



31st July 2019

Quarterly Report to 30th June 2019

Highlights

- **Successful completion of Feasibility Study and Revised Mineral Reserve Estimate**
 - The probable reserves, in accordance with JORC 2012 code, are estimated to be 3.0 million tonnes at a grade of 0.73% WO₃ (Cut-off 0.2%)
 - Financial modelling for the redevelopment of the Dolphin Open-cut Project predicts robust return on investment
 - Operating costs in the lowest quartile of its comparable peer group
 - Initial capital costs, per unit of production, highly competitive with its peer group
 - Capital costs based on *Level 3 Engineering Study* and actual quotes obtained
 - Production commissioning is expected to take place within 15 months after achieving financial close
- **Key appointment of Charles Murcott as General Manager of Project Development and Operations**
- **Post Quarter**
 - \$2m Loan Agreement secured from Executive Director Mr Chris Ellis
 - \$200,000 Placement of shares to key process engineering company Gekko Systems Pty Ltd

King Island Scheelite Limited (ASX: KIS) ("the Company") provides its activities report for the quarter ended 30th June 2019, detailing the Company's activities regarding its 100% owned Dolphin Tungsten Project ("Dolphin"), one of the world's richest tungsten deposits, located on King Island, Tasmania.

During the quarter, the Company has continued to execute its strategies to redevelop Dolphin.

Completion of Feasibility Study and Revised Mineral Reserve Estimate

For a full copy of the Feasibility Study and Revised Mineral Reserve Estimate, together with JORC (2012) Table 1, Sections 1 to 4 compiled by Mr Tim Callaghan, a Member of the Australian Institute of Mining and Metallurgy, please see KIS's ASX market announcement on 3rd June 2019. <https://www.kingislandscheelite.com.au/wp-content/uploads/2019/06/02110881.pdf>

The Feasibility Study outlined that the Dolphin Open-cut Project is planned to mine and process approximately 400ktpa of ore for eight years to produce approximately 215,000mtu of WO₃ per year in concentrate. This concentrate will be sold into a market with strongly growing demand and constrained supply.

The Dolphin processing plant has been substantially modified since the 2015 Reserve Estimation. Processing will now be conducted through, primarily, a gravity circuit followed by a small flotation circuit to which some of the gravity tails will report.

The Company has carried out further site infrastructure engineering works, resulting in significant capital and operating cost savings from the previous estimation.

Economic Analysis

The study indicates the following potential economic benefits flowing to the Company on the successful redevelopment of its 100% owned Dolphin Tungsten Project in King Island, Tasmania. The sensitivity of these benefits to a range of criteria, including grade, recovery, operating costs, strip ratio, foreign exchange rate and more, is analysed in the Feasibility Study.

	Base
Net present value (NPV) – Project, pre gearing and pre-tax, at 8% discount rate	A\$146m
Internal rate of return (IRR) – pre-tax	47%
Capital payback, pre-tax – years	2.75

Operating Costs

Operating costs were determined as detailed in the section Financial Model Input Assumptions. The resultant average life of mine costs, at a recovery of 77% is as follows:

	A\$ per mtu of WO ₃ produced
Mining	46.00
Process	50.00
Transport and Other	9.00
Royalties	24.00
Total	129.00

Capital Costs

Capital costs were determined by independent consultants, resulting in the following:

	A\$ million
Site Services	3.0
Mobile Mining Equipment	14.0
Processing Plant	42.0
Other	6.0
Total	65.0

Capital cost per metric tonne unit WO ₃ produced	A\$38.00
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Offtake Agreements

The Company has signed an offtake agreement with world leading European tungsten powder provider, Wolfram Bergbau und Hütten AG, for 140,000 mtu's of WO₃ over 4 years (See KIS ASX market announcement on: 8th April 2019). The Company continues to negotiate with several additional offtake partners.

Project Funding

The Company is currently exploring possible joint venture partnerships, as well as being in discussions with suppliers and financial institutions for project funding.

Development Timeline

On the basis of the relatively advanced engineering studies and the proposed methodology based on a modular design, the engineering consultants have determined that detailed design, procurement, construction and commissioning could be achieved within a fifteen-month period after financial close. As most of the important mobile equipment has a lead time of approximately six to nine months, the Company is confident that once financial close has been reached, commissioning of the mine and processing plant can be achieved within fifteen months. If financial close can be achieved in the second half of 2019, then first shipment of product can be achieved in the first quarter of 2021.

Corporate

During the quarter, the Company announced the appointment of Mr Charles “Chas” Murcott as General Manager of Project Development and Operations.

Chas is a Mining Engineer with over 25 years’ experience working within Australia and abroad, with a significant portion of his career in Tasmania. Prior to joining KIS, he was the Mining Manager at the Kingrose Mining Limited (ASX: KRM) Way Linggo Project in Indonesia.

Chas’ previous Tasmanian experience includes time at Venture Minerals Limited (ASX: VMS), as Operations Manager of the Riley DSO Project, and Mining Manager/Alternate General Manager at BCD Resources Tasmania Mine at Beaconsfield. He holds a Bachelor of Mining Engineering (Hons) from University of Queensland, a 1st Class Mine Manager’s Certificate of Competency and a Diploma of Business - Frontline Management.

Post Period

\$2million Loan Agreement

Post period, KIS announced the successful negotiation of a \$2m Loan Agreement from Executive Director Mr Chris Ellis. This Loan Agreement allows the Company to proceed with the day to day activities at Dolphin, whilst continuing to focus on its ongoing discussions with various third parties on potential financing options for the redevelopment and commissioning of the Dolphin Tungsten Project.

The loan facility will be repayable out of future capital raisings with an interest rate of 8% pa above the BBSW. While not anticipated at this stage, the loan facility also includes a mechanism for the conversion of the loan into shares in the Company (subject to the consent of the Company and obtaining any applicable shareholder approvals at the relevant time).

Shareholders will be requested, at the Company’s next Annual General Meeting, to approve securing the loan against the freehold land owned by Australian Tungsten Pty Ltd, the Company’s wholly owned subsidiary, at Grassy Harbour Road measuring 241 hectares.



Placement of Shares

The Company advised shareholders that in late July it had issued 2,439,024 shares at \$0.082 per share raising \$200,000 to independent process engineering company, Gekko Systems Pty Ltd. KIS believes the Placement aligns its interests with that of a key contractor, demonstrating a direct reflection of those associated with the recommencement of production at Dolphin belief in the Project.

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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.

Competent Person's Statement

The Information in this announcement relating to Mineral Resources and Exploration Results are extracted from the following report lodged as market announcements and available to view on the Company's web-site www.kingislandscheelite.com.au:

- "KIS ASX Announcement Completion of Feasibility Study" released 3rd June 2019

The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.