Annual Report 2009

KING ISLAND SCHEELITE

Contents

King Island Scheelite Limited

ABN 40 004 681 734

and its controlled entities

Top right image on cover supplied by King Island Courier

Chairman's Letter

Dear King Island Scheelite Shareholder,

This has been an exciting year for King Island Scheelite (KIS) with our new management team and Chinese partners making good progress and giving us confidence for the future of your company.

Results

During the year $4.7 million was raised through shares issued, leaving a cash balance at 30 June of $3.8 million and undrawn funding facility of $62.7 million for the redevelopment of the King Island mine (Dolphin Project). This leaves your company well positioned for future growth.

Achievements

During the year KIS was able to satisfy all the conditions required to finalise the 50/50 Dolphin Project Joint Venture with Hunan Nonferrous Metals Corporation (HNC). This included arrangements which secure funding for the Dolphin Project, through an HNC loan facility.

As manager of the Dolphin Project, KIS advanced plans to redevelop this mine by; collecting data on ground conditions beneath the proposed cut-off wall; assessing the potential of the nearby Bold Head resource; and testing whole ore flotation techniques in China.

KIS also acquired a 35% interest and now manages the Balfour Project to explore for tin and tungsten in north west Tasmania, with encouraging results from ground gravity survey and geophysical analysis.

Corporate

Simon Bird joined us as Chief Executive in January. Together with Lindsay Newnham as Project Manager they have assembled a team of experts to progress the Dolphin Project with our colleagues at HNC. The KIS and the Dolphin Project office have also been co-located with HNC in Sydney.

Future Outlook

With approvals, funding and a skilled team in place on the Dolphin Project, we look forward to progressing the design, planning and detailed feasibility of the Dolphin Project over the coming year.

A planned drilling programme at Balfour may provide the potential for further growth. These projects combined with any corporate opportunities that may arise see us well placed to establish KIS as a significant player in the sector. On behalf of the Board, I would like to compliment Simon and his team on a successful year and thank the shareholders for their ongoing support.

Tony Haggarty

Chairman

Highlights

Management team

- Appointed new CEO
- Appointed new Project manager and team
- Established KIS and Dolphin Project office co-located with HNC

Partners

- Concluded Joint Venture with HNC
- Established Joint venture with Pleiades Pty Ltd

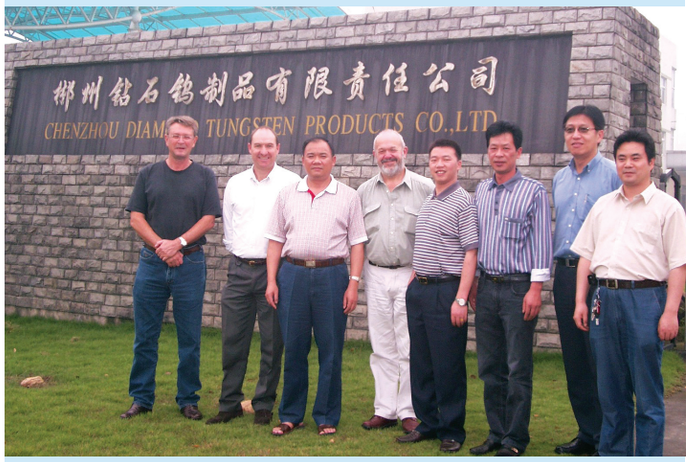
Dolphin Project (Development)

- Assembled new management team
- Geotechnical drilling programme completed
- Assessed Bold Head resource
- Tested Chinese whole ore flotation techniques

Balfour Project (Exploration)

- Completed ground gravity survey & geophysical analysis
- Acquired 35% interest & appointed manager
- Developed preliminary drilling programme

Partnering

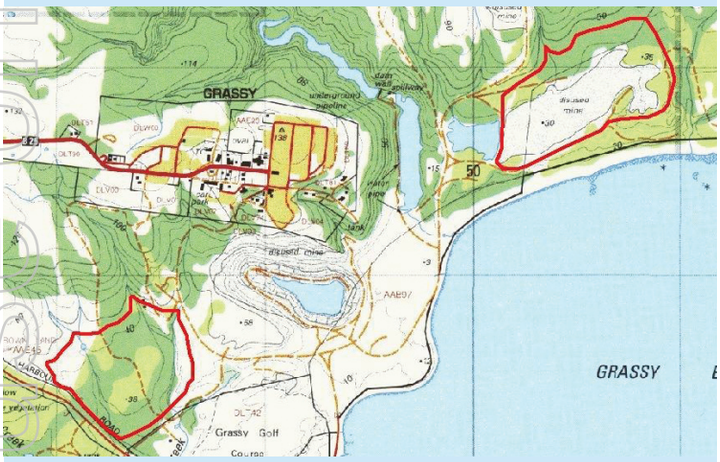


KIS aims to build strong relationships with its partners in order to source new projects and grow its business We believe in having a completely open and transparent relationship with our partners to ensure our interests remain aligned. Our partnership with HNC demonstrates how two very different organisations can work effectively to ensure successful project outcomes.

KING ISLAND SCHEELITE

HNG 湖南有色 湖南有色金属股份有限公司 HUNAN NONFERROUS METALS CORP.LTD.

Developing



Significant preliminary work has been carried out in relation to the Dolphin Joint Venture. We want to make sure that when a development decision is taken, our information and test work enables us to move quickly and efficiently to the production phase.

DOLPHIN
JOINT VENTURE

An unincorporated joint venture for the redevelopment of the King Island Scheelite (Tungsten) mine

Exploring

Our exploration efforts are continuing at both the Dolphin Joint Venture and the Balfour Joint Venture. KIS is working with highly skilled exploration professionals to ensure these exploration efforts are delivering accurate and meaningful results which will enable us to make informed development decisions.

BALFOUR
JOINT VENTURE

An unincorporated joint venture to explore for tin and tungsten in north west Tasmania

Chief Executive Report

Key Points

- **Strong balance sheet with $3.75 million cash at year end**
- **Fully funded Dolphin project, through $63.25 million debt facility**
- **Chinese partnership working well to progress Dolphin redevelopment**
- **Assembled a professional team for detailed design, programme and final feasibility**
- **Enjoyed an encouraging start to Balfour exploration in Tasmania**

Dolphin Joint Venture (DJV) – 50% interest

The joint venture with Hunan Nonferrous Metals Corporation (HNC) remains focused on the redevelopment of the tungsten deposit on King Island.

The redevelopment plan involves mining and processing 600,000 tonnes of ore per annum for the production of 3,000 tonnes of tungsten oxide per annum over a minimum of 10 years. Total development costs are currently estimated at $110.00 million.

Mineral Resources		Resource at 0.25% WO_3 Cut Off	
		Tonnes	WO_3 %
Dolphin#	Indicated	13.2 Mt	0.65%
	Inferred	0.2 Mt	0.35%
	Total	**13.4 Mt**	**0.65%**
Bold Head#	Indicated	2.3 Mt	0.73%
	Inferred	0.2 Mt	1.13%
	Total	**2.5 Mt**	**0.76%**

 # Reported according to The JORC Code 2004 (see page 6 for compliance statements)

Principle achievements this year:

- Established a project office, co-located with KIS and HNC in Sydney, plus secured suitable office space and freehold land on the island necessary for the mine redevelopment.
- A geotechnical drilling programme, to better understand the ground conditions beneath the proposed cut-off wall, has been undertaken. This work has necessitated a review of potential alternate cut-off wall and open cut designs as well as the potential for an underground extension.
- Metallurgical test work is continuing in China in conjunction with HNC. This work, led by an expert at a renowned Chinese state metallurgical research institute, has yielded promising results on recovery using whole ore flotation.
- These results and associated flow sheet changes are being used to redesign the mill and potentially reduce the required capital and operating cost of tungsten production.
- Available data on the Bold Head resource has been reviewed to establish potential for early processing of high grade ore from this deposit.
- The detailed design phase is expected to commence in the second quarter of FY10.

Balfour Joint Venture (BJV) – 35% interest

This joint venture with Pleiades Resources Pty Ltd was formed to explore for tin and tungsten within Balfour tenements in North West Tasmania.This presents an excellent exploration opportunity for KIS and is focused on the identification of a significant tin-tungsten resource in an area of historic high-grade copper and tin-tungsten mineralisation. The initial work involved a detailed ground based gravity survey of the area. This programme and subsequent geophysical analysis have now been completed with encouraging results. Having funded this work ($0.18 million) KIS now holds a 35% interest in the project.

A drilling programme to assess the extent of the known tin-tungsten has been finalised. The intention is to conduct this programme under KIS management early in the new financial year.

After funding this drilling programme ($0.55 million), the KIS interest will increase to 70%. KIS will continue to manage any future activities.

Tungsten Market

Since June 2008 the AUD value of tungsten concentrates have dropped 3%, primarily due to a decline in Yuan and USD prices offset by a weaker Australian dollar. The level of industrial output remains the key driver for growth in tungsten markets.

Financial

Having established a healthy cash balance of $3.75 million during this year we will continue to control operating costs going forward to ensure KIS remains well placed to fund future exploration, development and acquisition opportunities.

The DJV project remains fully funded through the existing joint venture arrangements with HNC. These arrangements include a $63.25 million loan facility for the KIS 50% share of development costs. At the date of this report, $0.81 million of this facility had been drawn down.

Outlook

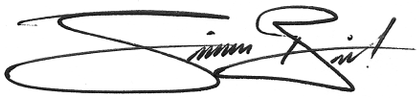
Funding and essential approvals are in place and key economic indicators remain favorable for the redevelopment of the King Island mine. KIS will aggressively progress this project during the coming year.

KIS intends to complete a preliminary BJV drilling programme to further assess the potential for a significant tin-tungsten resource in north west Tasmania.

We remain alert to other growth opportunities and strategic alliances which may present themselves during the coming year.

Simon Bird FCPA FAICD

Chief Executive Officer



JORC Compliance Statement (Dolphin)

The information in this report that relates to Dolphin Deposit Mineral Resources is based on information compiled by L A Newnham and R L Webster, who are a Fellow and Member respectively of The Australasian Institute of Mining and Metallurgy . L A Newnham is responsible for the geological interpretation and the collection and validation of data. R L Webster is responsible for Mineral Resource estimation and reporting. L A Newnham is a full-time employee of Newnham Exploration and Mining Services and R L Webster is a full-time employee of AMC Consultants Pty Ltd. Both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking, to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Both consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

JORC Compliance Statement (Bold Head)

The Bold Head Resource Estimate was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code") by Tim Callaghan, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM"), has minimum of five years experience in the estimation and assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the JORC Code. The estimate is based on historical mine and exploration data compiled by GeoPeko Ltd. The resource classification takes into account limitation in SG and assay procedure documentation. This announcement accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context it appears.

Directors' Report

Directors

The directors of the Company at any time during or since the end of the financial year are:

Anthony Haggarty Non-Executive Chairman, MComm (NSW), (appointed 7 April 1998), has over 25 years experience in the development, management and financing of mining projects. He has worked for BP Coal and BP Finance in Sydney and London and for Agipcoal as the Managing Director of its Australian subsidiary. He is also Managing Director of the publicly listed Whitehaven Coal Limited (appointed Director on 3 May 2007) and Non-Executive Director of publicly listed IMX Resources NL (appointed 29 January 2008).

Tony was a director of the publicly listed company Excel Coal Limited (for the period 11 November 2002 to 25 October 2006),

Robin FC Morritt Non-Executive Director, BA Hons (Macquarie NSW Australia), MS (Stanford CA USA), PhD (Queen's Ontario Canada), FAusIMM, Chartered Professional Geologist, FAIG, FSEG, (appointed 24 May 2005), an exploration geologist with over 30 years experience.

Robin worked with the former Western Mining Corporation Ltd in Australia, the USA and Brazil and with Pacific-Nevada Mining Pty Ltd (then a wholly owned subsidiary of Franco-Nevada Mining Ltd) in Australia. Robin was a founding director (including managing director and chairman) of ASX-listed ReLODE Limited (subsequently renamed Integra Mining Limited) for the period January 2001 to March 2004. Robin was a founding director of Australian Tungsten Pty Ltd (ATPL) which secured the King Island scheelite asset. ATPL was later vended into ASX-listed GTN Resources Ltd which was subsequently renamed King Island Scheelite Ltd. In 2007 Robin co-founded Pleiades Resources Pty Ltd and a wholly-owned subsidiary M45 Mineração Ltd, both exploration companies, operating in Australia and Brazil respectively.

Andrew Plummer Independent Non-Executive Director, BS Mining Eng Colorado School of Mines, (appointed 1 March 2006)

Andy has 37 years experience in the investment banking and mining industries. He was most recently an executive director of Excel Coal Limited (for the period 8 July 1987 to 10 October 2006), responsible for the company's business development activities. He has worked in the Australian banking and finance industry since 1985 with Eureka Capital Partners, Resource Finance Corporation and Westpac. Prior to that, he was employed in a variety of management and technical positions with ARCO Coal, Utah International and Consolidation Coal. He is also an Executive Director of publicly listed Whitehaven Coal Ltd (appointed 3 May 2007), and a Director of XLX Pty Ltd and Chairman of Ranamok Glass Prize Ltd.

Zeng Shao Xiong Independent Non-Executive Director, (appointed 16 September 2008)

Mr. Zeng joined the Board in September 2008, following completion of the joint venture agreements with Hunan Nonferrous Metals (HNC). He graduated in 1981 from the Central South Institute of Mining and Metallurgy, Hunan Province, majoring in ore processing. He is currently Chairman of the Supervisory Committee of HNC and is also Deputy General Manager of Hunan Nonferrous Metals Holding Group Co. Ltd, the parent company of HNC and previously the manager of Hunan Shizhuyuan Nonferrous Metals Co., Ltd, which holds a reserve of tungsten totalling 747,000 tons and representing 20.7% of the world's total tungsten deposits.

Mr. Zeng appointed Mr Fan Xueqiang to be his alternate director.

Mr Zeng is also a director of Abra Mining Limited (appointed 16 October 2008)

Fan Xueqiang Alternate Director to Mr Zeng, Mining Engineering MBA, (appointed 16 September 2008)

Jeff Fan is Executive Deputy Manager of HNC (Australia) Resources Holding Limited. He joined HNC in 2006 after more than ten years with the Institute of Mining Research in China, the last one as Deputy Chief of Science, Technology & Industry. He was previously Secretary-General of China Non-ferrous Metal Industry Mining Information Network and Secretary-General of the Mining Institute Committee in China.

Company Secretary

Mr Ian Morgan B Bus, CA, ACIS, MAICD, F Fin, was appointed Company Secretary on 3 August 2005. Mr Morgan is an experienced Chartered Company Secretary and Chartered Accountant, with over 25 years experience in corporate administration. Mr. Morgan consults extensively to Oakhill Hamilton Pty Ltd, a company that provides secretarial and corporate advisory services to a range of listed and unlisted companies; and is company secretary of other publicly listed companies.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year were:

	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Anthony Haggarty	14	11	2	1
Robin Morritt	13	13	2	2
Andrew Plummer	14	13	2	1
Zeng Shao Xiong (either personally or by his Alternate Mr Fan)	9	6	1	1

A Number of meetings director was eligible to attend.
B Number of meetings director attended.

Principal activities

The principal activity of the King Island Scheelite Group during the year was:

1. The exploration and evaluation of tungsten resources in Tasmania; and
2. Establishment of the Dolphin and Balfour Joint Ventures (see Note 11).

There were no significant changes in the nature of the activities of the King Island Scheelite Group during the financial year.

Operating and financial review

Dolphin Joint Venture (DJV) – 50% interest

A joint venture with Hunan Nonferrous Metals Corporation (HNC) focusing on the redevelopment of the tungsten deposit on King Island.

The redevelopment plan involves mining and processing 600,000 tonnes of ore per annum for the production of 3,000 tonnes of tungsten oxide per annum over a minimum of 10 years. Key activities this year included:

1. The Company established a project office in Sydney co-located with HNC, plus secured suitable office space and freehold land necessary for the mine redevelopment.
2. A geotechnical drilling programme, to better understand the ground conditions beneath the proposed cut-off wall, has been undertaken. This work has necessitated a review of potential alternate cut-off wall and open cut designs as well as the potential for an underground extension.
3. In addition, available data on the Bold Head resource is being reviewed to establish the potential for early processing of high grade ore from this deposit.
4. We have also conducted metallurgical test work in China. This work, led by an expert at a renowned Chinese state metallurgical research institute, has yielded promising results on recovery using whole ore flotation. These test results and associated flow sheet changes are being used to improve the mill design.

The detailed design phase is expected to commence in the second quarter of the new financial year.

Balfour Joint Venture (BJV) – 35% interest

A joint venture with Pleiades Resources Pty Ltd formed on 9 February 2009 to explore for tin and tungsten within Balfour tenements in north west Tasmania.

The Company funded a detailed ground based gravity survey of the area and subsequent geophysical analysis ($180,000) earning a 35% interest in the project.

A detailed drilling programme managed by the Company, to assess the extent of known tin-tungsten, has since been finalised.

After funding this drilling programme ($550,000), the Company's interest will increase to 70% and the Company will continue to manage any future activities.

Advanced ore sorting technology

On 7 May 2009, the Company entered into a licence agreement with Applied Resolution Technologies to commercialise patented laser ore sorting technology for the extraction of tungsten. This technology would then be used to sort high-grade ore in the milling circuit.

Financial

After a $4,729,000 equity raising during the year, the Company's Group retained a cash balance of $3,745,000 at 30 June 2009 (2008 $1,042,000).

The DJV project remains fully funded through the existing joint venture arrangements with HNC. These arrangements include a $63,250,000 loan facility (see Note 19) for the Company's 50% share of the King Island Mine development costs. At the date of this report, $815,000 has been drawn down from this facility.

Outlook

Funding and essential approvals are in place and key economic indicators remain favourable for the DJV. The Company intends to progress this project during the coming year.

The Company also intends to complete a preliminary BJV drilling programme to further assess the potential for a significant tin-tungsten resource in north west Tasmania.

Dividends

There were no Dividends paid or declared by the Company to members during or since the end of the financial year.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Directors' interests

The relevant beneficial interest of each director in the shares issued by the companies within the Consolidated Entity and other related bodies corporate, and notified by the directors to the ASX in accordance with S250G(1) of the Corporations Act 2001 at the date of this report are:

King Island Scheelite Limited	**Number of ordinary fully paid shares**
Anthony Haggarty	4,036,589
Robin Morritt	13,555,000
Andrew Plummer	884,146
Zeng Shao Xiong	-
Jeff Fan	-

Environmental regulation

The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental requirements.

Based on results of enquiries made, the directors are not aware of any significant breaches during the period covered by this report.

Indemnification and insurance of officers

During the financial year, the Company arranged insurance to indemnify each director and officer holding office during the year against any liabilities for costs and expenses incurred by them, including legal expenses, as a result of any third party proceedings arising from their conduct as directors and officers of the Company, other than dishonest or criminal intent, improper gain, or insider trading in relation to the Company. The Company paid a premium of $29,286 (2008 $27,043), exclusive of GST, for this insurance cover.

Non-audit services

During the year, KPMG, the Company's auditor, did not provide any other services in addition to their statutory duties. Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit services provided during the year are set out below.

	Consolidated	
Audit Services	**2009**	2008
	$	$
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	**52,500**	63,500

Remuneration Report (Audited)

The Company has 4 non-executive directors and 1 chief executive officer. A remuneration policy is in place for the chief executive officer.

Contract terms and conditions

All directors are paid for the time incurred in attending board meetings. Non executive directors do not receive performance based remuneration and no bonuses were paid in respect of the current or previous financial years.

No director remuneration package includes terms for redundancy, retirement or termination benefits. No such amounts were accrued or paid for any director or the Chief Executive Officer during the current financial year.

Each director's terms of employment are set out as follows:

Mr Haggarty (Non-Executive Chairman)

During the financial year, an entity controlled by Mr. Haggarty was paid at the rate of $30,987 p.a. plus 9% statutory superannuation for Mr. Haggarty to be a non-executive Director and Chairman (2008 $30,987 plus 9% statutory superannuation).

Any further work on behalf of the Company is paid on a time incurred basis. No annual or long service leave accrues to Mr Haggarty.

Dr Morritt (Non-Executive)

During the financial year, Dr Morritt was paid at the rate of $26,400 p.a. plus 9% statutory superannuation (2008 $26,400 p.a. plus 9% statutory superannuation) plus a telephone cost allowance $2,960 (2008 $Nil) to be a non-executive Director. Any further work on behalf of the Company is paid on a time incurred basis. No annual or long service leave accrues to Dr Morritt.

Mr Plummer (Non-Executive)

During the financial year, an entity controlled by Mr. Plummer was paid at the rate of $26,400 p.a. plus 9% statutory superannuation (2008 $26,400 p.a. plus 9% statutory superannuation) for Mr Plummer to be a non-executive Director. Any further work on behalf of the Company is paid on a time incurred basis. No annual or long service leave accrues to Mr Plummer.

Mr Zeng (Non-Executive)

During the financial year, an entity associated with Mr Zeng was paid at the rate of $26,400 p.a. plus 9% statutory superannuation for Mr Zeng to be a non-executive Director. Any further work on behalf of the Company is paid on a time incurred basis. No annual or long service leave accrues to Mr Zeng.

Remuneration Report (continued)

Mr. Simon Bird (Chief Executive Officer)

Mr Bird was appointed Chief Executive Officer on 1 January 2009 and his employment contract is summarised as follows:

Base Remuneration	$350,000 per annum inclusive of salary and 9% superannuation.
Incentive Payment	At the Board's discretion, a cash bonus may be paid at the end of the financial year.
Options	Three tranches of options were issued to Mr Bird. Details of these options are set out below. If Mr Bird ceases to be an employee of the Company, for any reason, those of the options which have not vested will lapse, unless the Board resolves otherwise.
Annual, Personal and Long Service Leave	Mr Bird is entitled to standard statutory annual leave, personal (sick) leave and long service leave.
Termination	Either the Company or Mr Bird may terminate Mr Bird's employment at any time with one month's written notice. If Mr Bird has completed at least five years continuous service with the Company, the Board will give one week additional written notice.

Upon termination, retrenchment, redundancy or retirement:

(a) All untaken annual leave since the 1 January 2009 will be paid on the remuneration package applicable at termination;

(b) All untaken LSL will be paid on the remuneration package applicable at termination;

(c) All outstanding business expenses (telephone, company expenses) will be paid up to the date of termination; and

(d) Payment in lieu of notice or part of the notice period may be paid on the remuneration package applicable at termination.

In the event of Mr Bird's retrenchment or redundancy, the Company will pay Mr Bird an amount equal to six months of his annual remuneration package applicable at the time of termination.

The Board may terminate Mr Bird's employment agreement at any time without prior notice if he commits any serious or persistent breach of any of the provisions of that agreement or the Board has reasonable grounds to suspect that he has engaged in serious misconduct or wilful neglect in the discharge of his duties.

Remuneration Report (continued)

Options issued to Directors or Executives

There were no options issued to Directors or Executives during or since the end of the financial year, nor during the previous financial year; excepting 4,500,000 options granted on 21 January 2009 to Mr Bird as follows:

Each Option provides the right for the option holder to acquire one fully paid Share upon payment of each Exercise Price for each Share, as follows:

(a) 1,000,000 options (Tranche 1 Options) vesting on 1 January 2010, after continuous employment of one year and for an Exercise Price of A$ 25 cents each;

(b) 1,500,000 options (Tranche 2 Options) vesting on 1 January 2011, after continuous employment of two years and for an Exercise Price of A$ 50 cents each ; and

(c) 2,000,000 options (Tranche 3 Options) vesting on 1 January 2012 and after continuous employment of three years and for an Exercise Price of A$1.00 each.

The Expiry Date of all these Options is 31 December 2013.

During the financial year, no shares were issued on the exercise of options previously granted as compensation.

Remuneration Report (continued)

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the named Company executives and relevant group executives who receive the highest remuneration are:

		Short-term			
		Salary & fees	Cash bonus	Non-monetary benefits	Total
		$	$	$	$
Directors					
A Haggarty[1]	**2009**	**30,987**	**-**	**-**	**30,987**
	2008	30,987	-	-	30,987
R Morritt[2]	**2009**	**29,360[3]**	**-**	**-**	**29,360**
	2008	26,400	-	-	26,400
A Plummer[1]	**2009**	**26,400**	**-**	**-**	**26,400**
	2008	26,400	-	-	26,400
Zeng Shao Xiong (appointed 16 September 2008)[4]	2009	20,900	-	-	20,900
	2008	-	-	-	-
Executive					
S Bird (CEO appointed 1/1 2009)	**2009**	**158,316**	**-**	**2,436**	**160,752**
	2008	-	-	-	-
N Lambeth (CEO resigned 31/12/ 2008)[5]	**2009**	**151,376**	**40,000**	**-**	**191,376**
	2008	302,752	-	-	302,752
Total compensation (Consolidated Entity and Company)	**2009**	**417,339**	**40,000**	**2,436**	**459,775**
	2008	386,539	-	-	386,539

[1] For the year ended 30 June 2009 the Company paid a total of $128,380 (2008 $108,419) to companies controlled by Messrs. Haggarty and Plummer for Mr. Haggarty's director fees $33,776 (2008 $33,776), Mr Plummer's director fees $28,776 (2008 $28,776), office sub-rental and services and office supplies $8,500 (2008 $ 45,867) and consulting services $57,328 (2008 $Nil). The office sub-rental agreement was terminated effective 31 May 2008.

[2] In addition to director fees paid to Dr Morritt personally, for the year ended 30 June 2009 the Company paid consulting fees totaling $57,500 (2008 $Nil) to a company controlled by Dr Morritt.

[3] Includes a telephone allowance totaling $2,960 paid to Dr Morritt (2008 $Nil).

[4] For the year ended 30 June 2009 the Company paid director fees totaling $22,781 (2008 $Nil) to a company associated with Mr. Zeng.

[5] For the year ended 30 June 2009 the Company also paid consulting fees totalling $3,520 (2008 $Nil) to Mr. Lambeth.

Post-employment Super benefits $	Other long term $	Termination benefits $	Share-based payments $	Total $	Proportion of remuneration performance related	Value of options as proportion of remuneration %
2,789	**-**	**-**	**-**	**33,776**	**-**	**-**
2,789	-	-	-	33,776	-	-
2,376	**-**	**-**	**-**	**31,736**	**-**	**-**
2,376	-	-	-	28,776	-	-
2,376	**-**	**-**	**-**	**28,776**	**-**	**-**
2,376	-	-	-	28,776	-	-
1,881	-	-	-	22,781	-	-
-	-	-	-	-	-	-
14,248	**-**	**-**	**67,500**	**242,500**	**67,500**	**27.8**
-	-	-	-	-	-	-
17,224	**-**	**51,543**	**-**	**260,143**	**40,000**	**15.4**
27,248	-	-	-	330,000	-	-
40,894	**-**	**51,543**	**67,500**	**619,712**	**107,500**	**17.3**
34,789	-	-	-	421,328	-	-

Remuneration Report (continued)

Shares under option

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that vested during the reporting period are as follows:

	Number of options granted during 2008	Grant Date	Fair value per option at grant date A$	Exercise price per option A$	Expiry date	Number of options vested during 2009
Executive						
S Bird	1,000,000	21 January 2009	9 cents	25 cents	31 December 2013	-
	1,500,000	21 January 2009	6 cents	50 cents	31 December 2013	-
	2,000,000	21 January 2009	Nil	$1.00	31 December 2013	-

No options have been granted since the end of the financial year.

Unless the Board resolves otherwise, all options granted to S Bird expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable for five years from employment date (1 January 2009). For options granted in the current year, the earliest exercise date is 1 January 2010.

The options were provided at no cost to the recipient.

No terms of equity settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

During the financial year, the following shares were issued on the exercise of options previously granted as compensation:

	Number of shares issued	Amount paid per share A $/share
Former Directors		
R Soper	450,000	0.001 cents
K Heywood	450,000	0.001 cents
Former Executive		
N Jones	100,000	0.001 cents

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2009 financial year.

Remuneration Report (continued)

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and each of the five named Company executives and Group executives are detailed below:

	Number	Grant Date	% vested in year	% forfeited in year [6]	Date at which grant vests
Executive					
S Bird	1,000,000	21 January 2009	-%	-%	1 January 2010
	1,500,000	21 January 2009	-%	-%	1 January 2011
	2,000,000	21 January 2009	-%	-%	1 January 2012

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person of the Group and each of the five named Company executives and Group executives is detailed below:

	Value of options		
	Granted in year[7]	Exercised in year[8]	Lapsed in year [9]
	A$	A$	A$
Executive			
S Bird	180,000	-	-
Former Directors			
R Soper	-	89,996	-
K Heywood	-	89,996	-
Former Executive			
N Jones	-	19,998	-
	180,000	199,990	-

[6] The % forfeited in the year represents the reduction from the maximum number of options available to vest due to performance criteria not being achieved.

[7] The value of options granted in the year is the fair value of the options calculated at grant date using a Black-Scholes pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in the period 1 January 2009 to 1 January 2012).

[8] The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

[9] The value of options that lapse during the year represents the benefit foregone and is calculated at the date the option lapsed using a pricing model assuming the performance criteria had been achieved. No options lapsed in the year.

Remuneration Report (continued)

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Expiry date	Vesting date	Issue price of shares A$	Number of shares under option
31 December 2013	1 January 2010	25 cents	1,000,000
31 December 2013	1 January 2011	50 cents	1,500,000
31 December 2013	1 January 2012	$1.00	2,000,000
			4,500,000

Unless the Board resolves otherwise, all options expire on the earlier of their expiry date or termination of the individual's employment. Subject to vesting and termination of the individual's employment, the options are exercisable for five years from employment date (1 January 2009).

There are no entitlements for the Company's option holders to participate in new issues of capital which may be offered to the Company's existing ordinary shareholders.

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options and closing performance shares as follows:

	Number of shares	Amount paid per share A$
Options	1,000,000	0.001 cents
Closing Performance Shares	16,000,000	0.001 cents
	17,000,000	

Corporate Governance

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2009. The Company is a small company with limited operations. Accordingly the Board considers that many of the corporate governance guidelines intended to apply to larger companies are not practical for the Company.

Principle 1: Lay Solid Foundations for Management and Oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board has adopted a Corporate Governance Policy, which defines functions reserved for the Board and those delegated to Management.

The Board is accountable to shareholders for the performance of the Company and has overall responsibility for its operations.

The Board's primary objective is to protect and enhance shareholder value within a defined, informed structure which protects the rights and interests of shareholders and other stakeholders by ensuring that the Company and its controlled entities are properly managed. The Board, together with senior management, is responsible to shareholders and other stakeholders for the Company's total business performance.

Management of the business of the Company is conducted by the Chief Executive Officer as designated by the Board and by officers and employees to whom the management function is delegated by the Chief Executive Officer.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Chief Executive Officer reviews the performance of senior executives and consultants.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Principle 1 information required by the Guide is disclosed above.

Principle 2: Structure the Board to Add Value

Recommendation 2.1: A majority of the board should be independent directors.

At present, the Board of four Directors are each non-executive, including the Chairman.

There is not a majority of independent directors. The Board considers that the Board's structure is still appropriate to the Company's size. Each Director-independent or not- brings an independent judgement to bear on Board decisions.

Corporate Governance (continued)

Directors may obtain independent professional advice at the Company's expense, subject to prior agreement and direction by the Board, on matters arising in the course of Company business. Directors also have access to senior Company managers and Company documents at all times.

Recommendation 2.2: The chairperson should be an independent director.

The Chairman is a non-executive Director, but not independent.

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

The Chairman and Chief Executive Officer are different individuals.

Recommendation 2.4: The board should establish a nomination committee.

The size of the Company does not warrant the formation of a Nomination or Remuneration Committee at this time. Appointments have been considered by the full Board.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board reviews the performance of the Chief Executive Officer.

Details of Directors' qualifications, experience, term of office and special responsibilities are in the Directors Report included in this Annual Report.

Potential nominations to the Board are assessed by the full Board. The Board may appoint a nominations or remuneration committee.

The Board undertakes self assessment of its collective performance. Individual performance is evaluated by the full Board.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

The Principle 2 information required by the Guide is disclosed above.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- The practices necessary to maintain confidence in the company's integrity
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Corporate Governance (continued)

The Company does not have a formal code of conduct, reflecting the Company's small size and close interaction of the small number of individuals throughout the organisation.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The directors, officers, consultants and employees of the Company are aware of their legal responsibilities and adhere to the following policy:

1. Directors, officers, consultants and employees of the Company shall, at all times, not breach the insider trading requirements of the Corporations Act 2001 and not deal in the Company's securities:

   (i) Except between three (3) and thirty (30) days after either the release of the Company's half-year and annual results to the Australian Securities Exchange, the annual general meeting or any major announcement; or

   (ii) Whilst in possession of price sensitive information.

2. In accordance with the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, directors must advise the Company and the Australian Securities Exchange of any interests held by that director, or his related entity, in securities or contracts of the Company.

Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Principle 3 information required by the Guide is disclosed above.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: The board should establish an audit committee.

The Company has established an audit committee.

Recommendation 4.2: Structure the audit committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the board
- at least three members.

The Company's Audit Committee comprises the full Board. The Chairman of the Audit Committee is also the Chairman of the Board.

This Audit Committee structure is considered to be commercially cost effective, and appropriate to the Company's size and structure.

Details of the Audit Committee Member's qualifications, experience, and special responsibilities are in the Directors Report included in this Annual Report.

The Audit Committee meets at least twice a year. The attendees are the Audit Committee Members; Chief Executive Officer; External Auditor and Company Secretary.

Recommendation 4.3: The audit committee should have a formal charter.

The Company does not have a formal audit committee charter, reflecting the Company's small size and close interaction of the small number of individuals throughout the organisation.

The primary role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by monitoring and reviewing, on behalf of the Board, the effectiveness of the Company's control environment in the areas of operational risk, legal compliance, regulatory compliance and financial reporting.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

The Principle 4 information required by the Guide is disclosed above.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.

The Board's policy is that shareholders are informed of all material developments that impact on the Company. Detailed continuous disclosure policy is intended to maintain the market integrity and market efficiency of the Company's shares listed on the ASX. This policy sets out the requirements of management to report to the Chief Executive Officer, any matter that may require disclosure under the Company's continuous disclosure obligations. The Chief Executive Officer is also required to report at each Board meeting on this issue. The continuous disclosure process ensures compliance with the Company's continuous disclosure and reporting obligations, consistent with the ASX Limited Listing Rules, and the Corporations Act 2001.

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

The Principle 5 information required by the Guide is disclosed above.

Principle 6: Respect the Rights of Shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company aims to convey to its shareholders pertinent information in a detailed, regular, factual and timely manner.

The Board ensures that the annual report includes relevant information about the operations of the Company during the year, and changes in the state of affairs of the Company, in addition to the other disclosures required by the Corporations Act 2001.

Information is communicated to shareholders by the Company through:

1. Placement of market announcements on the Company's web-site http://www.kingislandscheelite.com.au;
2. The annual and interim financial reports (for those shareholders who have requested a copy);
3. Disclosures to the Australia Securities Exchange;
4. Notices and explanatory memoranda of annual general meetings; and
5. All Shareholders are invited to attend and raise questions at the Annual General Meeting.

All shareholders are welcome to communicate directly with the Company.

All queries will be answered to the maximum extent possible (with consideration given to commercially sensitive information, privacy requirements and the Company's disclosure obligations) and in a timely fashion.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The Principle 6 information required by the Guide is disclosed above.

Principle 7: Recognise and Manage Risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Audit Committee has the responsibility to establish policies on the system of internal control and management of financial and business risks.

Risk matters are raised with the Audit Committee, which in turn manages these matters raised and reports to the full Board.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Chief Executive Officer manages the Company's material business risks and reports to the Audit Committee.

Materiality thresholds

The Company regularly reviews procedures, and ensures timely identification of disclosure material and materiality thresholds.

Materiality judgments can only be made on a case by case basis, when all the facts are available. The Board would consider an amount which is:

1. Equal to or greater than 10 per cent of the appropriate base amount as material, unless there is evidence or convincing argument to the contrary; and
2. Equal to or less than 5 per cent of the appropriate base amount not to be material unless there is evidence, or convincing argument, to the contrary.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company requires that these statements are certified by the Chief Executive and Chief Financial Officers.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Principle 7 information required by the Guide is disclosed above.

Principle 8: Remunerate Fairly and Responsibly

Recommendation 8.1: The board should establish a remuneration committee.

The full Board would act as a Remuneration Committee, as required.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Non-executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders.

Any structure for equity based executive remuneration must be commercially cost effective, and appropriate to the Company's size and structure.

The Board has regard in the performance of the duties set out herein to any published guidelines or

recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes which the Board considers relevant or appropriate.

Fees for non-executive directors reflect the demands on and responsibilities of our Directors. Non-executive Directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-executive directors do not receive any bonus payments nor are they provided with retirement benefits other than statutory superannuation.

There are no schemes for retirement benefits, other than statutory superannuation, for non-executive directors.

Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

The Principle 8 information required by the Guide is disclosed above.

Lead auditor's independence declaration

The lead auditor's independence declaration made under Section 307C of the Corporations Act 2001 is set out on page 64 and forms part of this Directors' Report.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of directors.

Anthony Haggarty
Chairman

Sydney
26 August 2009

Income Statements

Income statements

For the year ended 30 June 2009

		Consolidated		The Company	
		2009	2008	**2009**	2008
	Note	**$000**	$000	**$000**	$000
Revenue	3	**-**	-	**120**	-
Cost of sales		**-**	-	-	-
Gross profit		**-**	-	**120**	-
Employee expenses	4	**(684)**	(463)	**(684)**	(463)
Administrative expenses		**(989)**	(811)	**(989)**	(811)
Depreciation		**(5)**	(4)	**(5)**	(4)
Net loss on sale of property, plant and equipment		**(403)**	-	**(403)**	-
Mine rehabilitation benefit		**-**	6	-	6
Results from operating activities		**(2,081)**	(1,272)	**(1,961)**	(1,272)
Financial income – interest		**158**	156	**158**	156
Financial expense – interest		**(8)**	-	**-**	-
Net finance income		**150**	156	**158**	156
Loss before tax		**(1,931)**	(1,116)	**(1,803)**	(1,116)
Income tax benefit	6	**474**	706	**15**	372
Net loss attributable to members of the parent		**(1,457)**	(410)	**(1,788)**	(744)

		2009	2008
		cents	cents
Basic and diluted loss per share attributable to ordinary equity holders	7	**(2.5)**	(1.0)

The income statements are to be read in conjunction with the notes to the consolidated financial statements set out on pages 29 to 62.

Statements of changes in equity

as at 30 June 2009

Statements of changes in equity

For the year ended 30 June 2009

Consolidated	**Issued Capital**	**Accumulated losses**	**Share Option reserve**	**Total equity**
	$000	**$000**	**$000**	**$000**
Balance at 1 July 2007	39,226	(12,201)	170	**27,195**
Net loss for the year	-	(410)	-	**(410)**
Balance at 30 June 2008	39,226	(12,611)	170	**26,785**
Balance at 1 July 2008	39,226	(12,611)	170	**26,785**
Net loss for the year	-	(1,457)	-	**(1,457)**
Options granted to employee	-	-	67	**67**
Share issue	4,729	-	-	**4,729**
Balance at 30 June 2009	43,955	(14,068)	237	**30,124**
The Company				
Balance at 1 July 2007	39,226	(12,201)	170	**27,195**
Net loss for the year	-	(744)	-	**(744)**
Balance at 30 June 2008	39,226	(12,945)	170	**26,451**
Balance at 1 July 2008	39,226	(12,945)	170	**26,451**
Net loss for the year	-	(1,788)	-	**(1,788)**
Options granted to employee	-	-	67	**67**
Share issue	4,729	-	-	**4,729**
Balance at 30 June 2009	43,955	(14,733)	237	**29,459**

Amounts are stated net of tax

The statements of changes in equity should be read in conjunction with the notes to the consolidated financial statements set out on pages 29 to 62.

Balance Sheets

for the year ended 30 June 2009

Balance sheets

As at 30 June 2009

		Consolidated		The Company	
		2009	2008	**2009**	2008
	Note	**$000**	$000	**$000**	$000
Current assets					
Cash and cash equivalents	8	**3,745**	1,042	**3,690**	1,042
Trade and other receivables	9	**83**	69	**23**	68
Inventories	10	**28**	28	**28**	28
Total current assets		**3,856**	1,139	**3,741**	1,138
Non-current assets					
Trade and other receivables	9	**-**	-	**2**	2
Other financial assets	14	**-**	-	**16,863**	16,863
Property, plant and equipment	15	**494**	819	**434**	819
Intangible assets	16	**28,980**	27,838	**8,604**	7,999
Deferred tax assets	13	**-**	-	**2,008**	2,008
Total non-current assets		**29,474**	28,657	**27,911**	27,691
Total assets		**33,330**	29,796	**31,652**	28,829
Current liabilities					
Trade and other payables	17	**337**	256	**2,186**	2,339
Provisions	18	**7**	39	**7**	39
Total current liabilities		**344**	295	**2,193**	2,378
Non-current liabilities					
Loans and borrowings	19	**604**	-	**-**	-
Deferred tax liabilities	13	**2,258**	2,716	**-**	-
Total non-current liabilities		**2,862**	2,716	**-**	-
Total liabilities		**3,206**	3,011	**2,193**	2,378
Net assets		**30,124**	26,785	**29,459**	26,451
Equity					
Issued capital	20	**43,955**	39,226	**43,955**	39,226
Reserves		**237**	170	**237**	170
Accumulated losses		**(14,068)**	(12,611)	**(14,733)**	(12,945)
Total equity		**30,124**	26,785	**29,459**	26,451

The balance sheets should be read in conjunction with the notes to the consolidated financial statements set out on pages 29 to 62.

Statements of cash flows

for the year ended 30 June 2009

Statements of cash flows

For the year ended 30 June 2009

		Consolidated		The Company	
		2009	2008	**2009**	2008
	Note	**$000**	$000	**$000**	$000
Cash flows used in operating activities					
Cash receipts from Dolphin Joint Venture		**-**	-	**120**	-
Cash paid to suppliers and employees		**(1,549)**	(1,339)	**(1,730)**	(1,320)
Cash used in operations		**(1,549)**	(1,339)	**(1,610)**	(1,320)
Research and development expenditure tax rebate		**-**	372	**-**	372
Interest received		**158**	156	**158**	156
Net cash used in operating activities	24	**(1,391)**	(811)	**(1,452)**	(792)
Cash flows used in investing activities					
Payment for property, plant and equipment		**(84)**	(4)	**(24)**	(4)
Security deposit (payment) / refund		**(7)**	50	**-**	50
Purchase of industrial property		**(51)**	-	**(51)**	-
Purchase of exploration and evaluation assets		**(1,090)**	(2,028)	**(554)**	(2,028)
Net cash used in investing activities		**(1,232)**	(1,982)	**(629)**	(1,982)
Cash flows from financing activities					
Proceeds from the issue of share capital		**4,729**	-	**4,729**	-
Proceeds from borrowings		**597**	-	**-**	-
Net cash generated from financing activities		**5,326**	-	**4,729**	-
Net (decrease) / increase in cash and cash equivalents		**2,703**	(2,793)	**2,648**	(2,774)
Cash and cash equivalents at 1 July		**1,042**	3,835	**1,042**	3,816
Cash and cash equivalents at 30 June	8	**3,745**	1,042	**3,690**	1,042

The statements of cash flows should be read in conjunction with the notes to the consolidated financial statements set out on pages 29 to 62.

1 Significant accounting policies

King Island Scheelite Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity" or "Group") and the Consolidated Entity's interest in associates.

On 26 August 2009, the consolidated financial report was authorised for issue by the directors.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The financial report is presented in Australian dollars (AUD), which is also the Company's functional currency.

The financial report is prepared on the historical cost basis.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions used to support the book value of intangible assets, consisting of exploration and evaluation expenditure and mining rights, are reviewed on an ongoing basis. These assumptions include life of mine, strip ratio, finance discount rate, selective mining, US dollar (USD)/AUD exchange rate, production costs and AUD selling price of WO3(Wolframite Ore Tungsten Trioxide).

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report for the purposes of the Australian Accounting Standards.

The accounting policies have been applied consistently by all entities in the Consolidated Entity.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried in the Company's financial statements at the lower of cost and recoverable amount.

Associates

Associates are those entities for which the Consolidated Entity has significant influence, but not control, over the financial and operating policies. The financial report includes the Consolidated Entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Consolidated Entity's share of losses exceeds its interest in an associate, the Consolidated Entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements, investments in associates are carried at fair value.

Joint ventures

Joint ventures are those arrangements over whose activities the Consolidated Entity has joint control, established by contractual agreement.

Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in jointly controlled entities are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's share of the jointly controlled entity's net profit or loss is recognised in the consolidated income statement from the date joint control commenced until the date joint control ceases. The Consolidated Entity's share of the joint venture arrangements other movements in reserves are recognised directly in the consolidated reserves.

In the Company's financial statements, investments in jointly controlled entities are carried at cost.

Jointly controlled operations and assets

The interest of the Consolidated Entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(c) Basis of consolidation (continued)

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Consolidated Entity's interest in the entity, with adjustments made to the "Investment in associates" and "Share of associates' net profit" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the relevant assets are consumed or sold by the associate or jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Consolidated Entity's interest in such entities is disposed of.

(d) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1(i)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Consolidated Entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current period are as follows:

	2009	2008
plant and equipment	**2.5 to 7 years**	2.5 to 7 years

(e) Intangible assets

Mining Rights

Mining rights are stated at cost. Mining rights are amortised on a units of production basis over the life of the economically recoverable reserves, once production commences.

Exploration and evaluation expenditure

Pre-licence costs are recognised in the income statement as incurred.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

i the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

ii activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised as exploration and evaluation assets pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as intangible exploration and evaluation assets. When a licence is relinquished or a project abandoned, the related costs are recognised in the income statement.

Exploration and evaluation assets are amortised on a units of production basis over the life of the economically recoverable reserves, once production commences.

(f) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy 10).

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of mining inventories is determined using a weighted average basis. Cost includes direct material, overburden removal, mining, processing, labour, related transportation costs to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable overhead costs directly related to mining activities.

Net realisable value (NRV) is determined on the basis of the Consolidated Entity's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish NRV.

(i) Impairment

The carrying amounts of the Consolidated Entity's assets other than, inventories (see accounting policy 1(h)), and deferred tax assets (see accounting policy 1(o)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For intangible assets that are not yet available for use, the recoverable amount is estimated annually, or when facts and circumstances suggest the carrying amount may exceed its recoverable amount.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has been re-valued previously in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financial costs associated with dilutive ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary and dilutive potential ordinary shares adjusted for any bonus issue.

(k) Employee benefits

Share-based payment transactions

The grant date fair value of options granted to an employee is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non market vesting conditions are met.

(k) Employee benefits (continued)

Wages, salaries, and annual leave

Liabilities for employee benefits such as wages and salaries represent present obligations resulting from employees' services provided to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(l) Provisions

A provision is recognised in the balance sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site Restoration

In accordance with the Consolidated Entity's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when land is contaminated.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out in Note 1(d). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Mine rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of re-contouring, topsoiling and revegetation employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in mining property and development assets.

(l) Provisions (continued)

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the income statement as it occurs.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in the income statement in the period in which it occurs.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the income statement as incurred. Changes in the liability are charged to the income statement as rehabilitation expense, other than the unwinding of the discount which is recognised as a finance cost.

(m) Trade and other payables

Trade and other payable are stated at amortised cost.

(n) Financing Income and Expenses

Interest income is recognised as it accrues taking into account the effective yield on the financial asset.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(o) Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets recorded at each balance sheet date are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group.

(o) Income tax (continued)

Tax consolidation

As a consequence, all members of the tax-consolidated group are taxed as a single entity from 1 July 2004. The head entity within the tax-consolidated group is King Island Scheelite Limited.

Current tax expense/ income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "stand alone taxpayer" approach for each entity, as if it continued to be a taxable entity in its own right.

Any current liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the Company as amounts payable / (receivable) to / (from) other entities in the tax-consolidated group. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

As the tax-consolidated group has no income tax payable, the head entity has not entered into a tax funding arrangement in conjunction with other members of the tax-consolidated group which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) Derivatives

The financial entity does not hold any derivative financial instruments.

(r) Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(s) New Standards/Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.

AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group operates in a single segment (see Note 2). The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in a income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy (see Note 1(n)) for the Group. In accordance with the

(s) New Standards/Interpretations not yet adopted (continued)

transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 30 June 2010 financial statements.

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

2 Segment reporting

Business and geographical segments

The Consolidated Entity operates predominantly as a tungsten explorer in Australia.

3 Revenue

		Consolidated		The Company	
		2009	2008	**2009**	2008
	Note	**$000**	$000	**$000**	$000
Other income		-	-	-	-
Inter-company management fees		-	-	120	-
		-	-	120	-
4 Employee expenses					
Salaries and fees		599	405	599	405
Superannuation		50	36	50	36
Option expense		67	-	67	-
(Decrease) / Increase in annual leave provision		(32)	22	(32)	22
		684	463	684	463
5 Auditors' Remuneration					
Audit services					
Auditors of the Company KPMG Australia:					
Audit and review of financial reports		52,500	63,500	52,500	63,500
		52,500	63,500	52,500	63,500
6 Income tax benefit					
Numerical reconciliation between tax benefit and pre-tax net loss					
Loss before tax		(1,931)	(1,116)	(1,803)	(1,116)
Prima facie Income tax benefit using the domestic corporation tax rate of 30%		580	335	541	335
Loss on sale of fixed asset		(121)	-	(121)	-
(Decrease) / Increase in income tax benefit due to:					
Tax losses not recognised		-	-	(420)	(335)
Research and development expenditure tax rebate		15	371	15	372
Income tax benefit on pre-tax net loss		474	706	15	372
Recognised in the income statement					
Current year benefit		15	406	15	406
Deferred tax benefit/(expense)		459	300	-	(34)
		474	706	15	372

7 Loss per share

Basic and diluted loss per share

The calculation of basic and diluted loss per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $1,457,000 (2008: $410,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2009 of 57,350,407 (2008: 40,015,001), calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated	
	2009	2008
	$000	$000
Loss for the year	**(1,457)**	(410)

Weighted average number of ordinary shares

	Number of shares (thousands)	
	2009	2008
Issued ordinary shares at 1 July	**40,015**	40,015
Effect of shares issued 16 September 2008	**3,499**	-
Effect of shares issued 17 September 2008	**12,537**	-
Effect of shares issued 2 October 2008	**675**	-
Effect of shares issued 14 November 2008	**624**	-
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	**57,350**	40,015

As there are losses for the current and previous years attributable to ordinary shareholders, options issued by the Company (Note 25) are not dilutive.

8 Cash and cash equivalents

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Bank balances	**189**	1,042	**134**	1,042
Call deposits	**3,556**	-	**3,556**	-
Cash and cash equivalents in the statements of cash flows	**3,745**	1,042	**3,690**	1,042

9 Other receivables

Current				
Other receivables	**76**	27	**23**	26
Prepayments	**7**	42	**-**	42
	83	69	**23**	68
Non current				
Receivables due from controlled entities at fair value	**-**	-	**2**	2
	-	-	**2**	2
	83	69	**25**	70

10 Inventories

Finished goods	**28**	28	**28**	28

11 Interests in Joint Ventures

	Note	Ownership	
		2009 %	2008 %
Dolphin Joint Venture	30	50.0%	-
Balfour Joint Venture	30	35.0%	-

Dolphin Joint Venture (DJV)

During 2009, the unincorporated joint venture DJV was created to develop the King Island scheelite mine. Australian Tungsten Pty Ltd (ATPL) (a wholly owned subsidiary of the Company) and HNC (Australia) Scheelite Pty Ltd (HAS) (a wholly owned subsidiary of Hunan Non Ferrous Metals Corporation (HNC)) hold equal ownership of the DJV.

A wholly owned subsidiary of the Company, Scheelite Management Pty Ltd, manages the DJV on behalf of the partners.

DJV funding is provided as follows:

1. The Company's 50% share of development costs are by loan from HNC to ATPL (see Note 19), and then invested by ATPL into the DJV; and

2. The remaining 50% is from equity invested directly into the DJV by HAS.

There is a cross charge between ATPL and HAS. Each DJV participant (ATPL and HAS) jointly and severally charged all its DJV interest for the benefit of the other DJV participant as security for the due and punctual performance, observance and fulfilment of all its DJV obligations, collateral liabilities and payment in full of all secured money. The maximum prospective liability secured by this cross charge totals $200 million.

Balfour Joint Venture (BJV)

The Company continued to assess exploration potential and to that end on 9 February 2009 executed joint venture agreements with Pleiades Resources Pty Ltd (Pleiades) to explore for tin and tungsten within Pleiades Balfour Tenements in north-west Tasmania. This unincorporated joint venture is to conduct exploration work in relation to the tenements and, subject to a decision to mine, undertake development and mining operations.

The initial work program funded by the Company involved a gravity survey and geophysical analysis costing $180,000. This expenditure provided the Company with a 35% interest in the Balfour joint venture. The initial program was managed by Pleiades.

There is a cross charge between the Company and Pleiades. Each BJV participant (Company and Pleiades) jointly and severally charged all its BJV interest for the benefit of the other BJV participant as security for the due and punctual performance, observance and fulfilment of all its BJV obligations, collateral liabilities and payment in full of all secured money. The maximum prospective liability secured by this cross charge totals $100 million.

Refer to Note 30 for more details of the BJV. The Company's Director Dr Morritt is also a director and shareholder of Pleiades.

11 Interests in Joint Ventures (continued)

Eastern Feeder Holdings Pty Ltd

During 2008, the Company agreed to sell all the shares it owned in Eastern Feeder Holdings Pty Ltd, a wholly owned subsidiary which had a 74.5% interest in the Yarandoo sapphire mining operation located near Inverell New South Wales. The Yarandoo tenements are at Yarandoo (tenement AL2) and Narranvale (tenement ALA 29).

As consideration for this share sale, the purchaser agreed to:

1. Pay the Company a royalty at the rate of 5% of gross proceeds from sale of sapphires from the tenements for the royalty period commencing on the completion date for the period that sapphires are mined, extracted or taken from Yarandoo and Narranvale; and
2. Acquire the liabilities, arising before or after completion, in Eastern Feeder Holdings Pty Ltd, including any rehabilitation obligations with respect to the Yarandoo and Naranvale tenements.

These shares were transferred on 10 October 2007 to the purchaser.

12 Equity Accounted Investee

GTN Copper Technology Pty Ltd

				Ownership interest	
Name	Principal activities	Country of incorporation	Reporting date	**2009**	2008
GTN Copper Technology Pty Ltd	Evaluation of copper projects using Intec technology	Australia	30 June	**36.3%**	36.3%

The contribution by GTN Copper Technology Pty Ltd to the Consolidated Entity's operating result for the financial year ended 30 June 2009 was $Nil (2008 $Nil). There were no assets and liabilities employed in the joint venture included in the assets and liabilities of the Consolidated Entity at 30 June 2009 (2008 $Nil).

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	**2009**	2008	**2009**	2008
Consolidated	**$000**	$000	**$000**	$000	**$000**	$000
Intangible assets	**-**	-	**7,763**	7,458	**7,763**	7,458
Provisions	**(2)**	(12)	**-**	-	**(2)**	(12)
Tax losses	**(5,503)**	(4,730)	**-**	-	**(5,503)**	(4,730)
Tax (assets)/liabilities	**(5,505)**	(4,742)	**7,763**	7,458	**2,258**	2,716
Set off of tax	**5,505**	4,742	**(5,505)**	(4,742)	**-**	-
Net tax (assets)/liabilities	**-**	-	**2,258**	2,716	**2,258**	2,716
The Company						
Intangible assets	**-**	-	**2,559**	2,376	**2,559**	2,376
Provisions	**(2)**	(12)	**-**	-	**(2)**	(12)
Tax losses	**(4,565)**	(4,372)	**-**	-	**(4,565)**	(4,372)
Tax (assets)/liabilities	**(4,567)**	(4,384)	**2,559**	2,376	**(2,008)**	(2,008)
Set off of tax	**2,559**	2,376	**(2,559)**	(2,376)	**-**	-
Net tax (assets)/liabilities	**(2,008)**	(2,008)	**-**	-	**(2,008)**	(2,008)

14 Other Financial Assets

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Non Current assets				
Shares in subsidiaries at cost	**-**	-	**16,863**	16,863
	-	-	**16,863**	16,863

15 Property, Plant and Equipment

	Consolidated			The Company		
	Land	Plant and equipment	**Total**	Land	Plant and equipment	**Total**
	$000	$000	**$000**	$000	$000	**$000**
Cost						
Balance at 1 July 2007	803	213	**1,016**	803	18	**821**
Additions	4	-	**4**	4	-	**4**
Disposals	-	(195)	**(195)**	-	-	**-**
Balance at 30 June 2008	807	18	**825**	807	18	**825**
Balance at 1 July 2008	807	18	**825**	807	18	**825**
Additions	-	84	**84**	-	24	**24**
Disposals	(404)	-	**(404)**	(404)	-	**(404)**
Balance at 30 June 2009	403	102	**505**	403	42	**445**
Depreciation						
Balance at 1 July 2007	-	(197)	**(197)**	-	(2)	**(2)**
Disposals	-	195	**195**	-	-	**-**
Depreciation change for the year	-	(4)	**(4)**	-	(4)	**(4)**
Balance at 30 June 2008	-	(6)	**(6)**	-	(6)	**(6)**
Balance at 1 July 2008	-	(6)	**(6)**	-	(6)	**(6)**
Disposals	-	-	**-**	-	-	**-**
Depreciation change for the year	-	(5)	**(5)**	-	(5)	**(5)**
Balance at 30 June 2009	-	(11)	**(11)**	-	(11)	**(11)**
Carrying amounts						
At 1 July 2007	803	16	**819**	803	16	**819**
At 30 June 2008	807	12	**819**	807	12	**819**
At 1 July 2008	807	12	**819**	807	12	**819**
At 30 June 2009	403	91	**494**	403	31	**434**

16 Intangible assets

	Consolidation				Company		
	Exploration and evaluation	Other	Mining Rights	**Total**	Exploration and evaluation	Industrial Rights	**Total**
	$000		$000	**$000**	$000		**$000**
Cost							
Balance at 1 July 2007	5,971	-	19,839	**25,810**	5,970	-	**5,970**
Additions	2,028	-	-	**2,028**	2,028	-	**2,028**
Other	-	-	-	**-**	1	-	**1**
Balance at 30 June 2008	7,999	-	19,839	**27,838**	7,999	-	**7,999**
Balance at 1 July 2008	7,999	-	19,839	**27,838**	7,999		**7,999**
Additions	1,091	51	-	**1,142**	554	51	**605**
Balance at 30 June 2009	9,090	51	19,839	**28,980**	8,553	51	**8,604**

Exploration and evaluation assets

The recoverability of the carrying amounts of exploration and evaluation assets and mining rights is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

17 Trade and other payables

	Consolidated		The Company	
	2009	2008	**2009**	2008
Current	**$000**	$000	**$000**	$000
Trade payables	**128**	203	**41**	203
Other trade payables and accrued expenses	**209**	53	**62**	53
Amount payable to controlled entity	**-**	-	**2,083**	2,083
	337	**256**	**2,186**	**2,339**

18 Provisions-current

	Consolidated			The Company		
	Mine rehabilitation	Employee Entitlement for Annual Leave	**Total**	Mine rehabilitation	Employee Entitlement for Annual Leave	**Total**
	$000	$000	**$000**	$000	$000	**$000**
Cost						
Balance at 30 June 2007	57	17	**74**	10	17	**27**
Provisions (used) / made during the year	(57)	22	**(35)**	(10)	22	**12**
Balance at 30 June 2008	-	39	**39**	-	39	**39**
Provisions (used) / made during the year	-	(32)	**(32)**	-	(32)	**(32)**
Balance at 30 June 2009	-	7	**7**	-	7	**7**

19 Loans and Borrowings – non current

Consolidated

	Currency	Interest Rate per annum	Year of Maturity	2009		2008	
				Face Value	**Carrying Amount**	Face Value	Carrying Amount
				$000	**$000**	$000	$000
Loan from Hunan Nonferrous Metals Corporation Ltd	AUD	8% fixed	2019				
Cash calls				**597**	**597**	-	-
Interest payable				**7**	**7**	-	-
				604	**604**	-	-

Summary of loan terms

Borrower
Australian Tungsten Pty Ltd (ATPL) (see Note 23)
Lender
Hunan Nonferrous Metals Corporation Ltd (HNC)
Commencement Date
6 February 2009

19 Loans and Borrowings – non-current (continued)

Facility Rate

Means on any day, 8% per annum.

Facility Limit

$63,250,000

Borrower's Expenses

Means the Borrower's expenses relating to the Dolphin Joint Venture (see Note 11) that have been actually paid during the relevant period including cash calls and any tax to the extent it relates to the Dolphin Joint Venture but excluding:

1. Any amount paid under the loan; and
2. GST on those expenses to the extent that an input tax credit can be claimed.

Borrower's Receipts

Means the proceeds that have been actually received during the relevant period by the Borrower from the sale of the Borrower's Participating Share of product.

Participating Share

Means:

1. ATPL 50%; and
2. HNC (Australia) Scheelite Pty Ltd (a wholly owned subsidiary of HNC) 50%.

Free Cashflow

Means the amount calculated by deducting the Borrower's Expenses from the Borrower's Receipts.

Repayment Amount

Means at any time where the aggregate of all money owing:

1. Is less than or equal to $55,000,000, means 60% of the Free Cashflow; and
2. Exceeds $55,000,000, means 90% of the Free Cashflow.

Interest Period

Each interest period is of approximately six calendar months' duration. The first interest period commences on the Commencement Date and the last interest period is adjusted to end on the termination date, when money owing is repaid in full.

Interest and Principal Repayment

Borrower must repay principal and pay any interest to the Lender on the last day of each Interest Period or the following business day if such last day is not a business day.

19 Loans and Borrowings – non-current (continued)

The amount to be repaid for each Interest Period is equivalent to the Repayment Amount for that Interest Period on the basis that such amount is applied to pay interest first and then to repay principal.

If any amount that is due and payable is not paid, interest will accrue on each day on such amount at the rate of 10% per annum. The Borrower must pay any such interest on demand. That interest accrues before and after any judgment.

Interest Capitalisation

If for any Interest Period, the Repayment Amount is insufficient to pay all of the interest calculated for that Interest Period, the amount of interest that is unpaid is capitalised on the last day of that Interest Period.

Any interest capitalised is payable by the Borrower at the end of the subsequent Interest Period and bears interest at the Facility Rate on and from the date of its capitalisation.

Security

The loan is secured in favour of loan from HNC to ATPL by the following granted to HNC:

1. Guarantee granted by King Island Scheelite Limited for a period of 10 years after the last loan re-payment, unless agreed to be earlier by HNC acting in good faith;
2. Share mortgage over all the issued shares in Australian Tungsten Pty Ltd, and any new rights in those shares, held by King Island Scheelite Limited; and
3. A fixed charge over certain assets granted by ATPL (including all Dolphin Joint Venture tenements, all real and leasehold property, unpaid capital, environmental authorities, cash calls, plant and equipment, insurance policies, mining information, mining rights, any joint venture interest, intellectual property and goodwill) and then a floating charge over all remaining ATPL assets. The maximum prospective liability secured by this charge totals $200 million.

Loan Expiry

ATPL must repay all of the loan money owing on the date which is the earlier of:

1. The date on which ATPL disposes of its interest in the Dolphin Joint Venture; and
2. Ten years after the Commencement Date (or such other date agreed in writing by the parties).

20 Capital and reserves

Share capital

	The Company	
	2009	2008
	Number of shares	Number of shares
Ordinary shares, fully paid		
On issue at 1 July	**40,015,001**	40,015,001
Shares issued 16 September 2008	**4,450,000**	-
Shares issued 17 September 2008 on conversion of Performance Shares	**16,000,000**	-
Shares issued 2 October 2008	**908,757**	-
Shares issued 14 November 2008	**1,000,000**	
On issue at 30 June	**62,373,758**	40,015,001
First Tranche Closing Performance Shares, fully paid		
On issue at 1 July	**8,000,000**	8,000,000
Converted into fully paid ordinary shares 17 September 2008	**(8,000,000)**	-
On issue at 30 June	**-**	8,000,000
Second tranche Closing Performance Shares, fully paid		
On issue at 1 July	**8,000,000**	8,000,000
Converted into fully paid ordinary shares 17 September 2008	**(8,000,000)**	-
On issue at 30 June	**-**	8,000,000

Closing Performance Shares

The First Tranche Closing Performance Shares (CPSs) issued to the vendors of ATPL are exercisable at any time during the period commencing with the achievement of the funding and financing arrangements for the King Island Scheelite project (Financial Close). The Second Tranche CPSs issued to the vendors of Australian Tungsten Pty Ltd are exercisable at any time during the period after Financial Close and a minimum of 2 years from the date of issue. Holders of CPS have:

(a) No right to any dividend prior to conversion into ordinary shares;

(b) The right to be notified by the Company of Financial Close within 5 Business Days of Financial Close;

(c) The right on redemption and the right on winding up or reduction of capital pari passu with any other First Tranche CPS and pari passu with ordinary shares of the Company to the repayment of the Initial Subscription Amount for the First Tranche CPSs;

(d) No right to participate in the surplus profits or assets of the Company;

(e) The right to receive all notices, audited accounts and the reports which the holders of ordinary shares are entitled to receive;

(f) The right to attend any general meeting of the Company, but not to vote or to move or second any resolution or speak at any meeting except in respect of a resolution which directly affects any of the rights, privileges or conditions attaching to the CPSs or the exercise and enjoyment of such rights, privileges or conditions, in the event of which each CPS shall confer on its holder one vote on a show of hands and one vote on a poll; and

(g) Ordinary shares issued on conversion of the CPSs will rank pari passu in all respects with other ordinary shares of the Company. The Company will apply for quotation on the ASX of all ordinary shares of the Company issued on conversion of CPSs.

20 Capital and reserves (continued)

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Ordinary shares, fully paid				
Balance at beginning of year	**29,306**	29,306	**29,306**	29,306
16,000,000 ordinary fully paid shares issued on conversion of Performance Shares	**9,920**	-	**9,920**	-
4,450,000 ordinary fully paid shares issued for cash	**4,450**	-	**4,450**	-
908,757 ordinary fully paid shares issued for cash	**279**	-	**279**	-
Balance at end of year	**43,955**	29,306	**43,955**	29,306
First Tranche Closing Performance Shares, fully paid [10]				
Balance at beginning of year	**4,960**	4,960	**4,960**	4,960
8,000,000 First Tranche Closing Performance Shares converted into fully paid ordinary shares	**(4,960)**	-	**(4,960)**	-
Balance at end of year	**-**	4,960	**-**	4,960
Second Tranche Closing Performance Shares, fully paid [10]				
Balance at beginning of year	**4,960**	4,960	**4,960**	4,960
8,000,000 Second Tranche Closing Performance Shares converted into fully paid ordinary shares	**(4,960)**	-	**(4,960)**	-
Balance at end of year	**-**	4,960	**-**	4,960
Total issued capital at end of year	**43,955**	39,226	**43,955**	39,226

[10] In the event of winding up of the Company ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation.

No dividends have been declared or paid by the Company during or since the end of the financial year. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled.

The Closing Performance Shares of the Company issued on 30 May 2005 were convertible into ordinary fully paid shares in accordance with the conditions disclosed below.

These shares represented consideration for the Company's acquisition of Australian Tungsten Pty Limited for which the conversion to ordinary shares is contingent on the King Island scheelite mine project achieving Financial Close.

At 30 June 2007, the Directors concluded that Financial Close was probable, triggering the recognition of the contingent consideration. This recognition of contingent consideration does not necessarily mean that these CPSs will be exercisable, as exercising these CPSs still requires the achievement of Financial Close.

As the consideration is in the form of equity, the additional value ascribed to the First and Second Tranche Closing Performance Shares was calculated by reference to the closing market price of the Company's ordinary shares at the date of issue, being 30 May 2005.

On 16 September 2008, the independent Board resolved that there is sufficient funding available to develop the King Island scheelite mine project and Financial Close was triggered. The holders of all Closing Performance Shares were then notified of this resolution and all holders instructed the Company to convert 16,000,000 Closing Ordinary Shares into 16,000,000 ordinary fully paid shares. This conversion occurred on 17 September 2008.

21 Financial Instruments

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Consolidated	Effective interest rate %	**Total** **$000**	6 months or less $000	6-12 months $000	1-2 years $000	2-5 years $000	More than 5 years $000
2009							
Cash and cash equivalents	6.6	**3,745**	3,745	-	-	-	-
Loan payable	8.0	**604**	-	-	-	-	604
2008							
Cash and cash equivalents	6.4	**1,042**	1,042	-	-	-	-
The Company							
2009							
Cash and cash equivalents	6.7	**3,690**	3,690	-	-	-	-
2008							
Cash and cash equivalents	6.4	**1,042**	1,042	-	-	-	-
2008							

Fair values

The fair values together with the carrying amounts shown in the balance sheets are as follows:

Consolidated	Note	**Carrying amount** **2009** **$000**	Fair value 2009 $000	**Carrying amount** **2008** **$000**	Fair value 2008 $000
Trade and other receivables	9	**83**	83	**69**	69
Cash and cash equivalents	8	**3,745**	3,745	**1,042**	1,042
Trade and other payables	17	**(337)**	(337)	**(256)**	(256)
Loan payable		**(604)**	(604)	**-**	-
		2,887	2,887	**855**	855
The Company					
Trade and other receivables	9	**25**	25	**70**	70
Cash and cash equivalents	8	**3,690**	3,690	**1,042**	1,042
Trade and other payables	17	**(2,186)**	(2,186)	**(2,339)**	(2,339)
		1,529	1,529	**(1,227)**	(1,227)

22 Lease and exploration expenditure commitments

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Lease commitments				
Non-cancellable operating leases				
Contracted but not provided for and payable:				
Within one year	**40**	11	**-**	11
One year or later and not later than five years	**75**	-	**-**	-
Later than five years	**-**	-	**-**	-
	115	11	**-**	11

The 2009 non-cancellable operating leases are for the Sydney and Grassy offices. The lessee in each case is Scheelite Management Pty Ltd as manager of the Dolphin Joint Venture (DJV). The 2009 amounts are a 50% share of total lease commitments by the DJV.

Each of these leases is for a three year term expiring 30 April 2012, with an option to renew for a further three years.

In 2008 the office lessee was the Company and the 2008 totals represent 100% of commitments for a two year office lease, which expired 18 December 2008.

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Within one year	**30**	133	**-**	-
One year or later and not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	30	133	**-**	-

23 Consolidated entities

	Country of incorporation	Ownership interest 2009 %	2008 %
Parent entity			
King Island Scheelite Limited	Australia		
Subsidiaries			
Scheelite Management Pty Ltd	Australia	**100**	100
GTN Tanzania Pty Ltd	Tanzania	**100**	100
GTN Operations Pty Ltd	Tanzania	**65**	65
Australian Tungsten Pty Ltd	Australia	**100**	100

In the financial statements of the Company, investments in controlled entities and associates are measured at cost and included with other financial assets. Refer to Note 14.

24 Reconciliation of cash flows from operating activities

	Consolidated		The Company	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Cash flows from operating activities				
Net loss attributable to members of the parent	**(1,457)**	(410)	**(1,788)**	(744)
Adjustments for:				
(Receipts) / Payments for security deposits	**-**	(50)	**-**	(50)
Loss on sale of fixed asset	**404**	-	**404**	-
Depreciation and impairment	**5**	4	**5**	4
Interest capitalised	**8**	-	**-**	-
Employee options granted and expensed	**68**	-	**68**	-
Operating loss before changes in working capital and provisions	**(972)**	(456)	**(1,311)**	(790)
(Increase) / Decrease in receivables	**(7)**	64	**44**	31
Increase / (Decrease) in payables	**91**	(49)	**(153)**	(45)
(Decrease)/ Increase in provisions	**(43)**	(35)	**(32)**	12
Decrease in deferred tax liability	**(460)**	(335)	**-**	-
Net cash used in operating activities	**(1,391)**	(811)	**(1,452)**	(792)

25 Share-based payments

The following options were granted on 21 January 2009 to the Chief Executive Officer :

(a) 1,000,000 options (Tranche 1 Options) vesting on 1 January 2010, after continuous employment of one year and for an Exercise Price of A$ 25 cents each;

(b) 1,500,000 options (Tranche 2 Options) vesting on 1 January 2011, after continuous employment of two years and for an Exercise Price of A$ 50 cents each ; and

(c) 2,000,000 options (Tranche 3 Options) vesting on 1 January 2012 and after continuous employment of three years and for an Exercise Price of A$1.00 each.

25 Share-based payments (continued)

Each Option provides the right for the option holder to acquire one fully paid Share upon payment of each Exercise Price for each Share. The Expiry Date of all these Options is 31 December 2013.
Employee options expenses for the year ended 30 June 2009 totalled $67,000 (2008 $Nil) and this expense was determined by measuring the fair value of services received based on the fair value of share options granted. This fair value was measured using a Black Scholes model and the following inputs:

	Tranche 1 Options	Tranche 2 Options	Tranche 3 Options
Fair Value at grant date	9 cents	6 cents	-
Share price	15 cents	15 cents	15 cents
Exercise Price	25 cents	50 cents	$1.00
Expected volatility (weighted average volatility)	103.1%	103.1%	103.1%
Option life	4 years	3 years	2 years
Expected dividends	-	-	-
Risk-free interest rate (based on government bonds)	3.45%	3.45%	3.45%

26 Auditor's Remuneration

During the year, KPMG, the Company's auditor, did not provide any other services in addition to their statutory duties. Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit services provided during the year are set out below.

	Consolidated		**The Company**	
	2009	2008	**2009**	2008
Audit Services	**$**	$	**$**	$
Auditors of the Company				
KPMG Australia				
Audit and review of financial reports	**52,500**	63,500	**52,500**	63,500

27 Key management personnel disclosures

Individual directors and executive compensation disclosures

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

27 Key management personnel disclosures (continued)

Movements in securities

The movement during the reporting period in the number of securities of King Island Scheelite Limited held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

Directors	Securities	Balance of shares at the start of the year or date of appointment, as applicable	Acquired	Sold	Transfer In / (Out)	Balance of shares at the end of the year or date of resignation, as applicable
Year ended 30 June 2009						
Anthony Haggarty	Fully paid ordinary shares	4,036,589		-	-	4,036,589
Robin Morritt	Fully paid ordinary shares	5,555,000	-	-	8,000,000[11]	13,555,000
	First tranche closing performance shares	4,000,000	-	-	(4,000,000)[11]	-
	Second tranche closing performance shares	4,000,000	-	-	(4,000,000)[11]	-
Andrew Plummer	Fully paid ordinary shares	884,146	-	-	-	884,146
Zeng Shao Xiong		-	-	-	-	-
Year ended 30 June 2008						
Anthony Haggarty	Fully paid ordinary shares	4,017,589	10,000[12] 9,000[12]			4,036,589
Robin Morritt	Fully paid ordinary shares	5,555,000	-	-	-	5,555,000
	First tranche closing performance shares	4,000,000	-	-	-	4,000,000
	Second tranche closing performance shares	4,000,000	-	-	-	4,000,000
Andrew Plummer	Fully paid ordinary shares	884,146	-	-	-	884,146

The terms and conditions of the grant of first and second tranche options are outlined in Note 4 to the accounts; and terms and conditions of closing performance shares are outlined in Note 20.

[11] Transfer of Closing Performance Shares. See Note 20.

[12] Off-Market trade

27 Key management personnel disclosures (continued)

Equity holdings and transactions

Directors' transactions with the Company or its controlled entities

Aggregate amounts payable to directors and their director related entities for unpaid directors' fees, statutory superannuation owed to each director's superannuation fund, and consulting fees at balance date were as follows:

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Accounts Payable - current				
Anthony Haggarty	**-**	15,557	**-**	15,557
Robin Morritt	**-**	859	**-**	859
Andrew Plummer	**-**	7,913	**-**	7,913

The terms and conditions of the transactions with directors or their director related entities, outlined above, were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director-related entities on an arm's length basis.

During the financial year, companies associated with Messrs Haggarty and Plummer rendered accounting business consulting services, sub-let office space and provided sundry office support services to the Company. These charges were made to the Company on normal terms and conditions and in the ordinary course of business. Following are details of these charges:

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Office rent and supplies	**8,500**	45,867	**8,500**	45,867
Consulting fees	**57,328**	-	**57,328**	-
	65,828	45,867	**65,828**	45,867

This office sub-rental agreement was terminated effective 31 May 2008.

During the financial year, a company associated with Dr Morritt rendered consulting services costing $57,500 (2007 $Nil) to the Company. These charges were made to the Company on normal terms and conditions and in the ordinary course of business.

28 Non key management personnel disclosures

Identity of related parties

The Consolidated Entity has a related party relationship with its subsidiaries (see Note 23), an associate and joint ventures (see Note 11), and with its directors and executive officers (see Note 25).

Other related party transactions

The classes of non-director related parties are:

- wholly owned subsidiaries;
- partly owned subsidiaries;
- commonly controlled subsidiaries;
- joint ventures;
- associates; and
- directors of related parties and their personally related entities.

Transactions with non-director related parties are set out below.

Wholly-owned group loans

Loans to and from wholly owned controlled entities are denominated in Australian dollars, are unsecured, interest free and repayable on demand. The directors do not plan to call the loans in the next 12 months.

Aggregate amounts receivable from and payable to entities in the wholly owned Consolidated Entity at balance date:

	Note	Consolidated		The Company	
		2009	2008	2009	2008
		$000	$000	$000	$000
Receivables					
Non Current	9	-	-	2	2
Payables					
Current	17	-	-	2,083	2,083

Partly owned controlled entities

Details of interests in partly owned controlled entities are set out in Note 23.

29 Financial Risk Management

Overview

This note presents information about the Company's and Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company and the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

29 Financial Risk Management (continued)

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the balance sheet date there were no significant concentrations of credit risk.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

As it has been estimated that there are no incurred losses, the Company and Group have not established an allowance for impairment in respect of other receivables and investments. The management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Consolidated Carrying Amount		The Company Carrying Amount	
		2009	2008	**2009**	2008
		$000	$000	**$000**	$000
Current					
Cash and cash equivalents	8	**3,745**	1,042	**3,690**	1,042
Other receivables	9	**76**	27	**23**	26
Prepayments	9	**7**	42	**-**	42
Non current					
Receivables due from controlled entities at fair value	9	**-**	-	**2**	2

Impairment losses

None of the Group's other receivables are past due (2008: nil).

29 Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	$000	$000	$000	$000	$000	$000	$000
30 June 2009							
Trade payables	128	128	128	-	-	-	
Other trade payables and accrued expenses	209	209	209	-	-	-	
Loan payable	604	604	-	-	-		604
30 June 2008				-	-	-	
Trade payables	203	203	203	-	-	-	
Other trade payables and accrued expenses	53	53	53	-	-	-	

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group and the Company is not exposed to currency risk and at balance sheet date the Group and the Company holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 30 day rolling periods.

29 Financial Risk Management (continued)

Profile

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	Consolidated Carrying amount		Company Carrying amount	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Fixed rate instruments				
Financial assets	**-**	-	**-**	-
Financial liabilities	**(604)**	-	**(604)**	-
	(604)	-	**(604)**	-
Variable rate instruments				
Financial assets	**3,745**	1,042	**3,690**	1,042
	3,745	1,042	**3,690**	1,042

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any financial assets and liabilities at fair value through profit or loss, Therefore a change in interest rates at the reporting date would not affect profit or loss.

Commodity Price Risk

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

Capital and Reserves Management

The Group's objectives when managing capital and reserves (see Note 20) are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital and reserve structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity and debt to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 Contingencies

Details of contingent liabilities where the probability of future payments/receipts is not considered remote are set out below:

Purchase price and royalty

The Dolphin Joint Venture (DJV) has a liability to a third party in respect of the acquisition of the King Island Scheelite tenements. The consideration for the acquisition of the Tenements is contingent on the decision to commercially mine. If the decision to mine is taken the amount payable to the third party is $250,000 (Australian Tungsten Pty Ltd share totals $125,000). In addition a royalty of 1.5% (Australian Tungsten Pty Ltd share totals 0.75%) of gross revenue is also payable contingent on successful extraction of tungsten ore or concentrate.

Adjoining Land

On 12 July 2005, the Company entered into an agreement with a third party vendor to acquire a 5 hectare block of land immediately on the northern boundary of the mine lease to ensure that an appropriate buffer zone is in place between the planned open pit and the Grassy township.

The initial purchase price paid by the Company to the vendor to acquire this property totalled $700,000 net of any GST. Legal costs totalled $3,000.

During the year ended 30 June 2007, the Company obtained a permit for planning and development approval to carry on an extractive industry at the mining tenement and, as agreed, paid an additional $100,000 net of GST to the vendor.

During the year ended 30 June 2009, the Company transferred 50% of this adjoining land to HNC (Australia) Scheelite Pty Ltd for a nominal consideration.

The DJV is still committed to pay the third party vendor an additional $100,000 (Australian Tungsten Pty Ltd share totals $50,000) upon the commencement of operations.

King Island Council Land

The DJV has signed a purchase agreement to acquire adjoining land to construct accommodation. During the year ended 30 June 2009, the DJV paid a land deposit totalling $120,000 (Australian Tungsten Pty Ltd share totals $60,000) and a further $480,000 payment is required on the commencement of operations (Australian Tungsten Pty Ltd share totals $240,000).

Balfour Joint Venture (BJV)

Refer to Note 11 for more details of the BJV.

The BJV agreement allows for a drilling program. This stage 2 work is estimated to cost up to $550,000 and is to be funded by the Company. Completion of Stage 2 would take the Company's joint venture interest to 70%. Stage 2 and future programs are to be managed by the Company.

The Company then has the option to acquire the remaining 30% joint venture interest for a consideration of $1 million and the grant of a 2.5% royalty of gross sales revenue.

31 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Directors' Declaration

Directors' Declaration

1 In the opinion of the directors of King Island Scheelite Limited (the Company):

(a) the financial statements and notes and the remuneration disclosures set out on pages 25 to 62 and 11 to 18 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors.

Anthony Haggarty

Director
Sydney

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of King Island Scheelite Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Anthony Jones

Partner
Sydney
26 August 2009

Independent auditor's report to the members of King Island Scheelite Limited

Independent auditor's report to the members of King Island Scheelite Limited

Report on the financial report

We have audited the accompanying financial report of King Island Scheelite (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory Notes 1 to 31 and the directors' declaration set out on pages 25 to 63 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the members of King Island Scheelite Limited (Cont)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of King island Scheelite Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of King Island Scheelite Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

KPMG

Anthony Jones

Partner
Sydney
26 August 2009

Shareholder Information

Shareholder Information

At 3 August 2009 issued capital was 62,373,758 ordinary fully paid shares held by 831 holders.

At a general meeting on a show of hands, each shareholder present has one vote and on a poll each shareholder present has:

(i) one vote for each fully paid share held; and

(ii) for each share which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

20 Largest Holders of Ordinary Shares and their Holdings at 3 August 2009.

		Ordinary Shares	
		Number	Proportion Of Issued Shares %
1.	CATHERINE MORRITT	13,555,000	21.7
2.	ROBYN ELIZABETH GIBSON	9,430,197	15.1
3.	ABEX RESOURCES AUSTRALIA PTY LTD	4,990,962	8.0
4.	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	7.1
5.	THE GLEN RURAL PTY LTD	3,994,504	6.4
6.	ANZ NOMINEES LIMITED <CASH INCOME A/C>	2,608,627	4.2
7.	CHRYSALIS INVESTMENTS PTY LTD	2,249,922	3.6
8.	INVIA CUSTODIAN PTY LIMITED <DAVIES FAMILY A/C>	1,254,650	2.0
9.	SERLETT PTY LTD <DILIGENT SUPER FUND A/C>	975,208	1.6
10.	CHRIS ELLIS COAL SERVICES PTY LTD	932,775	1.5
11.	MR VICTOR JOHN PLUMMER	818,668	1.3
12.	MR ANDREW HENDERSON PLUMMER	744,146	1.2
13.	MR ROBERT SLADE FORBES	716,286	1.1
14.	BUDBERTH PTY LTD <IPSEITY S/F A/C>	612,512	1.0
15.	HOLTEX PTY LIMITED <BUCKERIDGE S/F A/C>	582,777	0.9
16.	MR DONALD BOYD	745,000	1.2
17.	VIEWADE PTY LIMITED <OLIVER SUPER FUND A/C>	474,090	0.8
18.	FORBAR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	400,000	0.6
19.	MR ROGER BRIAN MASSY-GREENE	365,267	0.6
20.	MR KERRY PETER HEYWOOD	350,000	0.6
	Total top 20 Ordinary Shareholders	50,250,591	80.5

Distribution of Holders and Holdings at 31 July 2009

	Ordinary Shares	
	Number Of Holders	Shares Held
1 - 1,000	332	72,294
1,001 - 5,000	160	500,670
5,001 - 10,000	111	896,781
10,001 - 100,000	186	6,810,429
100,001 and over	42	54,093,584
Total	831	62,373,758
Holders of less than a marketable parcel: -	-	

Shareholder Information (continued)

Substantial Shareholders

Substantial shareholders at 3 August 2009, as disclosed in Substantial Shareholder Notices given to the Company

	Number Of Shares	Proportion Of Issued Shares
Catherine Jeanne Morritt	13,555,000	22.09%
Robyn Elizabeth Gibson	9,495,197	15.2%
Abex Resources Australia Pty Ltd	4,974,676	8.22%
Hunan Nonferrous Metals Corporation Limited	4,450,000	7.36%
The Glen Rural Pty Ltd	4,036,589	6.58%

Unquoted Securities

On 16 January 2009, the Company granted 4,500,000 Options for no consideration to Mr Simon Bird under the King Island Scheelite Limited Employee Share Option Plan. Each Option provides the right for Mr Bird to acquire one fully paid Share upon payment of each Exercise Price for each Share, as follows:

i) 1,000,000 options (Tranche 1 Options) vesting on 1 January 2010, after continuous employment of one year and for an Exercise Price of A$ 25 cents each;

ii) 1,500,000 options (Tranche 2 Options) vesting on 1 January 2011, after continuous employment of two years and for an Exercise Price of A$ 50 cents each ; and

iii) 2,000,000 options (Tranche 3 Options) vesting on 1 January 2012 and after continuous employment of three years and for an Exercise Price of A$1.00 each.

The Expiry Date of all these Options is 31 December 2013.

Mining Tenements

The Company holds the following licences and lease:

	Interest
Retention Licence RL 2/1998 at Grassy, King Island (8 sq kms)	50%
Exploration Licence 19/2001 at Grassy, King Island (91 sq kms)	50%
Exploration Licence 16/2002 at Grassy, King Island (18 sq kms)	50%
Lease 1M/2006 at Grassy, King Island (544 hectares)	50%

Securities Exchange Listing

The Company's ordinary shares are listed on the Australian Securities Exchange.

Shareholder Information

Shareholder Information (continued)

Share Registrar
Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace, Perth WA 6000

GPO Box D182
Perth WA 6840

Telephone: +61 8 9323 2000
1300 55 70 10 (within Australia)

Facsimile: +61 8 9323 2033
Web site: http://www-au.computershare.com

Registered Office
Level 9, 1 York Street
Sydney NSW 2000

GPO Box 5154
Sydney NSW 2001

Auditor
KPMG
10 Shelley Street
Sydney NSW 2000
Telephone: (02) 9335 7000
Facsimile: (02) 9299 7077
Web site:
http://www.kpmg.com.au

Principal Place of Business
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Sydney NSW 2000

GPO Box 5154
Sydney NSW 2001

Telephone: (02) 8622 1400
Facsimile: (02) 8622 1401

Email:
info@kingislandscheelite.com.au
Web site:
http://www.kingislandscheelite.com.au

On-Market Buy Back

There is no on-market buy-back.

KING ISLAND
SCHEELITE

www.kingislandscheelite.com.au