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KING ISLAND SCHEELITE
ASX : KIS

20th October 2020

Quarterly Report to 30th September 2020

Highlights

- **KIS secures offtake agreement with industrial metal specialist Kalon Resources, a global leader in supply chain management of raw materials**
  - **Agreement is for 1,500 tpa of tungsten concentrate for an initial period of 3 years**
  - **Agreement represents approximately 50% of expected production capacity, meaning KIS now has contracts for nearly 70% of Dolphin's initial expected annual production**
- **Review to extend project life nearing completion**
- **Revised Feasibility Study**
- **Discussions of support have been held with State and Federal authorities including the Critical Minerals Facilitation Office**

King Island Scheelite Limited (ASX: KIS) ("the Company") provides its activities report for the quarter ended 30th September 2020, detailing the Company's activities at its 100% owned Dolphin Tungsten Project ("Dolphin"), one of the world's richest tungsten deposits, located on King Island, Tasmania.

Tungsten Concentrate Offtake Agreement

In September, the Company announced it had entered into an offtake agreement ("Agreement") with Kalon Resources Limited ("Kalon") for the supply of 1,500 tonnes per annum of tungsten concentrate from Dolphin.

Kalon is a wholly owned subsidiary of Noble Group Holdings, a leading supply chain manager of raw materials with a global footprint. Based in Asia, Kalon specialises in the physical commodity trading and supply chain management of industrial metals including tin, tungsten, tantalum and niobium, as well as special ores such as chrome and manganese.

Kalon has a global footprint and works in close partnership with mining companies, mining communities, mineral processing facilities and industrial end-users with teams in Singapore, Hong Kong, China, Africa and Brazil.

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The volumes contemplated by the Agreement, combined with those of the Wolfram Agreement announced to the ASX on 8 April 2019, represent approximately 70% of the annual expected production capacity from Dolphin.

The terms of the Agreement provides for KIS to deliver an average quantity of 125 tonnes of tungsten concentrate per month, for a total of 1,500 tonnes per annum for a period of three years, and the parties may agree to extend the Agreement in the future.

The price the Company will receive each month for the concentrate will be a function of prevailing prices for Ammonium Para Tungstate (APT). Current APT pricing would see KIS earn sales revenue under the Agreement of approximately A$22 million per annum

The Agreement embodies contractual obligations for the Company to deliver product and for Kalon to accept deliveries of product and is subject to KIS achieving certain financial and operational milestones leading up to commencement of production.

Review to Extend Mine Life

The Dolphin deposit contains an Indicated Mineral Resource, above a 0.2% WO_3 cut-off, of 9.6 Mt at a grade of 0.9% WO_3, estimated according to the guidelines of the 2012 edition of the JORC Code (ASX: KIS 15 April 2015). In addition, the Bold Head resource comprises an Inferred and Indicated 1.76 million tonnes at a grade of 0.91% WO_3 (above a 0.5% cut-off) (ASX: KIS 26 September 2019).

The current project feasibility study (as announced to the ASX on 3 June 2019) is based on an 8 year open cut mine which recovers a Probable Reserve of 3.0 Mt at a grade of 0.73% WO_3 (cut-off 0.2%) (see ASX announcement dated 31 July 2020).

KIS is nearing completion of a study to resume underground mining of resources located below and east of the proposed open pit, after the open cut mine reserves have been depleted, thus significantly increasing the life and projected cash flow of the project. The feasibility study is anticipated to be completed in the current quarter.

Revised Feasibility Study

During the current quarter the Company is scheduled to produce a Revised Feasibility Study incorporating the underground mine study, the revised metallurgical flowsheet, resulting from the incorporation of the Multi Gravity Separators, optimisation of the open cut mine as well as generally updating costs and revenue estimates.

Critical Minerals Office

The Critical Minerals Facilitation Office (“CMFO”) is the Australian Government’s central coordination point to assist Australia’s critical minerals sector and position Australia globally as a secure and reliable supplier of critical minerals. The CMFO has identified tungsten as a critical mineral and has placed tungsten in the top 10 of the 24 critical minerals identified.

Discussions between the Company and the CMFO, in addition to various other Federal, State and local authorities, commenced earlier this year and have progressed over the course of 2020.

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As previously reported in The Advocate on 26 August 2020, KIS continues its discussions as to support from the Critical Minerals Office, State and federal Government for the redevelopment of the Dolphin Mine, given its strategic and regional economic importance.

The Company expects to be in a position to update the market on the outcomes of some of these discussions in the current quarter.

Tungsten Market

Although tungsten is increasingly being recognised as a mineral of critical national and strategic significance, the COVID-19 pandemic has impacted global demand for the commodity. The largest global consumption of tungsten is in cutting tools used in the automotive and aircraft industries, both of which have been adversely impacted by the pandemic. The reduced demand has resulted in the price of APT recently trading in a range between US$212 and US$220/mtu.

Industry experts do however predict that the medium to long term price of APT should be in the range of US$280 to US$300/mtu.

COVID-19 Restrictions

The Company continues to adhere to best practices in relation to the COVID-19 virus. Meetings continue to be held remotely and 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 30 September 2020 was $0.238 million.

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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.

Appendix 5B

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

Name of entity	
KING ISLAND SCHEELITE LIMITED	
ABN	**Quarter ended ("current quarter")**
40 004 681 734	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation[1]	(277)	(277)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(176)	(176)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(3)	(3)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	43	43
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(413)**	**(413)**

[1] Following is a summary of the expenditure incurred on exploration & evaluation activities during the quarter:

Dewatering	(15)	(15)
Project management	(78)	(78)
Mine planning & geological work	(67)	(67)
Metallurgical & process plant design	(91)	(91)
Environmental	(18)	(18)
Other Feasibility Study work	(8)	(8)
TOTAL	**(277)**	**(277)**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(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 from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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**	**-**	**-**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	651	651
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(413)	(413)
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)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**238**	**238**

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	34	13
5.2	Call deposits	204	638
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)**	**238**	**651**

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	30
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 $11,000; Consulting fees $19,000.

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	5,200	5,200
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	5,200	5,200

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.

7.1 Loan facilities

Lender	Interest rates	Maturity dates	Secured or Unsecured	Amount drawn at quarter end A$'000
CJRE Maritime Pty Ltd, an entity associated with the Company's director Christopher Ellis	Bank Bill Swap Rate (**BBSW**) plus 8% per annum;	5 August 2021	Secured by mortgages over the Company's King Island properties	2,000
	• For the period from financial close of the loan transaction until the date two years after commencement of production at the Dolphin Project, BBSW plus 6% per annum; and • BBSW plus 11% per annum thereafter.	29 November 2023		2,700
Abex Resource Holdings Pty Ltd, an entity associated with the Company's major shareholder, Richard and Gwenda Chadwick.	5% per annum, capitalised	6 May 2022	Unsecured	500
Total				**5,200**

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8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(413)
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)	(413)
8.4	Cash and cash equivalents at quarter end (item 4.6)	238
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	238
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.6

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.

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?

Answer: Yes

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?

Answer: Yes. The Company intends to undertake a capital raising in October 2020. The Board considers the likelihood of achieving the required funding to be certain.

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?

Answer: Yes. The Company expects to be in a position to raise sufficient equity to fund on-going operations for a period of 12 months.

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.

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: 20 October 2020

Authorised by: Ian Morgan, Company Secretary
(Name of body or officer authorising release – see note 4)

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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.

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