its activity report for the quarter ended 30 September 2016.

### Environmental Approvals

Additional studies, which include all up to date data, have now been completed and included within a Revised Environmental Assessment Report which will be submitted to the EPA for their review in November 2016. It is expected that amended EPA conditions, reflecting the revised mining operations will be issued early in 2017. These amended conditions will not impact upon the overall approval for the mine.

### Definitive Feasibility Study ("DFS") and Start up Option

Work continued on the consolidation of recent studies into a Definitive Feasibility Study. This work can only be completed when the final environmental approvals have been obtained.

Following attendance at the annual International Tungsten Industry Association Annual General Meeting in Stockholm, in September, the Board has decided to examine the potential of staging the development of the Dolphin Mine commencing with a lower production profile producing a lower grade concentrate.

It is anticipated that the preliminary findings of this exercise will be completed within the current Quarter.

### 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 relatively dry second calendar quarter, heavy rains were experienced at Grassy from May through to September. Relatively continuous pumping was required to keep water levels in check.

### APT Market

Ammonium Paratungstate prices (APT), the product used as a benchmark price for the sale of WO<sub>3</sub> concentrate, as it is regularly quoted in industry journals, fell to an 11 year low of \$160-170/mtu in November last year –after having reached a high of \$460-500/mtu in May 2011. Since then prices have been in decline before gradually rebounding to \$215-225/mtu in May 2016. However, prices have slipped back, due to low levels of demand, to around \$180-195/mtu in October 2016.

Although this price is above 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 30 September 2016 the Company's cash balance was \$1.95 million.

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	32
Project management	15
Mine planning & geological work	25
Environmental	17
Other Feasibility Study work	2
<b>TOTAL</b>	<b>91</b>



**Johann Jacobs**

Chairman

**31 October 2016**

**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 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(91)	(91)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(256)	(256)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
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)	19	19
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(324)</b>	<b>(324)</b>

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1)</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	-	-
3.5	Proceeds from borrowings	1,000	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>1,000</b>	<b>1,000</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	1,275	1,275
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(324)	(324)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,000	1,000
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>1,950</b>	<b>1,950</b>

5. <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	12	13
5.2 Call deposits	1,938	1,262
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,950</b>	<b>1,275</b>

**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

117

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 \$21,000; reimbursement of expense \$10,000; and consulting fees \$86,000.

**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

## Mining exploration entity and oil and gas exploration entity quarterly report

8.	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other – Unsecured redeemable convertible notes	2,000	2,000
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 up to \$2,000,000 committed funding 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 (varied from 31 December 2016) or on being repaid, whichever is earlier
5. Conversion or repayment is at the Company's sole discretion:
  - a. The number of Share 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%.
6. The Company is seeking shareholder approval of the Notes at its Annual General Meeting to be held on 2 November 2016. Further information is available in the Company's Notice of Annual General Meeting, released as a market announcement on 12 September 2016.

9.	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Exploration and evaluation	106
9.2	Development	-
9.3	Production	-
9.4	Staff costs	-
9.5	Administration and corporate costs	292
9.6	Other (provide details if material)	-
9.7	<b>Total estimated cash outflows</b>	<b>398</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%
		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: 31 October 2016

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.