

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

31st December 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Interim period ended 31 st December		
	2012 \$	Up/Down	Movement %
Revenues from ordinary activities	-	-	-
Losses before interest and income tax	(857,567)	down	68%
Net financing income	20,845	down	80%
Income tax benefit	94,935	-	-
Loss from ordinary activities after tax attributable to members	(741,787)	down	71%
Net loss for the period attributable to members	(741,787)	down	71%
	Cents		
Loss per share – basic	(0.8)	down	75%
Loss per share – diluted	(0.8)	down	75%

Dividends	Amount per security	Franked amount per security at 30%
2013 interim dividend	-	-
2012 final dividend paid	-	-
Record date for determining entitlements to the interim dividend:	-	-

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

Refer to the Directors' Report included in the interim financial report for explanations, including a change of accounting policy for exploration and development expenditure. Refer to Note 3 for more information. The change in accounting policy has been applied retrospectively.

Discussion and Analysis of the results for the interim period ended 31st December 2012:

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

Net Tangible Assets per ordinary share (NTA Backing)

Current Period	Previous corresponding period
2.3 cents	3.8 cents

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31st December 2012

Results for Announcement to the Market (continued)

Details of Associates and Joint Venture Entities

Equity Accounted Associates and Joint Venture Entities	%Ownership Interest		Contribution to Net Loss	
	Current Period %	Previous Corresponding Period %	Current Period A\$	Restated Previous Corresponding Period A\$
Balfour Minerals Pty Ltd (a wholly owned subsidiary of King Island Scheelite Limited) and Pleiades Resources Pty Ltd established the Balfour Joint Venture.	70.0	70.0	10,639	20,050

Aggregate Share of Profits (Losses) of Associates and Joint Venture Entities

Groups' Share of Associates' and Joint Venture Entities':	Current Period A\$	Previous Corresponding Period A\$
Profit(Loss) from ordinary activities before tax	-	-
Income tax on ordinary activities	-	-
Profit(Loss) from ordinary activities after tax	-	-
Share of net profit(loss) of associates and joint venture entities	-	-

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INTERIM FINANCIAL REPORT

31st DECEMBER 2012

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET	1
CONTENTS	3
DIRECTORS' REPORT.....	4
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	8
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	10
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	11
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	12
DIRECTORS' DECLARATION	18
LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001	19
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KING ISLAND SCHEELITE LIMITED	20
SHAREHOLDER INFORMATION	22

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DIRECTORS' REPORT

The directors of King Island Scheelite Limited (**Company**) present their report together with the consolidated financial report for the interim period ended 31st December 2012 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Current

Johann JOOSTE-JACOBS	(Non-executive chairman)	Appointed 30 th November 2012
Simon BIRD	(Executive director)	Appointed 5 th October 2012
Christopher ELLIS	(Non-executive director)	Appointed 8 th November 2012
Robin MORRITT	(Non-executive director)	Appointed 24 th May 2005

Previous

Anthony HAGGARTY	(Non-executive chairman)	Appointed 7 th April 1998 Resigned 8 th November 2012
Li LI	(Non-executive director)	Appointed 18 th May 2011 Resigned 15 th August 2012
WU Fang (Wendy WU)	(Alternate to Li LI)	Appointed 18 th May 2011 Resigned 15 th August 2012
Andrew PLUMMER	(Non-executive director)	Appointed 1 st March 2006 Resigned 24 th October 2012

Review of operations

Key Points

- Retained \$1.08 million cash on hand.
- Changes to the Board of Directors include Mr Li Li and his alternate, Ms Wendy Wu, Mr Andrew Plummer and Mr Anthony Haggarty (Chairman) all resigning and Mr Simon Bird, Mr Christopher Ellis and Mr Johann Jooste-Jacobs (Chairman) newly appointed to the Board.
- The Definitive Feasibility Study of the Dolphin Project was completed with an optimisation review underway by the new Board of Directors. The Project remains development-ready with production within 24 months of receiving project funding, which largely depends upon arranging an off-take agreement.
- A capital raising was undertaken in August and finalised in September, fully underwritten by key major shareholders and providing net funds after costs of \$914,000.
- Corporate changes and cost reduction initiatives were implemented to help conserve cash until market conditions improve and project funding is sourced. These changes

Directors' Report (continued)

included the redundancy of all full-time employees except for the Chief Executive Officer and moving to a smaller, shared office facility.

Dolphin Project

The Dolphin Project, owned 100% by KIS, is ready for development. There is scope for down-plunge exploration from underground drilling stations to significantly extend the proposed current 10-year mine life. There is also scope to explore several known tungsten mineralized areas within current KIS tenements.

The development plan is based on re-opening the former Dolphin underground mine to produce approximately 350,000 tonnes of tungsten ore per annum at an average grade of 1.04% WO₃. Recoveries of 91% WO₃ from the ore would produce an industry standard 65% tungsten concentrate using well-understood flotation techniques.

This Development Plan is currently under review to reduce capital and operating costs and improve returns.

In production the Dolphin Project is scheduled to produce up to 25% of current, non-Chinese global supply.

KIS has purchased key mine-related land (240.9ha) from the King Island Council. KIS has also reached agreement for all project permits and approvals with the Tasmanian Environment Protection Authority, Minerals Resources Tasmania and the King Island Council. The Dolphin Project is within a retention licence that has adjacent exploration licences. A mining licence will be activated upon presentation of the agreed environmental bond.

Discussions continue with key international tungsten consumers and financiers to establish the optimal Dolphin Project funding structure and source funding

The project has purchased key mine-related land (240.9ha) from the King Island Council and reached agreement for all project permits and approvals with the Tasmanian Environment Protection Authority, Minerals Resources Tasmania and the King Island Council. The Dolphin Project is within a retention licence that has adjacent exploration licences. A mining licence will be activated upon presentation of the agreed environmental bond.

The Dolphin Project is, subject to securing the necessary funding, development ready.

Directors' Report (continued)

Balfour Joint Venture (BJV)

The Company has a 70% interest in the BJV with Pleiades Resources Pty Ltd (30%) to explore tin-tungsten and copper-gold targets within the BJV tenements in north-west Tasmania.

The BJV undertook a very detailed ground-based gravity survey to identify the location and extent of the mineralising source granite. A number of targets for tin-tungsten mineralisation and one for copper-gold mineralisation were identified. Limited drill testing intersected mineralisation at both the Specimen Hill and Roaring 41 South locations with the primary gold mineralisation intersected being the first known in the area and associated with what appears to be iron-oxide, copper-gold (IOCG) type mineralisation. A drilling programme has been committed to and will be undertaken to test these and other drill-ready targets, subject to funding.

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

Tungsten Market

Tungsten prices weakened during the year with the price of ammonium paratungstate (APT) decreasing from December 2011 at USD 445 per mtu to USD 318 per mtu in December 2012. The current price is approximately USD 355 per mtu (metric tonne unit) with concentrate typically trading at a discount of 20% to APT.

Outlook

The Company remains focused on securing off-take arrangements and funding to redevelop the well-understood and high-grade tungsten deposit on King Island. The Board and management are assessing the potential to reduce both capital and operating costs associated with the Dolphin Project, including any potential to a further stage in the current development plan.

Subsequent events

There has not arisen in the interval between the end of the interim period and the date of this review 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.

King Island Scheelite Limited
Interim Financial Report 31st December 2012

Directors' Report (continued)

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

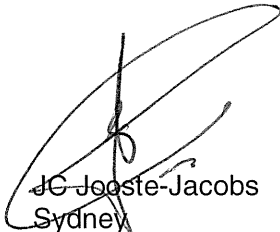
The lead auditor's independence declaration is set out on page 19 and forms part of the directors' report for the interim period ended 31st December 2012.

Rounding off

With the change in accounting policy, the Company is no longer of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and as such, amounts in the condensed consolidated interim financial report and directors' report have been reported to the nearest dollar, unless otherwise stated.

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

Chairman



JC Jooste-Jacobs
Sydney
7th March 2013

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the interim period ended 31st December 2012

	Note	31 st December 2012 \$	Restated 31 st December 2011 \$
Revenue		-	-
Administration expenses		(780,079)	(520,841)
Exploration & evaluation expenses		(77,488)	(2,180,052)
Results from operating activities		<u>(857,567)</u>	<u>(2,700,893)</u>
Financial income		<u>20,845</u>	102,718
Net financing income		<u>20,845</u>	102,718
Loss before tax		(836,722)	(2,598,175)
Income tax benefit		<u>94,935</u>	-
Net loss for the period		<u>(741,787)</u>	<u>(2,598,175)</u>
Total comprehensive income for the period		<u>(741,787)</u>	<u>(2,598,175)</u>
		Cents	Cents
Basic loss per share attributable to ordinary equity holders – continuing operations		(0.8)	(3.2)
Diluted loss per share attributable to ordinary equity holders – continuing operations		(0.8)	(3.2)

The condensed notes on pages 12 to 17 are an integral part of these consolidated interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the interim period ended 31st December 2012

	Note	Issued capital \$	Accumulated losses \$	Share option reserve \$	Total Equity \$
Balance at 1 st July 2011		48,562,106	(14,041,900)	350,000	34,870,206
Impact of the change in accounting policy at 1 st July 2011	4	-	(29,435,364)	-	(29,435,364)
Shares issued 20 th October 2011 to Pacific Road Corporate Finance as advisory fee	8	279,395	-	-	279,395
Total comprehensive income for the period		-	(2,598,175)	-	(2,598,175)
Balance at 31 st December 2011		48,841,501	(46,075,439)	350,000	3,116,062
Balance at 1 st July 2012		48,841,501	(14,599,502)	350,000	34,591,999
Impact of the change in accounting policy at 1 st July 2011	4	-	(29,435,364)	-	(29,435,364)
Impact of the change in accounting policy during the year ended 30 th June 2012	4	-	(3,140,782)	-	(3,140,782)
Rights issue capital raising on 6 th September 2012	8	914,094	-	-	914,094
Total comprehensive income for the period		-	(741,787)	-	(741,787)
Balance at 31 st December 2012		49,755,595	(47,917,435)	350,000	2,188,160

The condensed notes on pages 12 to 17 are an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2012

	Note	31 st December 2012 \$	Restated 30 th June 2012 \$
Current assets			
Cash and cash equivalents		1,078,804	1,021,470
Trade and other receivables		127,492	79,128
Inventories		28,050	28,050
Total current assets		<u>1,234,346</u>	<u>1,128,648</u>
Non-current assets			
Trade and other receivables		-	14,300
Property, plant and equipment		1,022,640	1,027,935
Total non-current assets		<u>1,022,640</u>	<u>1,042,235</u>
Total assets		<u>2,256,986</u>	<u>2,170,883</u>
Current liabilities			
Trade and other payables		61,056	109,627
Provisions		7,770	45,403
Total current liabilities		<u>68,826</u>	<u>155,030</u>
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		<u>68,826</u>	<u>155,030</u>
Net assets		<u>2,188,160</u>	<u>2,015,853</u>
Equity			
Issued capital	8	49,755,595	48,841,501
Reserves		350,000	350,000
Accumulated losses		(47,917,435)	(47,175,648)
Total equity		<u>2,188,160</u>	<u>2,015,853</u>

The condensed notes on pages 12 to 17 are an integral part of these consolidated interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the interim period ended 31st December 2012

	31st December 2012	Restated 31 st December 2011
	\$	\$
Cash flows used in operating activities		
Cash received from customers	14,300	-
Cash paid to suppliers and employees	(986,840)	(2,811,118)
Interest received	20,845	102,718
Research & development tax refund	94,935	-
Net cash used in operating activities	(856,760)	(2,708,400)
Cash flows used in investing activities		
Payments for purchase of property, plant and equipment	-	(49,074)
Net cash used in investing activities	-	(49,074)
Cash flows from financing activities		
Net proceeds from capital raising	914,094	-
Net cash generated from financing activities	914,094	-
Net increase / (decrease) in cash and cash equivalents	57,334	(2,757,474)
Cash and cash equivalents at 1 st July	1,021,470	5,656,516
Cash and cash equivalents at 31 st December	1,078,840	2,899,042

The condensed notes on pages 12 to 17 are an integral part of these consolidated interim financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

King Island Scheelite Limited (**Company**) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the interim period ended 31st December 2012 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30th June 2012 is available upon request from the Company's registered office at Level 26, 259 George Street, Sydney NSW 2000 or at www.kingislandscheelite.com.au.

2. Statement of compliance

The consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. The consolidated interim financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30th June 2012.

This condensed consolidated interim financial report was approved by the Board of Directors on 7th March 2013

With the change in accounting policy, the Company is no longer of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and as such, amounts in the condensed consolidated interim financial report and directors' report have been reported to the nearest dollar, unless otherwise stated.

3. Significant accounting policies

The treatment of exploration and evaluation expenditure as permitted under AASB 6 Exploration for and Evaluation of Mineral Resources was changed in the period. Effective 1st July 2012 expenditures incurred in the exploration for and evaluation of mineral resources are expensed as incurred. The changes have been applied retrospectively. These changes are included in the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of financial position and condensed consolidated statement of cash flows.

As a result of the change in accounting policy, \$31.3 million was reclassified at 1st July 2011 from intangible assets to accumulated losses and \$1.9 million was reclassified at 1st July 2011 from deferred tax liability to accumulated losses, totalling a net \$29.4 million to accumulated losses.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Significant accounting policies (continued)

The Board of Directors consider the change in accounting policy results in financial statements providing more reliable and relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Other than the above change, the accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30th June 2012.

4. Intangible Assets and Deferred Taxes

Effective 1st July 2012, the treatment of exploration and evaluation expenditure as it relates to AASB 6 Exploration for and Evaluation of Mineral Resources was changed. As a result of the change, the exploration and evaluation costs previously reported by the Group are now expensed in the period the expenditure is incurred.

Previously, the Group recognised exploration and evaluation assets for such expenditure. Accordingly, a deferred tax liability is no longer reported for these assets.

The following table summarises the adjustments made to the statement of financial position on implementation of the new accounting policy.

	Intangible Assets \$	Deferred Tax Liability \$	Accumulated Losses \$
Balances at 1 st July 2011, as previously reported	31,370,495	(1,935,131)	(14,041,900)
Impact of the change in accounting policy at 1 st July 2011	(31,370,495)	1,935,131	(29,435,364)
Balances at 1 st July 2011	-	-	(43,477,264)
Balances at 30 th June 2012, as previously reported	34,272,306	(1,696,160)	(14,599,502)
Impact of the change in accounting policy at 1 st July 2011	(31,370,495)	1,935,131	(29,435,364)
Impact of the change in accounting policy during the year ended 30 th June 2012	(2,901,811)	(238,971)	(3,140,782)
Balances at 1 st July 2012	-	-	(47,175,648)

The effects on the statement of profit and loss and other comprehensive income were as follows:

	For the interim period ended 31st December 2011 \$
Increase in exploration and evaluation expenses	(2,180,052)
Decrease in income tax benefit	(125,437)
Decrease in profit for the interim period	(2,305,489)

Notes to the Condensed Consolidated Interim Financial Statements (continued)

5. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30th June 2012.

6. 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 this funding, there is a material 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 realise 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.

7. Segment reporting

Business and geographical segments

The results and financial position of the Group'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 tungsten deposit and as such, currently provides no products for sale.

Geographical areas

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Issued Capital

	31st December 2012	30 th June 2012
	\$	\$
Fully paid ordinary shares	49,755,595	48,841,501
	Number of shares	\$
Fully paid ordinary shares		
Balance 1 st July 2011	81,813,351	48,562,106
Shares issued 20 th October 2011 to Pacific Road Corporate Finance as advisory fee	932,557	279,395
Balance 31 st December 2011	82,745,908	48,841,501
Balance 1 st July 2012	82,745,908	48,841,501
Rights issue capital raising on 6 th September 2012	13,791,383	914,094
Balance 31 st December 2012	96,537,291	49,755,595

The share based payment transaction made on 20th October 2011 was partial extinguishment of the Transaction and Advisory Fee commitment payable to Pacific Road Corporate Finance as accrued and expensed at 30th June 2011. This total transaction has now been completed and paid in full.

On 31st August 2012 the Company closed a capital raising through a 1:6 renounceable rights issue at 7.2 cents per share to eligible shareholders of ordinary shares. The offer was 100% underwritten by several major shareholders and raised \$992,978 before capital raising costs. This raising was managed internally however underwriting fees of 4% of the amount underwritten was paid to the relevant parties. There were also additional costs for legal advice and Company Secretary fees as well as charges from Computershare and ASX.

A total of 13,791,383 shares were issued through this capital raising, taking the total shares on issue for the Company on conclusion of the raising to 96,537,291 shares.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

9. Related Party Transactions

- (i) Pleiades Resources Pty Ltd (Pleiades) is the Balfour Joint Venture (BJV) partner to the Company's wholly owned subsidiary Balfour Minerals Pty Ltd and The Company's director Dr Morrith is also a director and shareholder of Pleiades. At the date of this report, The Company has a 70% interest in the BJV (30th June 2012: 70%) with Pleiades holding the remaining 30%.

A total of \$10,639 was spent on the Balfour Joint Venture by the Company for the interim period ending 31st December 2012 (31st December 2011: \$20,050).

- (ii) The following related party transaction charges for Directors' Fees were made to the Company on normal terms and conditions and in the ordinary course of business.

	Transaction Value interim period ended		Balance Outstanding: Payable	
	31 st Dec 2012 \$	31 st Dec 2011 \$	31 st Dec 2012 \$	31 st Dec 2011 \$
Directors' Fees	46,172	60,052	17,893	-

All outstanding balances with these related parties are at call.

10. Dividends

No dividends were paid by the Company during the interim period to 31st December 2012 (31st December 2011: Nil).

11. Lease and exploration expenditure commitments

In September 2012 the Company negotiated an assignment of the operating lease for the office in Sussex Street, Sydney, allowing it to move to a smaller office at cheaper cost and with no fixed term lease at present. The assignment of the lease included six month rent-free at a cost of \$28,662 plus legal fees of \$1,818. The differential in rent between Sussex Street, Sydney and the new premises at 259 George Street, Sydney is \$3,202 per month.

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 not provided for in the financial report and as at 31st December 2012 the amount is \$156,000 relating to the Balfour tenements.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Contingencies

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. If the decision to mine is taken, the amount payable to the third party is \$250,000 with an addition royalty of 1.5% of gross revenue 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 mine and Grassy township. The terms of this purchase were an initial payment of \$700,000 plus an additional \$100,000 payable upon the Company obtaining a permit for planning and development approval to carry on an extractive industry, both of which have been paid in full. There is a further \$100,000 payable to the third party vendor contingent upon the commencement of operations.

Hunan Nonferrous Metals Corporation Ltd

Under the agreed terms relating to termination of the Dolphin Joint Venture effective 17th December 2010, 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.

King Island Council

On 1st July 2011, the Company entered into two agreements with King Island Council that have since been registered under Part 5 of the Land Use Planning Approvals Act 1993 (TAS). These agreements provide that the Company pay in each financial year, the amounts of \$50,000 inclusive of GST to the King Island Council for upgrading and improvement of Grassy infrastructure and \$50,000 inclusive of GST to a Trust Fund, mainly for the purpose of upgrading and developing the community facilities in Grassy and the surrounding areas.

Also as part of these agreements, the Company paid the first instalments of these in advance, a total of \$100,000 inclusive of GST, on 1st July 2011. These advances are to be deducted from future payments over five years at the rate of \$100,000 inclusive of GST per annum each and future payments will commence on the date upon which the mining of ore commences.

13. Subsequent events

There has not arisen in the interval between the end of the interim period and the date of this review 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.

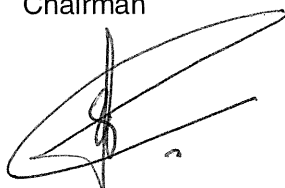
DIRECTORS' DECLARATION

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

1. the condensed consolidated financial statements and notes set out in pages 8 to 17, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31st December 2012 and its performance, as represented by the results of its operations and cash flows for the interim period ended on that date; and
 - (b) complying with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Chairman



JC Jooste-Jacobs
Sydney
7th March 2013

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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 review for the interim period ended 31 December 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Shane O'Connor
Partner

Sydney

7 March 2013

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

Report on the financial report

We have reviewed the accompanying interim financial report of King Island Scheelite Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 13 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 interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of King Island Scheelite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of King Island Scheelite Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

The interim 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 6, the directors state why they consider that the going concern basis used in the preparation of the interim financial report is appropriate. As disclosed in that note, the assumption of the going concern basis is dependent on future share issues, debt raising, joint venturing or off-take agreements for the sale of tungsten. This indicates the existence of material uncertainties as to whether the consolidated entity will be able to continue as a going concern.

KPMG

KPMG

Shane O'Connor
Partner

Sydney

7 March 2013

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SHAREHOLDER INFORMATION

At 31st January 2013 issued capital was 96,537,291 ordinary fully paid shares held by 953 holders. The 20 largest holders were:

Rank	Shareholder	Number of Shares	% of Issued Capital
1.	CATHERINE MORRITT	13,579,858	14.1%
2.	HFTT PTY LTD <HAGGARTY FAMILY A/C>	9,584,319	9.9%
3.	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	8,088,902	8.4%
4.	CHRYSALIS INVESTMENTS PTY LTD	5,489,905	5.7%
5.	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	4.6%
6.	RANAMOK PTY LTD <RANAMOK FAMILY A/C>	4,057,360	4.2%
7.	PACIFIC ROAD PROVIDENT PTY LTD	2,617,687	2.7%
8.	SERLETT PTY LTD <DILIGENT SUPER FUND A/C>	2,304,542	2.4%
9.	MR GIUSEPPE CORONICA	2,287,229	2.4%
10.	MR SCOTT GILCHRIST	2,268,755	2.4%
11.	BUDBERTH PTY LTD <IPSEITY S/F A/C>	2,100,000	2.2%
12.	INVIA CUSTODIAN PTY LIMITED <DAVIES FAMILY A/C>	2,062,405	2.1%
13.	MR DONALD BOYD	1,312,500	1.4%
14.	BWS PTY LIMITED	1,166,667	1.2%
15.	ALFRED STREET FUNDS MANAGEMENT PTY LTD	1,087,984	1.1%
16.	MR ANDREW HENDERSON PLUMMER	1,085,214	1.1%
17.	HOLTEX PTY LTD <BUCKERIDGE S/F A/C>	1,000,000	1.0%
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	915,303	0.9%
19.	MR ROBERT SLADE FORBES	895,358	0.9%
20.	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	875,000	0.9%
	Total	67,228,988	69.6%

Distribution of holders and holdings at 31st January 2013

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	325	64,271	0.07
1,001 - 5,000	161	499,101	0.52
5,001 - 10,000	94	736,097	0.76
10,001 - 100,000	276	9,803,810	10.16
100,001 - 9,999,999,999	97	85,434,012	88.50
Rounding			(0.01)
Total	953	96,537,291	100.00

Unmarketable Parcels	Minimum Parcel Size	Holders	Number of Shares
Minimum \$ 500.00 parcel at \$ 0.09 per unit	5,556	498	626,992