

Kiss of life for Tassie tungsten

One of Tasmania's oldest mines is set to be revived nearly three decades after it was shuttered due to low tungsten prices.

King Island Scheelite Ltd (KIS) executive chairman Johann Jacobs told **Paydirt** the company was poised to declare financial close for its proposed restart of the Dolphin tungsten mine this month. First concentrate production is expected within 15 months of the start of construction.

Dolphin – near the historic mining town of Grassy on the south-east coast of King Island, the most western island in the Bass Strait between Victoria and Tasmania – last operated in 1992 when prolonged low tungsten prices forced the mine's closure with more than half of the known resource still in the ground.

KIS has owned the project for the past 16 years, with Jacobs and fellow director Chris Ellis coming into the fold in late 2013. Yet it has only been in the last year that the fruits of their hard labour have become apparent.

"The project is now shovel ready," Jacobs said. "It's got EPA approval, it's got a mining lease, we've appointed a debt arranger and the information memorandum has gone out to them."

"We are in discussions with two top-tier brokers to do the equity component, so our timeline is that we are aiming for financial close sometime between the beginning and end of June 2021. From there, the procurement construction phase is about 15 months, culminating in first concentrate in the last quarter of next year."

KIS shares traded at a 13-year high of 35.5c in late March on the back of the company reporting a string of key milestones, beginning with the results of a final feasibility study outlining plans for both open-cut and underground mining operations at Dolphin.

Based on eight years of open-cut production at 400,000 tpa and a further six years of underground production at 300,000 tpa, the project is expected to generate a pre-tax NPV of \$241 million, IRR of 43% and payback in 2.25 years. Capex is estimated

at just \$73 million, with operating costs of \$130/mtu.

While the feasibility study was well received by the company's closest supporters, what triggered the initial spike in the KIS share price was the award of a \$10 million loan from the Tasmanian Government in early February.

Jacobs said the 10-year government loan represented more than just financial support for the project.



King Island Scheelite could restart operations at the Dolphin tungsten mine within 15 months of achieving financial close, which is expected this month

"The Tasmanian Government can see we are looking to provide significant employment opportunities not only on the island but within Tasmania as well," he said. "During construction we'll be employing about 85 people and then at steady-state production we'll have around 65 full-time employees."

"All of that is linked in with the Federal Government's critical minerals initiative; they've established the Critical Minerals Facilitation Office (CMFO) in Canberra and we've been in dialogue with them. I know the Tasmanian Government is working very closely with the CMFO as well with regard to our project."

"The CMFO in itself doesn't have any money, but they are encouraging companies to participate in the local manufacturing initiative which is about the value-adding to resource materials before they are exported. We are busy looking at potentially exporting sodium tungstate rather than just the export of concentrate."

KIS recently signed an offtake agreement with industrial minerals specialists Kalon Resources – a wholly-owned subsidiary of Noble Group Holdings Ltd – for 98,000 mtupa, representing about 50% of the proposed annual production from Dolphin, which is set to yield \$69 million over the initial three-year term.

It was the company's second offtake agreement, having previously entered into a four-year contract with Sandvik Group subsidiary and leading tungsten powder supplier Wolfram Bergbau und Hutten AG for 35,000 mtupa, or about 20% of the proposed annual production, yielding estimated revenue of \$33 million.

KIS enjoyed a second share price spike after raising \$5.6 million via a placement which included a cornerstone investment of \$4 million from Swiss-based D.A.C.H.S. Capital AG. Those funds have since been used to wipe the company's outstanding debt ahead of financial close.

Jacobs said many investors were drawn to the Dolphin project because of its high resource grade of 0.9%

tungsten.

"When we completed the underground feasibility study, we used a cut-off grade of 0.7%," he said. "There isn't another tungsten project in the western world that has a grade anywhere approaching 0.7%, so the Dolphin project in itself is head and shoulders above any other project in the world with regard to grade."

"Grade is very, very important in the success of a tungsten project and certainly that was one of the factors the Swiss investor advised me is what attracted them to come on. And obviously being within Australia... it's a relatively safe jurisdiction in terms of stability and security of tenure for miners."

Jacobs said the only technical work left to be completed on the project before official construction work could begin was test work to finalise the throughput capacity of the gravity circuit which has long been earmarked as the most cost-effective method for maximum recovery.

– Michael Washbourne