5th September 2011

KING ISLAND SCHEELITE LIMITED ("KIS")

RE: 30th JUNE 2011 ANNUAL FINANCIAL REPORT

Please find following for release to the market, KIS's annual financial report for the year ended 30th June 2011

Ian Morgan
Company Secretary

King Island Scheelite Limited
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King Island Scheelite Limited and its controlled entities
ABN 40 004 681 734

Year Ended 30th June 2011

Annual Results for Announcement to the Market

	2011	2010	Movement
	$000	$000	%
Revenues from ordinary activities	**-**	-	-
Losses before interest and income tax	**(1,411)**	(973)	(45)
Net financing income	**141**	110	28
Gain on acquisition of 50% of the Dolphin Joint Venture's net assets	**1,777**	-	-
Profit/(Loss) before tax	**507**	(863)	159
Income tax benefit	**97**	284	(66)
Net profit / (loss) attributable to members of the parent	**604**	(579)	204
Cash and cash equivalents	**5,657**	2,621	116
Net assets	**34,869**	29,635	18

	Cents	Cents	
Net Tangible Assets/(Deficiency) per share (NTA Backing)	**4.5**	(0.7)	743
Profit / (Loss) per share – basic	**0.9**	(0.9)	200
Profit / (Loss) per share – diluted	**0.9**	(0.9)	200

Dividends	Amount per security	Franked amount per security at 30%
2011 interim dividend	-	-
2010 final dividend paid	-	-
Record date for determining entitlements to the interim dividend:	N/A	-

Brief explanation of any figures reported above or other items of importance not previously reported to the market:

A renounceable rights issue was undertaken early in 2011 with $5,054,000 raised through the issue of 19,439,593 shares at 26 cents. This will be used to fund the current programme of works on the Dolphin Project.

Termination of the DJV has resulted in the loan to HNC of $1,916,000 being forgiven and the debt facility previously in place being removed.

Otherwise, refer to the Directors' Report included in the annual financial report for explanations.

Discussion and Analysis of the results for the year ended 30th June 2011:

Refer to the Directors' Report included in the annual financial report for commentary.

KING ISLAND SCHEELITE

King Island Scheelite Limited
ABN 40 004 681 734

and its controlled entities

ANNUAL FINANCIAL REPORT

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King Island Scheelite Limited Annual Financial Report 30 June 2011

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 (University of NSW), (appointed 7th 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 3rd May 2007) and Non-Executive Director of publicly listed IMX Resources NL (appointed 29th January 2008).

Tony was a Managing Director of the publicly listed company Excel Coal Limited (for the period 3rd May 2004 to 25th 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 24th 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, B.S. Mining Eng (Colorado School of Mines), (appointed 1st March 2006)

Andy has over 30 years experience in the investment banking and mining industries. He was most recently an executive director of Excel Coal Limited (for the period 8th July 1987 to 10th 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 3rd May 2007), and a Director of XLX Pty Ltd and Chairman of Ranamok Glass Prize Ltd.

Zeng Shao Xiong Independent Non-Executive Director, (appointed 16th September 2008, resigned 18th May 2011)

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 was a director of Abra Mining Limited (ASX: All) (appointed 16th October 2008 and resigned 17th December 2010). (Following its compulsory acquisition by Hunan Non Ferrous Metals Corp, Ltd, Abra Mining Limited was delisted on 4th August 2011).

Fan Xueqiang Alternate Director to Mr Zeng, (appointed 16th September 2008, resigned 18th May 2011)
Mining Engineering MBA

Mr 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.

Li Li Independent Non-Executive Director, Bachelor of Industrial Automation (Central South University of Technology) EMBA (Hunan University), (appointed 18th May 2011)

Mr Li graduated from Zhuzhou Metallurgy Industrial School in 1982 and received his bachelors degree in industrial automation from Central South University of Technology in 1989. Mr Li studied economic law at postgraduate level from 1999 to 2001, during which time he participated in a senior executive training program organised by the China National Nonferrous Metals Corporation Changsha Branch at the University of Maryland in the United States. He holds an Executive Master of Business Administration for Senior Management at Hunan University.

Mr Li held various positions at Zhuzhou Cemented Carbides Group Co., Ltd from 1982 to 2004. He was a deputy secretary and secretary of the party committee of the Zhuying Plant from 1998 to 2002, and party secretary and deputy chairman from 2002 to 2004. He served as a member of party committee and the deputy general manager of Hunan Nonferrous Metals Holding Group Co., Ltd from 2004 to 2005.
Mr Li is a member of the Chinese People's Political Consultative Conference of Hunan Province and a director of Hunan Nonferrous Metals Corporation Limited.
Mr Li appointed Fang Wu to be his alternate director.

Mr Li is a director of Abra Mining Limited (ASX: All) (appointed 12th October 2010). (Following its compulsory acquisition by Hunan Non Ferrous Metals Corp, Ltd, Abra Mining Limited was delisted on 4th August 2011)

Fang Wu Alternate Director to Mr Li, LLM Commercial Law (Monash University) Master of Interpreting and Translation (University of Western Sydney) (appointed 18th May 2011)

Ms Fang Wu joined HNC (Australia) Resources Holding Pty Ltd when the company established in 2007 and has been working as the Project Coordinator in HNC to assist HNC Management achieving better understanding, efficient communication and decision making since the King Island (Dolphin) Joint Venture started in early 2009.

Chief Executive Officer

Simon Bird B.Compt (University of South Africa), B.Compt (Hons) (University of South Africa), FCPA, FAICD

Mr Bird joined King island Scheelite Limited as Chief Executive Officer in January 2009. He is a non-executive director of ASX listed company Metals Finance Limited and Chair of their Audit Committee. He is also a director of the Board of CPA Australia Limited and sits on the Finance Committee and Policy and Governance Committee.

His 30 year professional career in Australia, Africa and Europe includes six years with PricewaterhouseCoopers and time in the resources, financial services, property, infrastructure and agricultural sectors. Time in Australia includes roles as Chief Financial Officer with Stockland Limited, Graincorp Limited and the Wizard Mortgage Corporation. He is also a Fellow of the Australian Institute of Company Directors (FAICD) and a Fellow of CPA Australia (FCPA).

Company Secretary

Ian Morgan B Bus (NSW Institute of Technology), M Comm Law (Macquarie University), Grad Dip App Fin (Securities Institute) CA, ACIS, MAICD, F Fin, was appointed Company Secretary on 3rd August 2005. Mr Morgan is a Chartered Accountant and Chartered Company Secretary with over 25 years experience. He provides secretarial and advisory services to a range of companies, and is company secretary of other listed public companies.

Directors' meetings

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

	Board Meetings		*Audit Committee Meetings*	
	Eligible	Attended	Eligible	Attended
Anthony Haggarty	11	11	2	2
Robin Morritt	11	11	2	2
Andrew Plummer	11	10	2	1
Zeng Shao Xiong (either personally or by his Alternate Fan Xueqiang)	10	4	2	-
Li Li (either personally or by his Alternate Fang Wu)	1	1	-	-

Principal activities

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

1. The development of the tungsten mine on King Island through the Dolphin Joint Venture and after termination of such, the Dolphin Project; and
2. The exploration and evaluation of tenements in North West Tasmania through the Balfour Joint Venture.

For details of the Dolphin and Balfour Joint Ventures, see Note 12.

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) – Terminated 17th December 2010

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

After discussion with HNC and their new majority shareholder, MinMetals Corporation, it was negotiated to terminate the DJV as the goals of the joint venture partners differed.

Termination was effected on 17th December 2010 under the following terms:

1. The Company, through its wholly owned subsidiary Australian Tungsten Pty Ltd (ATPL), assumed all future tenement obligations.

2. HNC transferred its 50% interest in the joint venture assets (including land and tenements) from the DJV to ATPL.
3. HNC forgave the loan owed by ATPL and all associated security was released.
4. ATPL granted HNC a royalty of 2% on future revenue from the project, capped at $3.9 million.
5. HNC retained their shareholding in the Company and retain a position on the Company's Board.

This report for the year ending 30th June 2011 reflects the position after termination of the DJV, namely with the Company now owning 100% of the joint venture assets and debt-free. Forgiveness of the $1,916,000 loan together with interest previously capitalised of $168,000 have been booked to profit.

Dolphin Project – 100% interest

The project is focussed on the redevelopment of the tungsten deposit on King Island after the DJV was terminated on 17th December 2010. Major achievements thus far include:

1. Engagement of Pacific Road Corporate Finance to assist the Company with progressing the project, reviewing funding options and securing required funding through each stage of exploration and development.
2. Undertaking of a renounceable rights issue to raise $5 million in order to fund the following activities through to late in 2011:
   a. To undertake feasibility studies considering the reprocessing of existing tailings early in the project for improved cashflow and reserves;
   b. Review and update mining lease application and environmental requirements to ensure the Company can proceed to the development stage on a timely basis;
   c. Establish a presence on King Island, including final payment for the land obtained from King Island Council, refurbishment of two houses on land already owned by the Company for use by contractors and staff, removal of dilapidated houses and general site improvement with signage, gates, fences and vehicle;
   d. Update the Feasibility Study to a bankable level; and,
   e. Undertake exploration at Dolphin South with drilling of up to ten holes with a view to confirming continuation of the resource down-plunge.

To date, good progress has been made on the aforementioned plan with much of the tailings work completed, the drilling underway, refurbishment of the King Island houses completed and being used by the drillers, mining leases and environmental work progressing well and the Feasibility Study is being updated. Along with completing the planned work, funding requirements and strategies will also be addressed over the coming months.

Balfour Joint Venture (BJV) – 70% interest

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

The Company continued to explore within the BJV tenements in North West Tasmania, along with our partner Pleiades Resources Pty Ltd (Pleiades), completing the second phase of a diamond drilling programme at Specimen Hill and Roaring 41 South prospects in mid 2010. Results from these were reviewed and a prospectivity report prepared by our Consulting Geologist.

BJV expenditures incurred on the drilling programme in the current period totalled $0.5 million, including the additional down-hole magnetic surveys which were not originally planned. Upon completion of the agreed drilling programme, the Company's interest in this joint venture increased from 35% to 70%.

The joint venture is currently undertaking a review of historic data to generate targets associated with the Waratah-Sluiced Flat Prospect in addition to targets already identified at Specimen Hill and Roaring 41 South.

Financial

The Group retained a cash balance of $5,657,000 at 30th June 2011 (2010 $2,621,000).

A renounceable rights issue was undertaken early in 2011 with $5,054,000 raised through the issue of 19,439,593 shares at 26 cents. This will be used to fund the current programme of works on the Dolphin Project.

Termination of the DJV has resulted in the loan to HNC of $1,916,000 being forgiven and the debt facility previously in place being removed.

Outlook

Current focus is on the work programme the Company embarked upon following the recent capital raising in relation to the Dolphin Project, including:

1. Completing of the tailings study;
2. Preparing a definitive feasibility study for a staged project, incorporating the tailings retreatment to provide early cash flow, reduced capital requirements and staged de-risking activities; while,
3. Undertaking drilling at Dolphin South to demonstrate mineralisation extensions.

The Company will then be in a position to finalise funding arrangements required to bring the project into production. This is expected to involve off-take commitments with key end users to underpin debt facilities in conjunction with future equity raisings.

The economic circumstances driving tungsten market remain positive and the Company is confident that the world class project on King Island remains well placed to rapidly address this demand through early production from retreated tailings and subsequent production from underground operations.

Dividends

There were no Dividends paid or declared by the Company to members during or since the end of the financial year (2010 Nil).

Events subsequent to the reporting date

Since the reporting date, several events have been announced to the Australian Securities Exchange regarding the Dolphin Project.

1. A revised reserve estimate for Dolphin underground operations was derived which substantially increases the life of the Dolphin mine while maintaining average tungsten grades above 1% WO_3 (tungsten trioxide). The revised estimate was based on a review of current operations and market conditions and an improved mining method which also provides a more stable work environment. While some areas have been removed because deemed impractical to extract safely, the revised estimate reflects a 33% increase in the volume of metal to be mined from the Dolphin underground and extends the mine life by more than three years.
2. Drilling at Dolphin South commenced and the first hole intersected scheelite (tungsten) mineralisation from 290.5m to 299m down-hole, then continued on to intersect granite along a stoped contact at -325mRL. The drill hole was terminated at 336.3m down-hole and the second hole commence after being delayed by unfavourable weather.

3. A Chief Metallurgist was appointed, effective 1st August 2011 who will be a valuable addition to the team and who will oversee the final metallurgical test work ahead of detailing the processing facility requirements for both tailing and underground ore and actively manage the construction and commissioning phases of this processing facility. He will also work closely with GR Engineering, who were recently appointed to assist with aspects of the process plant engineering.

Directors' interests

The relevant beneficial interest of each director in the shares issued by the companies within the Group 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	7,534,759
Robin Morritt	13,525,858
Andrew Plummer	3,802,299
Li Li	-
Fang Wu	-

Environmental regulation

The Board believes that the Group 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 and auditors

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 $24,023 (2010 $25,120), exclusive of GST, for this insurance cover.

The Company has not entered into an indemnification agreement with their auditors KPMG.

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	**2011**	2010
	$	$
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	**54,800**	53,000

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 (2010 $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 (2010 $26,400 p.a. plus 9% statutory superannuation) 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 (2010 $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 and until his resignation on 18th May 2011, an entity associated with Mr Zeng was paid at the rate of $26,400 p.a. plus 9% statutory superannuation (2010 $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.

Mr Li (Non-Executive)

During the financial year and commencing his appointment on 18th May 2011, an entity associated with Mr Li was paid at the rate of $26,400 p.a. plus 9% statutory superannuation (2010 $26,400 p.a. plus 9% statutory superannuation) for Mr Li 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 Li.

Remuneration Report (continued)

Mr. Simon Bird (Chief Executive Officer)

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

Base Remuneration	$367,000 per annum inclusive of salary and 9% superannuation.
Incentive Payment	At the Board's discretion, a cash bonus may be paid on anniversary ($50,000 was paid in June 2011, relating to the 2010 calendar year).
Options	On 21 January 2009, 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; except 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.

Consequences of performance on shareholders' wealth

During the 2011 financial year the Company raised $4.6 million by the issue of 19,439,593 ordinary shares. At 30th June 2011 the Company had 81,813,351 ordinary shares on issue. The net assets of the Group have increased by $5,235,000 from $29,635,000 at 30th June 2010 to $34,870,000 at 30th June 2011. The Company's working capital, being current assets less current liabilities, has increased from $2,627,000 in 2010 to $4,930,000 at 30th June 2011.

At the date of this report the Group has sufficient funds to finance its operations and exploration activities to the end of the current phase, ending December 2011, with a plan to raise further funding to allow construction to commence early in 2012.

During the 2011 financial year, the following significant changes in the state of affairs occurred for the Group.

1. The Dolphin Joint Venture (DJV) with Hunan Nonferrous Metals Corporation (HNC) was terminated, resulting in the forgiveness of the $1,916,000 loan and no access to future debt funding through this agreement.
2. A rights issue was undertaken which raised a net $4.6 million.

Remuneration Report (continued)

Performance-linked compensation

The chief executive officer, Simon Bird, commenced in January 2009 under a contract that is reviewed annually. Incorporated into this contract is an incentive payment, payable at the Board's discretion, and being $50,000 paid in the 2011 financial year (2010: $30,000).

In exercising its discretion and in determining whether, acting reasonably, all or part of the incentive payment is to be paid, the Board of the Company must consider matters including, but not limited to:

(a) Completion of the Dolphin tailings feasibility study;
(b) Amendment of approvals and acquisition of council land;
(c) Undertaking of drilling at Dolphin South;
(d) The performance of the executive relative to the objectives set by the Board from time to time;
(e) The performance of the Company's share price as attributable to the executive's performance;
(f) The Company's financial performance for the period relevant to the incentive payment; and,
(g) The contribution of the executive toward progressing the Dolphin project and adding value to the Company.

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				Post-employment	Other long term	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	Cash bonus	Non-monetary benefits	Total	Super benefits						
		$	$	$	$	$	$	$	$	$		%
Directors												
A Haggarty[1]	**2011**	**30,987**	**-**	**-**	**30,987**	**2,789**	**-**	**-**	**-**	**33,776**	**-**	**-**
	2010	30,987	-	-	30,987	2,789	-	-	-	33,776	-	-
R Morritt[2]	**2011**	**26,400**	**-**	**-**	**26,400**	**2,376**	**-**	**-**	**-**	**28,776**	**-**	**-**
	2010	26,400	-	-	26,400	2,376	-	-	-	28,776	-	-
A Plummer[1]	**2011**	**26,400**	**-**	**-**	**26,400**	**2,376**	**-**	**-**	**-**	**28,776**	**-**	**-**
	2010	26,400	-	-	26,400	2,376	-	-	-	28,776	-	-
L Li	**2011**	**3,110**	**-**	**-**	**3,110**	**280**	**-**	**-**	**-**	**3,390**	**-**	**-**
	2010	-	-	-	-	-	-	-	-	-	-	-
S Zeng	**2011**	**23,290**	**-**	**-**	**23,290**	**2,096**	**-**	**-**	**-**	**25,386**	**-**	**-**
	2010	26,400	-	-	26,400	2,376	-	-	-	28,776	-	-
Executive												
S Bird (CEO)	**2011**	**351,287**	**50,000**	**3,670**	**404,957**	**22,219**	**-**	**-**	**22,500**	**449,676**	**72,500**	**16.1**
	2010	329,562	30,000	2,436	361,998	23,412	-	-	90,000	475,410	120,000	25.2
Total compensation (The Group and Company)	**2011**	**461,474**	**50,000**	**3,670**	**515,144**	**32,136**	**-**	**-**	**22,500**	**569,780**	**72,500**	**12.7**
	2010	439,749	30,000	2,436	472,185	33,329	-	-	90,000	595,514	120,000	20.1

[1] For the year ended 30th June 2011 the Company paid a total of $65,802 (2010 $89,527) to companies controlled by Messrs. Haggarty and Plummer for Mr. Haggarty's director fees $33,776 (2010 $33,776), Mr Plummer's director fees $28,776 (2010 $28,776) and consulting services $3,250 (2010 $26,975).

[2] In addition to director fees paid to Dr Morritt personally, for the year ended 30th June 2011 the Company paid consulting fees totaling $nil (2010 $4,600) to a company controlled by Dr Morritt.

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:

	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options	Number of vested options	
		$	$			**2011**	2010
Executive							
S Bird	21 Jan 2009	9 cents	25 cents	31 Dec 2013	1,000,000	**1,000,000**	1,000,000
	21 Jan 2009	6 cents	50 cents	31 Dec 2013	1,500,000	**1,500,000**	-
	21 Jan 2009	Nil	$1.00	31 Dec 2013	2,000,000	**-**	-
					4,500,000	**2,500,000**	1,000,000

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 (1st January 2009). For options granted during the year ended 30th June 2009, the earliest exercise date was 1st 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.

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:

	Grant Date	Date at which grant vests	Number	Vested		Forfeited[3]	
				2011	2010	**2011**	2010
				%	%	**%**	%
Executive							
S Bird	21 January 2009	1 January 2010	1,000,000	**100.0**	100.0	**-**	-
	21 January 2009	1 January 2011	1,500,000	**100.0**	-	**-**	-
	21 January 2009	1 January 2012	2,000,000	**-**	-	**-**	-
			4,500,000	**55.6**	22.2	**-**	-

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

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 (1st 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.

Corporate Governance Statement

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30th June 2011. 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.

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Principle 1			
Principle 1 – Lay solid foundations for management and oversight. Companies should establish and disclose the respective roles and responsibilities of board and management.			

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply	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.	Not Applicable
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Comply	The Chief Executive Officer reviews the performance of senior executives.	Not Applicable
Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply		Not Applicable
Principle 2			
Principle 2 – Structure the board to add value Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.			

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 2.1: A majority of the board should be independent directors.	Does not comply	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; and each Director-independent or not-brings an independent judgement to bear on Board decisions. 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 chair should be an independent director.	Does not comply	The Chairman is a non-executive Director, but not independent.	The Board considers that the Board's structure is still appropriate to the Company's size; and each Director-independent or not- brings an independent judgement to bear on Board decisions.
Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	The Chairman and Chief Executive Officer are different individuals.	Not Applicable
Recommendation 2.4: The board should establish a nomination committee.	Does not comply		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.

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply	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 the 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.	Not Applicable
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply		Not Applicable
Principle 3			
Principle 3 – Promote ethical and responsible decision-making. Companies should actively promote ethical and responsible decision-making.			

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
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.	Does not comply		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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Comply	The Company intends to make each staff appointment after consideration of each candidate's qualifications, experience and proven competence, whilst conscientiously avoiding any discrimination on the basis of, but not limited to, race, creed, colour, gender, age, marital status, religion or physical impairment.	Not applicable
Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Does not comply		The Company will apply its best endeavours to disclose in each annual report the measureable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.
Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Comply	The Company has no women on its Board. The Chief Executive Officer is a man. The Company's Finance Manager, who reports to the Chief Executive Officer, is a woman.	Not Applicable

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply		Not Applicable
Principle 4			
Principle 4 – Safeguard integrity in financial reporting Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.			
Recommendation 4.1: The board should establish an audit committee.	Comply		Not Applicable
Recommendation 4.2: The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	Does not comply	The Company's Audit Committee comprises the full Board. The Chairman of the Audit Committee is also the Chairman of the Board. Details of the Audit Committee Member's qualifications, experience, and special responsibilities are in the Directors Report included in the 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.	This Audit Committee structure is considered to be commercially cost effective, and appropriate to the Company's size and structure.

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 4.3: The audit committee should have a formal charter.	Does not comply	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.	Comply		Not Applicable
Principle 5			
Principle 5 – Make timely and balanced disclosure. Companies should promote timely and balanced disclosure of all material matters concerning the company.			

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply	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.	Not Applicable
Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply		Not Applicable
Principle 6			
Principle 6 – Respect the rights of shareholders. Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.			

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
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.	Comply	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 and the Australian Securities & Investments Commission; 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.	Not Applicable

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply		Not Applicable
Principle 7			
Principle 7 – Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control.			
Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	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.	Not Applicable

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
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.	Comply	The Chief Executive Officer manages the Company's material business risks and reports to the Audit Committee. **Materiality thresholds** The Corporate Governance Policy requires the Company to regularly review procedures, and ensure 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: 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 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.	Not Applicable
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.	Comply	The Company requires that these statements are certified by the Chief Executive and Company Secretary.	Not Applicable

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply		Not Applicable
Principle 8			
Principle 8 – Remunerate fairly and responsibly. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.			
• Recommendation 8.1: The board should establish a remuneration committee.	Does not comply		The Board would operate as a Remuneration Committee, as required.
Recommendation 8.2: The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	Does not comply		The Board would operate as a remuneration committee, as required. This structure is considered to be commercially cost effective, and appropriate to the Company's size and structure.

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
• Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply	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.	Not Applicable
• Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply		Not Applicable

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 67 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

2nd September 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	**2011**	2010
		$000	$000
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Employee expenses	4	**(562)**	(669)
Administrative expenses		**(840)**	(294)
Depreciation		**(9)**	(10)
Results from operating activities		**(1,411)**	(973)
Financial income – interest		**141**	110
Financial expense – interest		**-**	-
Net finance income		**141**	110
Gain on acquisition of 50% of the Dolphin Joint Venture's net assets	6	**1,777**	-
Profit / (Loss) before tax		**507**	(863)
Income tax benefit	7	**97**	284
Net profit / (loss) attributable to members of the parent		**604**	(579)
Other comprehensive income		**-**	-
Income tax on other comprehensive income		**-**	-
Other comprehensive income for the period, net of income tax		**-**	-
Total comprehensive income for the period		**604**	(579)
Earnings per share		**cents**	cents
Basic earnings / (loss) per share attributable to ordinary equity holders	8	**0.9**	(0.9)
Diluted earnings / (loss) per share attributable to ordinary equity holders	8	**0.9**	(0.9)

The Notes on pages 34 to 65 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

Consolidated	Issued Capital	Accumulated Profits/(losses)	Share Option reserve	**Total equity**
	$000	$000	$000	**$000**
Balance at 1 July 2009	43,955	(14,068)	237	**30,124**
Net loss for the year	-	(579)	-	**(579)**
Options granted to employee	-	-	90	**90**
Balance at 30 June 2010	43,955	(14,647)	327	**29,635**
Balance at 1 July 2010	43,955	(14,647)	327	**29,635**
Net profit for the year	-	604	-	**604**
Share rights issue	4,607	-	-	**4,607**
Options granted to employee	-	-	23	**23**
Balance at 30 June 2011	48,562	(14,043)	350	**34,869**

The Notes on pages 34 to 65 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011	2010
		$000	$000
Assets			
Cash and cash equivalents	9	**5,657**	2,621
Trade and other receivables	10	**120**	38
Inventories	11	**28**	28
Total current assets		**5,805**	2,687
Trade and other receivables	10	**15**	-
Property, plant and equipment	15	**489**	485
Intangible assets	16	**31,371**	30,209
Deferred tax assets	14	**-**	-
Total non-current assets		**31,875**	30,694
Total assets		**37,680**	33,381
Liabilities			
Trade and other payables	17	**840**	51
Provisions	18	**35**	9
Total current liabilities		**875**	60
Loans and borrowings	19	**-**	1,687
Deferred tax liabilities	14	**1,936**	1,999
Total non-current liabilities		**1,936**	3,686
Total liabilities		**2,811**	3,746
Net assets		**34,869**	29,635
Equity			
Issued capital	20	**48,562**	43,955
Reserves	20	**350**	327
Accumulated losses		**(14,043)**	(14,647)
Total equity		**34,869**	29,635

The Notes on pages 34 to 65 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of cash flows

For the year ended 30 June 2011

	Note	2011 $000	2010 $000
Cash flows used in operating activities			
Cash paid to suppliers and employees		**(643)**	(1,108)
Cash used in operations		**(643)**	(1,108)
Research and development expenditure tax rebate		**34**	15
Interest received		**141**	110
Net cash used in operating activities	24	**(468)**	(983)
Cash flows used in investing activities			
Payment for property, plant and equipment		**(15)**	(1)
Purchase of industrial property		**(30)**	(99)
Purchase of exploration and evaluation assets		**(1,240)**	(1,021)
Net cash used in investing activities		**(1,285)**	(1,121)
Cash flows from financing activities			
Proceeds from the issue of share capital		**5,054**	-
Cost of issuing share capital		**(447)**	-
Proceeds from borrowings		**182**	980
Net cash generated from financing activities		**4,789**	980
Net (decrease) / increase in cash and cash equivalents		**3,036**	(1,124)
Cash and cash equivalents at 1 July		**2,621**	3,745
Cash and cash equivalents at 30 June	9	**5,657**	2,621

The Notes on pages 34 to 65 are an integral part of these Consolidated Financial Statements.

Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was King Island Scheelite Limited.

	2011	2010
	$000	$000
Results of the parent entity		
Loss for the period	**(769)**	(670)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(769)**	(670)
Financial position of parent entity at year end		
Current assets	**6,231**	2,653
Non-current assets	**29,079**	28,353
Total assets	**35,310**	31,006
Current liabilities	**2,570**	2,127
Total liabilities	**2,570**	2,127
Net Assets	**32,740**	28,879
Total equity of the parent entity comprising of:		
Share capital	**48,562**	43,955
Share Option Reserve	**350**	327
Accumulated Losses	**(16,172)**	(15,403)
Total Equity	**32,740**	28,879

Parent Entity Disclosures (continued)

Parent entity capital commitments for acquisition of property, plant & equipment

	2011	2010
	$000	$000
Property		
Contracted but not yet provided for and payable:	**100**	50
Within one year	**100**	50
One year later and no later than five years	**-**	-
Later than five years	**-**	-
Plant and equipment		
Contracted but not yet provided for and payable:	**-**	-
Within one year	**-**	-
One year later and no later than five years	**-**	-
Later than five years	**-**	-

Parent entity guarantees in respect of debt of its subsidiary

At 30th June 2010, the parent entity had entered into a guarantee with the effect that the Company guarantees and indemnifies the debt payable to Hunan Nonferrous Metals Corporation Ltd by the Company's subsidiary Australian Tungsten Pty Ltd.

As the Dolphin Joint Venture was terminated on 17th December 2010, as at 30th June 2011 this guarantee no longer exists. Refer Note 19.

Notes to the consolidated financial statements

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 30th June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

On 2nd September 2011, the consolidated financial report was authorised for issue by the directors.

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) 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 Group.

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 WO_3(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.

(b) Basis of preparation (continued)

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

(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 Parent Entity's financial statements at the lower of cost and recoverable amount.

Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The financial report includes the Group'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 Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

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

Joint ventures

Joint ventures are those arrangements over whose activities the Group 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 Group's share of the jointly controlled entity's net profit or loss is recognised in the consolidated statement of comprehensive income from the date joint control commenced until the date joint control ceases. The Group's share of the joint venture arrangements other movements in reserves are recognised directly in the consolidated reserves.

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

(c) Basis of consolidation (continued)

Jointly controlled operations and assets

The interest of the Group 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.

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 Group'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 Group'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 Group 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 Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the statement of comprehensive income 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:

	2011	2010
▪ plant and equipment	**2.5 to 10 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 statement of comprehensive income 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 statement of comprehensive income.

(f) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy 1 (i)).

(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 Group'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 Group'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 statement of comprehensive income 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 statement of comprehensive income.

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.

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 Group expects to pay as at the 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 statement of comprehensive income 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 statement of financial position when the Group 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 Group'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.

(m) Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs subsequent to initial recognition. These transactions are measured at amortised cost using the effective interest rate method.

(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. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(o) Income tax

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of 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 reporting 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 reporting 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.

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.

(o) Income tax (continued)

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 statement of financial position.

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 statement of comprehensive income 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) Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirements for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosure in page 32.

(t) New Standards/Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including any service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose or when acquired in a business combination.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(u) Disclosure of fair values

Share-based payment transactions

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(v) Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities whose operating results are reviewed regularly by the Group's chief executive officer and for which discrete financial information is available.

The Group is involved solely in development of the King Island scheelite deposit and exploration for tin and tungsten and has a single operating segment that its chief executive officer reviews regularly to make decisions about resources to be allocated to the segment and to assess its performance.

2 Going concern

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operation and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Group will be able to fund future operations through share issues, debt raising, joint venturing or off-take agreements for the sale of tungsten.

Without the debt or equity raisings, joint venturing or off-take agreements for the sale of tungsten, there is uncertainty whether the Group will be able to continue as a going concern.

If the Group is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realised its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

3 Segment reporting

Business and geographical segments

The results and financial position of the company's single operating segment are prepared by the chief executive officer on a basis consistent with Australian Accounting Standards and thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. Entity-wide disclosures in relation to the Group's product and services and geographical areas are detailed below.

Products and services

The Group currently explores for tungsten and is in the process of developing the King Island scheelite deposit and as such, currently provides no products for sale.

Geographical areas

The Company's exploration activities are located solely in Australia.

4 Employee expenses

	Note	2011	2010
		$000	$000
Salaries and fees		**491**	538
Superannuation		**32**	39
Option expense	20	**23**	90
Increase in annual leave provision		**11**	2
Workers' Comp premiums & Payroll Tax		**5**	-
		562	669

5 Auditors' Remuneration

Auditors of the Company *KPMG Australia:*	2011	2010
	$	$
Audit and review of financial reports	**54,800**	53,000
	54,800	53,000

The auditors of the Company KPMG Australia did not perform other services for the Group during the year (2010: nil).

6 Gain on acquisition of 50% of Dolphin Joint Venture's net assets

During the year ended 30th June 2011, the Dolphin Joint Venture (DJV) was terminated and 50% of the DJV's net assets were acquired by the Company, increasing the Company's interest in these net assets to 100%. No intangible assets have been included in the financial gain recognised, however the forgiveness of the HNC loan and the reversal of capitalised interest on this loan to date have been included in the total gain recorded.

	2011	2010
	$000	$000
Increase in cash and cash equivalents	**29**	-
Forgiveness of loan payable	**1,916**	-
Reversal of forgiven loan interest previously capitalised	**(168)**	-
Net gain on acquisition included in profit	**1,777**	-

7 Income tax

	Note	2011 $000	2010 $000
Numerical reconciliation between tax benefit and pre-tax net loss			
Profit / (Loss) before tax		**507**	(863)
Prima facie Income tax (expense) / benefit at a tax rate of 30%		**(152)**	259
(Decrease) / Increase in income tax benefit due to:			
Equity raising costs		**27**	-
Non-allowable items		**(6)**	-
Non assessable gain on forgiveness of loan		**575**	-
Commercial debt forgiveness reduction in carried forward tax losses		**(575)**	-
	14	**(131)**	259
Research and development expenditure tax rebate		**34**	25
Tax losses booked and not previously recognised		**195**	-
Income tax benefit on pre-tax net profit / (loss)		**97**	284

Recognised in the Statement of Comprehensive Income

	2011 $000	2010 $000
Current year benefit	**477**	25
Deferred tax (expense) / benefit	**(380)**	259
	97	284

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2011 $000	2010 $000
Capital tax losses	**1,431**	1,431

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future tax profit will be available against which the Group the benefits there from.

8 Earnings / (Loss) per share

Basic and diluted earnings / (loss) per share

The calculation of basic and diluted earnings / (loss) per share at 30th June 2011 was based on the profit attributable to ordinary shareholders of $604,000 (2010: loss of $579,000) and a weighted average number of ordinary shares outstanding during the year ended 30th June 2011 of 81,813,351 (2010: 62,373,758), calculated as follows:

	2011	2010
	$000	$000
Earnings / (Loss) for the year attributable to ordinary shareholders	**604**	(579)

The diluted earnings per share for the year ending 30th June 2011 is the same as the basic earnings per share as the strike price of options is below the average share price.

Weighted average number of ordinary shares

Number of shares	**2011**	2010
	'000	'000
Issued ordinary shares at 1 July	**62,374**	62,374
Effect of shares issued 14 April 2011	**2,157**	-
Effect of shares issued 19 April 2011	**1,817**	-
Weighted average number of ordinary shares used in calculating basic and diluted earnings / (loss) per share	**66,348**	62,374

As the Company's average share price for the year ended 30th June 2011 was below the strike prices of all options outstanding, and there were losses for the previous years attributable to ordinary shareholders, options issued by the Company (Note 25) are not dilutive.

9 Cash and cash equivalents

	2011	2010
	$000	$000
Bank balances	**137**	45
Call deposits	**5,520**	2,576
Cash and cash equivalents in the statements of cash flows	**5,657**	2,621

10 Other receivables

Current		
Other receivables	**45**	35
Prepayments	**75**	3
	120	38
Non current		
Deposits	**15**	-

11 Inventories

	2011	2010
	$000	$000
Finished goods	**28**	28

12 Interests in Joint Ventures

	Ownership	
	2011	2010
	%	%
Dolphin Joint Venture	**-**	50.0%
Balfour Joint Venture	**70.0%**	35.0%

Dolphin Joint Venture (DJV)

This unincorporated joint venture 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)) held equal ownership of the DJV. During the 2011 financial year, it was negotiated with HNC to terminate this joint venture, with the termination effective 17th December 2010 on the following terms:

1. The Company, through its wholly owned subsidiary Australian Tungsten Pty Ltd (ATPL), assumed all future tenement obligations.
2. HNC transferred its 50% interest in the joint venture assets (including land and tenements) from the DJV to ATPL.
3. HNC forgave the loan owed by ATPL and all associated security was released.
4. ATPL granted HNC a royalty of 2% on future revenue from the project, capped at $3.9 million.
5. HNC retained their shareholding in the Company and retain a position on the Company's Board.

The Dolphin Project, as it is now known, is owned 100% by the Company and its wholly owned subsidiary, Scheelite Management Pty Ltd continues to manage the project.

Balfour Joint Venture (BJV)

This unincorporated joint venture with Pleiades Resources Pty Ltd was created to explore mineralisation within the Balfour Tenements in north-west Tasmania.

The Company undertook a drilling programme in 2009/10 recording tin-tungsten intercepts at Specimen Hill and copper-gold at Roaring 41 South.

On completion of this programme, the Company's interest increased from 35% to 70%. This programme and any future work will be managed by the Company.

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. The Company's Director Dr Morritt is also a director and shareholder of Pleiades.

13 Equity Accounted Investee

GTN Copper Technology Pty Ltd

Name	Principal activities	Country of incorporation	Reporting date	Ownership interest **2011**	Ownership interest 2010
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 Group's operating result for the financial year ended 30th June 2011 was $Nil (2010 $Nil). There were no assets and liabilities employed in the joint venture included in the assets and liabilities of the Group at 30 June 2011 (2010 $Nil).

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Note	Assets		Liabilities		Net	
		2011	2010	**2011**	2010	**2011**	2010
Consolidated		**$000**	$000	**$000**	$000	**$000**	$000
Intangible assets		**-**	-	**8,442**	8,425	**8,442**	8,425
Provisions		**(9)**	(3)	**-**	-	**(9)**	(3)
Tax losses available		**(6,628)**	(6,423)	**-**	-	**(6,628)**	(6,423)
Tax losses utilised	7	**131**	-	**-**	-	**131**	-
		(6,497)	(6,423)	**-**		**(6,497)**	(6,423)
Tax (assets)/liabilities		**(6,506)**	(6,426)	**8,442**	8,425	**1,936**	1,999
Set off of tax		**6,506**	6,426	**(6,506)**	(6,426)	**-**	-
Net tax (assets)/liabilities		**-**	-	**1,936**	1,999	**1,936**	1,999

15 Property, Plant and Equipment

	Land $000	Plant and equipment $000	**Total $000**
Cost			
Balance at 1 July 2009	403	102	**505**
Additions	-	1	**1**
Balance at 30 June 2010	403	103	**506**
Balance at 1 July 2010	403	103	**506**
Additions	-	15	**15**
Balance at 30 June 2011	403	118	**521**
Depreciation			
Balance at 1 July 2009	-	(11)	**(11)**
Depreciation change for the year	-	(10)	**(10)**
Balance at 30 June 2010	-	(21)	**(21)**
Balance at 1 July 2010	-	(21)	**(21)**
Depreciation change for the year	-	(9)	**(9)**
Depreciation booked to intangibles	-	(2)	**(2)**
Balance at 30 June 2011	-	(32)	**(32)**
Carrying amounts			
At 1 July 2009	403	91	**494**
At 30 June 2010	403	82	**485**
At 1 July 2010	403	82	**485**
At 30 June 2011	403	86	**489**

16 Intangible assets

	Exploration and evaluation	Other	Mining Rights	Deposit	**Total**
	$000	$000	$000	$000	$000
Cost					
Balance at 1 July 2009	9,090	51	19,839	-	**28,980**
Additions	1,122	100	-	7	**1,229**
Balance at 30 June 2010	10,212	151	19,839	7	**30,209**
Balance at 1 July 2010	10,212	151	19,839	7	**30,209**
Additions	1,120	30	19	(7)	**1,162**
Balance at 30 June 2011	11,332	181	19,858	-	**31,371**

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

	2011	2010
	$000	$000
Current		
Trade payables	**335**	10
Other trade payables and accrued expenses	**505**	41
	840	51

18 Provisions-current

	Employee Entitlement for Annual Leave	**Total**
	$000	**$000**
Cost		
Balance at 30 June 2009	7	**7**
Provision made during the year	2	**2**
Balance at 30 June 2010	9	**9**
Provision made during the year	26	**26**
Balance at 30 June 2011	35	**35**

19 Loans and Borrowings – non current

	Currency	Interest Rate per annum	Year of Maturity	**2011**		2010	
				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				**-**	**-**	1,578	1,578
Interest payable				**-**	**-**	109	109
				-	**-**	1,687	1,687

The loan payable prior to 17th December 2010, the date of termination of the Dolphin Joint Venture (DJV), to Hunan Nonferrous Metals Corporation Ltd totalled $1,916,000.

On 17th December 2010, this loan was forgiven under the terms of the DJV termination agreement resulting in the loan's face and carrying values at 30th June 2011 being $Nil.

For the period of this loan, interest charges totalling $168,000 were capitalised to intangible assets. As these interest charges are no longer required to be paid, the capitalisation for these costs has subsequently been reversed.

20 Capital and reserves

Share capital

	2011	2010
	Number of shares	Number of shares
Ordinary shares, fully paid		
On issue at 1 July	**62,373,758**	62,373,758
Shares issued 14 April as acceptances to renounceable rights issue	**10,225,647**	-
Shares issued 19 April 2011 as being underwritten for renounceable rights issue	**5,367,793**	-
Shares issued 19 April 2011 as additional placement to renounceable rights issue	**3,846,153**	-
On issue at 30 June	**81,813,351**	62,373,758

Capital Raising Undertaken

On 11th March 2011 the Company announced that it was undertaking a capital raising through a 1:4 renounceable right issue at 26 cents per share to eligible shareholders of ordinary shares. The offer was up to 75% underwritten and originally planned to raise $4,054,000. Patersons Securities Limited acted as lead manager and underwriter.

20 Capital and reserves (continued)

The offer closed on 7th April 2011 with eligible shareholders taking up a total of 10,225,647 shares, or approximately 66% of shares offered. The remaining 5,367,793 shares (or approximately 34%) were taken up by the Underwriter to the Offer. At conclusion, the Rights Issue raised the planned $4,054,000 before costs.

In addition to this Rights Issue, a further placement was done for an additional 3,846,153 shares, raising $1,000,000. This took the total raised in April 2011 to $5,054,000 before costs.

	2011	2010
	$000	$000
Ordinary shares, fully paid		
Balance at beginning of year	**43,955**	43,955
10,225,647 ordinary fully paid shares issued through acceptances to renounceable rights issue	**2,659**	-
5,367,793 ordinary fully paid shares underwritten through renounceable rights issue	**1,395**	-
3,846,153 ordinary fully paid shares issued as additional placement to renounceable rights issue	**1,000**	-
	49,009	43,955
Costs in relation to the capital raising	**(447)**	-
Balance at end of year	**48,562**	43,955

Costs in relation to the capital raising:

Corporate Advisory Fees	**106**	**-**
Management Fees	**40**	**-**
Underwriting Fees	**152**	**-**
Placement Fees	**55**	**-**
Computershare & ASX Fees	**28**	**-**
Legal & Company Secretary Fees	**66**	**-**
	447	**-**

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 to one vote per share at shareholders' meetings.

Share Based Payment Reserve

	Note	**2011**	2010
		$000	$000
Balance at 1 July		**327**	237
Share based payments	4	**23**	90
Balance at 30 June		**350**	327

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 reporting date and the periods in which they reprice.

Consolidated	Effective interest rate	**Total**	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	%	**$000**	$000	$000	$000	$000	$000
2011							
Cash and cash equivalents	4.75	**5,657**	5,657	-	-	-	-
Loan payable	-	**-**	-	-	-	-	-
2010							
Cash and cash equivalents	4.55	**2,621**	2,621	-	-	-	-
Loan payable	8.0	**1,687**	-	-	-	-	1,687

Fair values

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Note	**Carrying amount 2011 $000**	**Fair value 2011 $000**	Carrying amount 2010 $000	Fair value 2010 $000
Trade and other receivables	10	**135**	**135**	38	38
Cash and cash equivalents	9	**5,657**	**5,657**	2,621	2,621
Trade and other payables	17	**(840)**	**(840)**	(51)	(51)
Loan payable	19	**-**	**-**	(1,687)	(1,687)
		4,952	**4,952**	921	921

22 Lease and exploration expenditure commitments

	2011 $000	2010 $000
Non-cancellable operating leases		
Contracted but not provided for and payable:		
Within one year	**92**	57
One year or later and not later than five years	**-**	55
Later than five years	**-**	-
	92	112

22 Lease and exploration expenditure commitments (continued)

The 2011 non-cancellable operating leases are for the Sydney and Grassy offices, together with leases on the office photocopier and telephone systems. The lessee in each case is Scheelite Management Pty Ltd. The 2011 amounts are a 100% share of total lease commitments on all leases after termination of the Dolphin Joint Venture during the year.

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

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group 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:

	2011	2010
	$000	$000
Within one year	**45**	125
One year or later and not later than five years	**-**	-
Later than five years	**-**	-
	45	125

23 Consolidated entities

	Country of incorporation	Ownership interest **2011** **%**	2010 %
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
Balfour Management Pty Ltd	Australia	**100**	100
Balfour Minerals 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.

24 Reconciliation of cash flows from operating activities

	2011	2010
	$000	$000
Cash flows from operating activities		
Net profit / (loss) attributable to members of the parent	**604**	(579)
Adjustments for:		
Write off HNC loan payable on termination of DJV	**(1,916)**	-
Reverse capitalised interest on termination of DJV	**168**	-
Profit on asset revaluations on termination of DJV	**(27)**	-
Depreciation and impairment	**9**	10
Interest capitalised	**-**	-
Employee options granted and expensed	**23**	90
Operating loss before changes in working capital and provisions	**(1,139)**	(479)
(Increase) / Decrease in receivables	**(82)**	38
Increase / (Decrease) in payables	**808**	(305)
Increase in provisions	**8**	22
Decrease in deferred tax liability	**(63)**	(259)
Net cash used in operating activities	**(468)**	(983)

25 Share-based payments

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

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

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 31st December 2013.

Employee options expenses for the year ended 30th June 2011 totalled $90,000 (2010 $90,000) 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:

25 Share-based payments (continued)

	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 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 Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Compensation for Key Management Personnel

	2011 $	2010 $
Salaries and fees	**461,474**	439,749
Cash bonus	**50,000**	30,000
Non monetary benefit	**3,670**	2,436
	515,144	472,185
Post employment superannuation benefits	**32,136**	33,329
Termination benefit	**-**	-
Share based payment	**22,500**	90,000
	569,780	595,514

26 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:

Key Management Person	Securities	Balance of securities at the start of the year or date of appointment, as applicable	On market purchase / (sale)	Participation in rights issue (including sub-underwriting)	Balance of securities at the end of the year or date of resignation, as applicable
Year ended 30 June 2011					
Anthony Haggarty	Fully paid ordinary shares	4,036,589	1,850,000	1,648,170	7,534,759
Robin Morritt	Fully paid ordinary shares	13,555,000	(29,142)	-	13,525,858
Andrew Plummer	Fully paid ordinary shares	884,146	1,850,000	1,068,153	3,802,299
Simon Bird	Fully paid ordinary shares	-	450,000	-	450,000
Simon Bird	Options	4,500,000	-	-	4,500,000
Year ended 30 June 2010					
Anthony Haggarty	Fully paid ordinary shares	4,036,589	-	-	4,036,589
Robin Morritt	Fully paid ordinary shares	13,555,000	-	-	13,555,000
Andrew Plummer	Fully paid ordinary shares	884,146	-	-	884,146
Simon Bird	Options	4,500,000	-	-	4,500,000

The terms and conditions of the options granted are outlined in Note 25 to the accounts.

26 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 the reporting date were as follows:

	2011	2010
	$	$
Accounts Payable - current		
Robin Morritt	**594**	594

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 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:

	2011	2010
	$	$
Consulting fees	**3,250**	26,975
	3,250	26,975

During the financial year, a company associated with Dr Morritt rendered consulting services costing $nil (2010 $4,600) to the Company. These charges were made to the Company on normal terms and conditions and in the ordinary course of business.

27 Non key management personnel disclosures

Identity of related parties

The Group has a related party relationship with its subsidiaries (see Note 23), an associate and joint ventures (see Note 12), and with its directors and executive officers (see Note 26).

27 Non key management personnel disclosures (continued)

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 Group at the reporting date:

	The Company	
	2011	2010
	$000	$000
Receivables		
Non Current	**21**	3
Payables		
Current	**2,083**	2,083

Partly owned controlled entities

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

28 Financial Risk Management

Overview

This note presents information about the 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 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.

28 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 reporting 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 significant 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	Carrying Amount	
		2011	2010
		$000	$000
Current			
Cash and cash equivalents	9	**5,657**	2,621
Other receivables	10	**45**	35
Prepayments	10	**75**	3
Non current deposits	10	**15**	-

Impairment losses

None of the Group's other receivables are past due (2010: nil).

28 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 2011							
Trade payables	335	335	335	-	-	-	-
Other trade payables and accrued expenses	505	505	505	-	-	-	-
Loan payable	-	-	-	-	-		-
30 June 2010							
Trade payables	10	10	10	-	-	-	-
Other trade payables and accrued expenses	41	41	41	-	-	-	-
Loan payable	1,687	1,687	-	-	-		1,687

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

28 Financial Risk Management (continued)

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.

Profile

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

	Carrying amount	
	2011	2010
	$000	$000
Fixed rate instruments		
Financial assets	**-**	-
Financial liabilities	**-**	(1,687)
	-	(1,687)
Variable rate instruments		
Financial assets	**5,657**	2,621
	5,657	2,621

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.

28 Financial Risk Management (continued)

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.

29 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 Project 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 wholly liable after termination of the DJV). In addition a royalty of 1.5% (Australian Tungsten Pty Ltd wholly liable after termination of the DJV) of gross revenue is also payable contingent on successful extraction of tungsten ore or concentrate.

Adjoining Land

On 12th 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 30th 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.

The Dolphin Project is still committed to pay the third party vendor an additional $100,000 upon the commencement of operations.

King Island Council Land

The Dolphin Project has signed a purchase agreement to acquire adjoining land to construct accommodation. During the year ended 30th June 2009, a land deposit totalling $120,000 was paid and a further $480,000 payment is required on the commencement of operations (Australian Tungsten Pty Ltd wholly liable after termination of the DJV).

29 Contingencies (continued)

Hunan Nonferrous Metals Corporation Ltd

Commencing 17th December 2010 and under the agreed terms relating to termination of the Dolphin Joint Venture, Australian Tungsten Pty Ltd has a liability to Hunan Nonferrous Metals Corporation Ltd which is contingent on the successful extraction of tungsten ore or concentrate from the Dolphin Project on King Island.

The amount payable is a 2% royalty on gross revenue, and the maximum royalty amount payable is $3,900,000.

Pacific Road Corporate Finance

On 12th April 2011, the Company engaged Pacific Road Corporate Finance to provide certain corporate advice, including reviewing strategic alternatives and identifying funding sources.

Retainer Fee

The Company agreed to Pacific Road charging a monthly retainer fee of $25,000 (plus GST) for a six month term and is extendible by mutual agreement. The fee is also rebateable against payment of any Transaction Fee.

At 30th June 2011, the Company's retainer fee commitment totalled $100,000 (2010 $Nil).

Transaction and Advisory Fee

On the completion of a transaction (defined as any acquisition of or by the Company, investment in or from the Company, or merger with the Company, by another party), Pacific Road will be entitled to a Transaction Fee of $500,000 plus 5.0% of the Company's incremental value (the Company's market capitalisation less $12,200,000 base market capitalisation) implied by any Transaction (plus GST) ("Transaction Fee").

If any Transaction is a capital raising through the Australian Securities Exchange, then Pacific Road will be entitled to a Transaction Fee of 1.5% (plus GST) of the capital raised plus an Advisory Fee (relating to the value of advisory work prior to the Transaction) of 5.0% (plus GST) of the Company's incremental market value (calculated as the Company's market capitalisation based on the Company's volume weighted average share price for the 20 business days following the Company's announcement of the offer closing) less $12,200,000 base market capitalisation less the cumulative amount of all subsequent capital raisings to that date.

Any Advisory Fee relating to 5% of the Company's incremental value may be paid in cash or, by mutual agreement of both parties, up to 70% may be paid in ordinary Company shares to be issued without charge to Pacific Road prior to the later of 60 days of Transaction closure or the next occurring milestone date of 15 July or 15 January in each year.

The Transaction and Advisory Fee is limited to a maximum of $2,000,000 (plus GST) in aggregate.

At 30th June 2011, the Company accrued and expensed Transaction and Advisory Fees totalling $363,000 (2010 $Nil).

30 Subsequent events

Since the reporting date, several events have been announced to the Australian Securities Exchange regarding the Dolphin Project.

1. A revised reserve estimate for Dolphin underground operations was derived which substantially increases the life of the Dolphin mine while maintaining average tungsten grades above 1% WO_3 (tungsten trioxide). The revised estimate was based on a review of current operations and market conditions and an improved mining method which also provides a more stable work environment. While some areas have been removed because deemed impractical to extract safely, the revised estimate reflects a 33% increase in the volume of metal to be mined from the Dolphin underground and extends the mine life by more than three years.
2. Drilling at Dolphin South commenced and the first hole intersected scheelite (tungsten) mineralisation from 290.5m to 299m down-hole, then continued on to intersect granite along a stoped contact at -325mRL. The drill hole was terminated at 336.3m down-hole and the second hole commence after being delayed by unfavourable weather.
3. A Chief Metallurgist was appointed, effective 1st August 2011 who will be a valuable addition to the team and who will oversee the final metallurgical test work ahead of detailing the processing facility requirements for both tailing and underground ore and actively manage the construction and commissioning phases of this processing facility. He will also work closely with GR Engineering, who were recently appointed to assist with aspects of the process plant engineering.

Other than the aforementioned announcements, 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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Declaration

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

(a) the financial statements and notes that are contained in pages 28 to 65 and the Remuneration Report in the Directors' report, set out on pages 8 to 14, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30th June 2011 and of its performance for the financial year ended on that date; and

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

(b) 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 company secretary for the financial year ended 30th June 2011.

3 The directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

Anthony Haggarty

Director

Sydney

2nd September 2011

KPMG

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 2011 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

KPMG

Shane O'Connor
Partner

Sydney

2 September 2011

KPMG

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 Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

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

Material uncertainty regarding continuation as a going concern

Without qualification to our opinion, attention is drawn to note 2 in the financial report which indicates that:

The financial report has been prepared on a going concern basis which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. In note 2, the directors state why they consider going concern basis used in the preparation of the financial report is appropriate. As discussed in that note, the assumption of the going concern is dependent on equity raisings or the commercialisation of sale of interests held in mineral tenements and projects referred to by the directors. This indicates the existence of material uncertainties as to whether the consolidated entity will be able to continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Shane O'Connor
Partner

Sydney
2 September 2011

King Island Scheelite Limited Annual Financial Report 30 June 2011

Shareholder Information

At 5th August 2011 issued capital was 81,813,351 ordinary fully paid shares held by 966 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 5th August 2011

Rank	Name	Shares	% of Shares
1.	CATHERINE MORRITT	13,525,858	16.53
2.	HFTT PTY LTD <HAGGARTY FAMILY A/C>	7,534,759	9.21
3.	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	6,415,225	7.84
4.	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	5.44
5.	CHRYSALIS INVESTMENTS PTY LTD	3,978,372	4.86
6.	RANAMOK PTY LTD <RANAMOK FAMILY A/C>	2,809,615	3.43
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,036,614	2.49
8.	PACIFIC ROAD PROVIDENT PTY LTD	2,000,000	2.44
9.	SERLETT PTY LTD <DILIGENT SUPER FUND A/C>	1,677,042	2.05
10.	MR SCOTT GILCHRIST	1,661,955	2.03
11.	INVIA CUSTODIAN PTY LIMITED <DAVIES FAMILY A/C>	1,561,563	1.91
12.	BUDBERTH PTY LTD <IPSEITY S/F A/C>	1,350,000	1.65
13.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,122,212	1.37
14.	BWS PTY LIMITED	1,000,000	1.22
15.	MR ANDREW HENDERSON PLUMMER	930,183	1.14
16.	MR ROBERT SLADE FORBES	895,358	1.09
17.	MR VICTOR JOHN PLUMMER	818,668	1.00
18.	MR DONALD BOYD	750,000	0.92
19.	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	750,000	0.92
20.	MR ROGER BRIAN MASSY-GREENE	651,584	0.80
Totals: Top 20 holders of ORDINARY SHARES (TOTAL)		**55,919,008**	**68.34**

Distribution of Holders and Holdings at 31st July 2011

Range	Total holders	Units	% of Issued Capital
1 - 1,000	336	70,447	0.09
1,001 - 5,000	173	529,473	0.65
5,001 - 10,000	104	812,319	0.99
10,001 - 100,000	271	9,759,831	11.93
100,001 - 9,999,999,999	81	70,641,281	86.34
Rounding			**0.00**
Total	**965**	**81,813,351**	**100.00**

Unmarketable Parcels at 31st July 2011

	Minimum Parcel Size	Holders	Shares
Minimum $ 500.00 parcel at $ 0.24 per unit	2,084	386	152,739

Shareholder Information (continued)

Substantial Shareholders

Substantial shareholders at 5th August 2011,

	Number Of Shares	Proportion Of Issued Shares
CATHERINE MORRITT	13,525,858	16.53%
MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	6,415,225	7.8%
HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	5.44%
HFTT PTY LTD <HAGGARTY FAMILY A/C>	7,534,759	9.21%

Unquoted Securities

On 16th 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 1st 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 1st 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 1st 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 31st 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)	100%
Exploration Licence EL19/2001 at Grassy, King Island (91 sq kms)	100%
Exploration Licence EL16/2002 at Grassy, King Island (18 sq kms)	100%
Mining Lease 1M/2006 at Grassy, King Island (544 hectares)	100%
Exploration Licence EL27/2007 at Balfour Tasmania	70%
Exploration Licence EL40/2007 at Frankland River - Mt Lily - NW / S of Balfour, Tasmania	70%

Securities Exchange Listing

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

Shareholder Information (continued)

Share Registrar

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

GPO Box 2975EE
Melbourne VIC 3000

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On-Market Buy Back

There is no on-market buy-back.