King Island Scheelite Limited
ABN 40 004 681 734

and its controlled entities

ANNUAL FINANCIAL REPORT

30th June 2013

INDEX

Directors' Report

Directors

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

Johann Jooste-Jacobs - Independent Chairman, B.Acc, MBL, FCA, FAICD (Appointed 30th November 2012)
Johann is currently also Non-Executive Chairman of ASX listed Uranex Limited and was previously Non-Executive Chairman of ASX listed iron pre producer, IMX Resources Limited. In addition, he was Chairman of Coalworks Limited and is currently a Non-Executive Director of Australian Zircon NL and TW Holdings Limited. As Chairman of IMX Resources Limited, he assisted in that company becoming the first iron ore producer in South Australia in over 100 years. Johann is a Fellow member of both the Institute of Chartered Accountants and the Institute of Company Directors of Australia and has over 30 years experience in the resource sector.

Robin FC Morritt - Non-Executive Director, BA Hons (Macquarie NSW Australia), MS (Stanford CA USA), PhD (Queen's Ontario Canada), FAusIMM, FAIG, FSEG (Appointed 24th May 2005)
Robin joined the Board in May 2005 following the acquisition of Australian Tungsten Pty Ltd (ATPL) by the Company. ATPL is a company he co-founded. Robin is an exploration geologist with over 30 years' experience. Robin worked with Western Mining Corporation Ltd and Pacific-Nevada Mining Pty Ltd (then a wholly owned subsidiary of Franco-Nevada Mining Pty Ltd) in Australia, the USA and Brazil. He was the founding Chairman and Managing Director of listed company, ReLODE Limited (renamed Integra Mining Ltd). In 2007 Robin co-founded Pleiades Resources Pty Ltd and a wholly-owned subsidiary M45 Mineração Ltd, both exploration companies.

Christopher Ellis – Non-Executive Director, B.Sc Hons (Appointed 8th November 2012)
Chris has over 30 years' experience in the exploration and mining industry in Australia and overseas. He was a founding member and Executive Director of coal mining company Excel Coal Limited, which became Australia's largest independent coal mining company before being acquired by Peabody Energy Inc. in October 2006. Chris commenced his career in the UK coal industry, followed by positions within Shell's exploration group in Southern Africa and CRAE in Western Australia. He has also held senior positions for BP Coal (London and USA), Agipcoal Australia and for the Stratford Joint Venture. Chris has core skills in geology, mining engineering and minerals processing, mainly in the coal industry with some experience in gold, base metals and diamonds. He has had overall responsibility for the design and engineering of four new mines during his career with Excel. Chris is a Non-Executive Director of Ausquest Limited (AQD).

Simon Bird – Chief Executive Officer (CEO) and Director, B.Acc.Science Hons, UNISA, FCPA, FAICD (Appointed as CEO on 1st January 2009 and Director on 5th October 2012. Ceased as CEO and Director on 11th August 2013)
Simon is an accomplished senior executive with 30 years' experience in various countries and industry sectors. Prior to joining King Island Scheelite Limited, Simon worked for property developer and manager Stockland Limited as General Manager Finance. He was Chief Financial Officer at GrainCorp Limited for six years and also spent two years as Chief Financial Officer of Wizard Mortgage Corporation Limited. He is a Fellow of the Australian Institute of Company Directors (FAICD) and Fellow of CPA Australia (FCPA). Simon is a Non-Executive Director of Mount Gibson Iron Limited (MGX) and Chairman of the Audit Committee, Non-Executive Director of Metals Finance (MFC) and Chairman of the Audit Committee, Chairman of Rawson Resources Limited (RAW) and a former Director of CPA Australia Limited and Kosciusko Alpine Club Limited.

Anthony Haggarty - Non-Executive Chairman, MComm (University of NSW), (Appointed 7th April 1998 and ceased 8th November 2012)
Anthony (Tony) has over 25 years of 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 was Managing Director and remains a Non-Executive Director of the publicly listed Whitehaven Coal Limited (appointed Director on 3rd May 2007 and resigned as Managing Director on 25th March 2013). Tony is a former Non-Executive Director of publicly listed IMX Resources NL (resigned 7th July 2012) and was also Managing Director of the publicly listed company Excel Coal Limited (for the period 3rd May 2004 to 25th October 2006).

Andrew Plummer - Independent Non-Executive Director, B.S. Mining Eng (Colorado School of Mines), (Appointed 1st March 2006 and ceased 24th October 2012)
Andy has over 30 years of 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. Andy was an Executive Director of publicly listed Whitehaven Coal Ltd (appointed 3rd May 2007 and ceased 3rd May 2012), a Director of XLX Pty Ltd and Chairman of Ranamok Glass Prize Ltd.

Li Li - Independent Non-Executive Director, Bachelor of Industrial Automation (Central South University of Technology) EMBA (Hunan University), (Appointed 18th May 2011 and ceased 15th August 2012)
Mr Li Li graduated from Zhuzhou Metallurgy Industrial School in 1982 and received his bachelor degree in industrial automation from Central South University of Technology in 1989. Mr Li studied economic law at postgraduate level from 1999 to 2001, and also holds an Executive Master of Business Administration for Senior Management from Hunan University. He has held various positions at Zhuzhou Cemented Carbides Group Co., Ltd from 1982 to 2004 and also 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.

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 and ceased 6th March 2012. Re-appointed 21st June 2012 and ceased 15th August 2012)
Ms Fang Wu joined HNC (Australia) Resources Holding Pty Ltd when the company was established in 2007 and has been working as the Project Coordinator in HNC to assist HNC Management achieve better understanding, efficient communication and decision making regarding the Dolphin Project and other business of the Company.

Chen Yao Alternate Director to Mr Li (Appointed 6th March 2012 and ceased 20th June 2012)
Mr Chen Yao joined HNC (Australia) Resources Holding Pty Ltd in 2009 and worked as an administrator in HNC Australia and its subsidiaries. Across most core aspects of HNC Australia's portfolio, Yao has assisted HNC Australia management in driving and initiating an efficient decision-making environment- achieving better communication and reporting processes.

Company Secretary and Chief Financial Officer

Ian Morgan B Bus (NSW Institute of Technology), M Com Law (Macquarie University), Grad Dip App Fin (Securities Institute of Australia) CA, ACIS, MAICD, F Fin
Ian was appointed Company Secretary on 3rd August 2005. He is a Chartered Accountant and Chartered Company Secretary with over 30 years of experience and provides secretarial and advisory services to a range of companies, including holding the position of Company Secretary for other listed public companies.

Directors' meetings

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

	Board Meetings		*Audit Committee Meetings*	
	Eligible	Attended	Eligible	Attended
Johann Jooste-Jacobs	6	6	1	1
Robin Morritt	12	12	2	2
Christopher Ellis	7	7	1	1
Simon Bird	9	9	1	1
Anthony Haggarty	5	4	1	1
Andrew Plummer	4	4	1	1
Li Li	2	-	-	-

Principal activities

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

1. On-going Dolphin Project preliminary technical and corporate work required to re-open the tungsten mine on King Island; and
2. Continuing exploration and evaluation of the Balfour Joint Venture (BJV) tenements in north western Tasmania.

For details of the BJV, see Note 11.

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

Operating and financial review

Dolphin Project – 100% interest

The Company is focused on redevelopment of the Dolphin Project tungsten deposit on King Island. The Company conducted a timely and comprehensive desktop Value Engineering Study of the Definitive Study (DFS 2012) originally completed in February 2012. This study identified a number of areas where the project's economics can be substantially improved, including:

1. Identification of an additional indicated and inferred open cut resource totalling 1.25Mt of ore at 0.67% WO_2 in the existing pit floor and pit walls which can be mined during the first three years of production;
2. Shelving the retreatment of tailings and deferring underground rehabilitation and associated mining plan; and
3. Identifying a range of additional capital expenditure and operating expenditure cost savings that are yet to be fully assessed.

The Company has all the requisite land, permits and approvals to progress the Dolphin Project into the construction phase, subject to securing full funding.

Corporate

1. Corporate cost cutting measures have been implemented.
2. Three new directors appointed (including independent Chairman). The current Board consists of three non-executive Directors.
3. Completed a capital raising in July 2013 to update the 2012 Definitive Feasibility Study.

Balfour Joint Venture (BJV) – 70% interest

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

The BJV undertook a major gravity survey and as a result of that work extended knowledge on the historic Specimen Hill tin & tungsten mineralisation and identified a new copper & gold occurrence.

Difficulties in securing a funding partner for the next exploration phase of this project meant the BJV decided to surrender these tenements unless circumstances change substantially in the immediate future. The tenements are scheduled to be surrendered on 17th October 2013 after which the BJV will be dissolved.

Financial

The Group retained a cash balance of $769,352 at 30th June 2013 (2012 $1,021,470).

A renounceable rights issue was undertaken in September 2012 with $992,978 raised through the issue of 13,791,383 shares at 7.2 cents.

A further fundraising of $1,969,371 from existing shareholders was undertaken and closed on 5th July 2013, issuing a further 38,615,112 shares at 5.1 cents. This will fund the company for a minimum of twelve months.

Change in Accounting Policy

The consolidated financial report has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to intangible expenditure.

The previous accounting policy capitalised and carried forward mining, exploration and evaluation expenditure as an asset, when rights to tenure of an area of interest were current and costs were expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale.

The new accounting policy is to charge exploration and evaluation expenditure against profit and loss as incurred; except for acquisition costs and for expenditure incurred after a decision to proceed to development is made, in which case the expenditure would be capitalised as an asset.

Refer to Note 1 (c) and Note 13 of the consolidated financial report for further information on this change.

Going Concern

The financial report has been prepared on the basis of a going concern. In order to commercialise the Dolphin Project additional funding will be required. The Directors believe that the Group will be able to fund future operations through additional share issues, debt raising, joint venturing or off-take agreements for the sale of tungsten. If this funding cannot be sourced, there could be material uncertainty as to whether or not the Group can continue as a going concern.

Refer to Note 2 of the consolidated financial report for further information about going concern for the Group.

Outlook

The potential for improved project economics identified by the recent Value Engineering Study, combined with increased tungsten prices and favourable exchange rate movements provide a solid foundation for the Definitive Feasibility Study (February 2012)(DFS 2012) revision currently underway. This revised DFS is anticipated to be completed during the March 2014 quarter.

Once the DFS (2012) is updated, the Company will be well-positioned to finalise the funding arrangements required to bring the project into production, including off-taker commitments with key end users and debt facilities in conjunction with future equity raisings.

Business Risks

The Group's successful development of the tungsten mine on King Island through its Dolphin Project is subject to various business risks, including.

Tenement conditions remain acceptable

Certain exploration and retention licences held by the Group require renewal or extension. The Group has lodged applications to extend and renew these tenements which are currently being processed. There is no guarantee that the tenements will be granted to the Group on terms that are acceptable or at all. The Company is however, taking all requisite measures to keep the tenements in good standing.

Additional funding

The Group is likely to require additional funds to proceed with future stages and development of its projects.

Commodity prices and exchange rate risk

If the Group's activities lead to production, future revenue will be derived through the sale of minerals which exposes the Group to commodity price risk. Commodity prices are dependent upon a number of factors which are outside of the Group's control. Commodity prices are usually denominated in US dollars whereas the expenditure of the Group is denominated in Australian dollars that exposes the Group to fluctuations and volatility of the rate of exchange between the US dollar and the Australian dollar.

Fluctuations in commodity prices and the Australian dollar exchange rate could have a material effect on the financial and operating performance of the Group.

Land access and title risk

The Group has obligations in relation to expenditure levels and environmental matters for its tenements as well as responsibilities to various government entities and landowners affected by its activities. A contravention of these obligations could affect the right to hold mining tenements in a given area. The Group's mining tenements could be affected by land access issues.

Environmental risk

The Group is subject to State and Federal legislation regarding environmental obligations and liabilities. The legislative and regulatory requirements impose significant environmental obligations on the Group in relation to its operations. Compliance with these obligations and any future obligations,such as any carbon tax or carbon pollution reduction scheme imposed by the government, could have a material adverse effect on the financial and operating performance of the Group.

Retention of key employees

The Group is highly dependent upon qualified, scientific, technical and managerial personnel. There is significant competition for qualified personnel in the Group's business. The Group may not be able to attract and retain the qualified personnel necessary for the development of its business. The loss of the services of existing personnel, as well as the failure to recruit additional key scientific, technical, managerial and other personnel in a timely manner could affect the Group's business.

Dividends

There were no Dividends paid or declared by the Company to members during or since the end of the financial year (2012 Nil).

Events subsequent to the reporting date

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of these operations or the Group's state of affairs in future financial years, excepting:

1. On 5th July 2013 the Company's non-renounceable rights offer announced on 29th May 2013 was successfully closed. A total of 38,615 112 new shares were issued (11th July 2013 17,018,485 shares and 16th July 2013 21,596,627 shares) to raise $1,969,371 cash before capital raising costs. Underwriting fees totalled $52,110, of which $27,734 were paid to related parties;
2. The Company elected not to invest additional funds into the Balfour project. The Company is currently working with Pleiades to dissolve the Balfour Joint Venture and surrender the Balfour tenements. Refer to Note 11 for more details; and
3. Simon Bird's employment as the Company's Chief Executive Officer ceased effective 11th August 2013. Mr Bird's bona fide termination payment totalled $183,500 (gross). It was agreed by the Company not to cancel the Company's 4,500,000 options granted on 21st January 2009 to Mr Bird (Note 21), as the options expire 31st December 2013.

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
Johann Jooste-Jacobs	1,021,227
Robin Morritt	13,972,014
Christopher Ellis	17,680,530

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 $24,073 (2012 $24,023), 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 audit 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.

Audit Services

	Consolidated	
	2013	2012
	$	$
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	**47,500**	57,500

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 61 and forms part of this Directors' Report.

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.

Remuneration Report - Audited

Remuneration is referred to as compensation throughout this report.

Key management personnel comprise the directors of the Company and the Chief Executive Officer who have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Compensation levels for key management personnel are reviewed annually and are set to attract and retain appropriately qualified and experienced personnel, taking cognisance of the financial position of the Company.

The Company compares its compensation levels to compensation paid by similar sized companies.

Compensation packages include a mix of fixed and variable compensation, and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and contributes to a post-employment defined benefit superannuation plan on their behalf.

The Board awards additional remuneration to Non-Executive Directors called upon to perform duties over and above those normally expected of them.

Non-executive directors do not receive performance based remuneration nor bonuses.

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

All reasonable out-of-pocket expenses incurred by a Director in fulfilling his role as a Director are reimbursed by the Company.

Remuneration Report – Audited (continued)

Directors' terms of employment are set out as follows:

Mr Jooste-Jacobs (Independent Chairman)

During the financial year, an entity controlled by Mr Jooste-Jacobs was paid at the rate of $30,987 p.a. plus 9% (commencing 1st July 2013 9.25%) statutory superannuation for Mr Jooste-Jacobs to be an Independent Director and Chairman. Any further work on behalf of the Company would be paid on a time incurred basis. No annual or long service leave accrues to Mr Jooste-Jacobs.

Dr Morritt (Non-Executive Director)

During the financial year, Dr Morritt was paid at the rate of $26,400 p.a. plus 9% (commencing 1st July 2013 9.25%) statutory superannuation (2012 $26,400 p.a. plus 9% statutory superannuation) to be a Non-Executive Director. Any further work on behalf of the Company would be paid on a time incurred basis. No annual or long service leave accrues to Dr Morritt.

Mr Ellis (Non-Executive Director)

During the financial year, Mr Ellis was paid at the rate of $26,400 p.a. plus 9% (commencing 1st July 2013 9.25%) statutory superannuation to be a Non-Executive Director. Any further work on behalf of the Company would be paid on a time incurred basis. No annual or long service leave accrues to Mr Ellis.

Mr Haggarty (Non-Executive Chairman) – (ceased 8th November 2012)

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 (2012 $30,987p.a. plus 9% statutory superannuation). No annual or long service leave accrued to Mr Haggarty.

Mr Plummer (Non-Executive) – (ceased 24th October 2012)
During the financial year, an entity controlled by Mr Plummer was paid at the rate of $26,400 p.a. plus 9% statutory superannuation (2012 $26,400 p.a. plus 9% statutory superannuation) for Mr Plummer to be a Non-Executive Director. No annual or long service leave accrued to Mr Plummer.

Mr Li (Non-Executive) – (ceased 15th August 2012)

During the financial year, an entity associated with Mr Li was paid at the rate of $26,400 p.a. plus 9% statutory superannuation (2011 $26,400 p.a. plus 9% statutory superannuation) for Mr Li to be a Non-Executive Director. No annual or long service leave accrued to Mr Li.

Remuneration Report – Audited (continued)

Mr Bird (Director & Chief Executive Officer)

Mr Bird was appointed as CEO on 1st January 2009 and Director on 5th October 2012. He ceased as CEO and Director on 11th August 2013.

Base Remuneration	$367,000 per annum inclusive of salary and 9.25% superannuation commencing 1st July 2013 (to 30th June 2013 9%). For the period 1st January 2013 to 30th June 2013, Mr Bird's base remuneration was $220,000 per annum based upon him working a part-time three day week. The base remuneration rate of $367,000 per annum was preserved and applies to the payment of six months of his annual remuneration package, payable to Mr Bird in the event of his retrenchment or redundancy.
Incentive Payment	At the Board's discretion, a cash bonus may be paid on Mr Bird's employment anniversary. No bonus was paid during the year ended 30th June 2013 (2012 $Nil).
Options	On 21st January 2009, three tranches of options were granted to Mr Bird. Details of these options are set out below. At any time prior to 31st December 2013 and unless the Board resolves otherwise, if Mr Bird ceases to be an employee of the Company for any reason other than retirement, permanent disability, redundancy or death, all vested options held by Mr Bird will, to the extent they have not already been exercised, automatically lapse on the earlier of (a) expiry of three calendar months from date Mr Bird's employment ceases; and (b) 31st December 2013.
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 would give one week additional written notice. 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, agreed to be the base remuneration rate of $367,000 per annum.

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.

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.

4,500,000 options were granted on 21st 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:

1. 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;

Remuneration Report – Audited (continued)

2. 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
3. 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.

During the financial year ended 30th June 2013, no shares were issued on the exercise of options previously granted as compensation.

Consequences of performance on shareholders' wealth

	2013	Restated 2012	Restated 2011
Loss attributable to owners of the Company	**$1,083,074**	$3,698,384	$608,148
Working capital	**$825,424**	$973,618	$4,930,168
Net assets	**$1,846,873**	$2,015,853	$5,434,843
Number of Shares on issue	**96,537,291**	82,745,908	81,813,351
Dividends paid	**-**	-	-
Share price (cents per Share)	**4.6**	9.5	28.0
Market capitalisation	**$4,440,715**	$7,860,861	$22,907,738
Loss on capital employed	**(59%)**	(183%)	(11%)
Total compensation of key management persons (Group and Company)	**$385,337**	$484,556	$569,780

During the last three years, the Company has focused on the Dolphin Project redevelopment of the tungsten deposit on King Island and operated the Balfour joint venture with Pleiades Resources Pty Ltd to explore for tin and tungsten within Balfour tenements in north-west Tasmania

The Company implemented corporate cost cutting measures; recently conducted a Value Engineering Study, and recently completed a capital raising to update the Definitive Feasibility Study (February 2012).

Total compensation takes into account the performance of the Group over a number of years. Over the past three years, the Group's loss from ordinary activity after income tax has varied mainly depending upon the level of exploration and evaluation work being done during the financial year. Total compensation of key management persons has also decreased with the implementation of corporate cost cutting measures.

For further details, refer to the operating and financial review on pages 5 to 7.

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 $Nil paid in the financial year ended 30th June 2013 (2012: $Nil).

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 executive performance.

Remuneration Report (continued)

Details of the nature and amount of each major element of remuneration of each director of the Company and other key management personnel of the Company 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												
J Jooste-Jacobs[1]	**2013**	**18,161**	**-**	**-**	**18,161**	**1,634**	**-**	**-**	**-**	**19,795**	**-**	**-**
	2012	-	-	-	-	-	-	-	-	-	-	-
R Morritt	**2013**	**26,400**	**-**	**-**	**26,400**	**2,376**	**-**	**-**	**-**	**28,776**	**-**	**-**
	2012	26,400	-	-	26,400	2,376	-	-	-	28,776	-	-
C Ellis	**2013**	**17,064**	**-**	**-**	**17,064**	**1,536**	**-**	**-**	**-**	**18,600**		
	2012	-	-	-	-	-	-	-	-	-	-	-
A Haggarty[2]	**2013**	**11,008**	**-**	**-**	**11,008**	**991**	**-**	**-**	**-**	**11,999**	**-**	**-**
	2012	30,987	-	-	30,987	2,789	-	-	-	33,776	-	-
A Plummer[3]	**2013**	**8,336**	**-**	**-**	**8,336**	**750**	**-**	**-**	**-**	**9,086**	**-**	**-**
	2012	26,400	-	-	26,400	2,376	-	-	-	28,776	-	-
L Li	**2013**	**3,285**	**-**	**-**	**3,285**	**296**	**-**	**-**	**-**	**3,581**	**-**	**-**
	2012	26,400	-	-	26,400	2,376	-	-	-	28,776	-	-
Executive												
S Bird (CEO)	**2013**	**278,389**	**-**	**-**	**278,389**	**15,111**	**-**	**-**	**-**	**293,500**	**-**	**-**
	2012	345,515	-	-	345,515	18,937	-	-	-	364,452	-	-
Total compensation (The Group and Company)	**2013**	**362,643**	**-**	**-**	**362,643**	**22,694**	**-**	**-**	**-**	**385,337**	**-**	**-**
	2012	455,702	-	-	455,702	28,854	-	-	-	484,556	-	-

---

1 For the year ended 30th June 2013 the Company paid a total of $19,795 (2012 $Nil) to a company controlled by Mr Jooste-Jacobs for director fees.
2 For the year ended 30th June 2013 the Company paid a total of $11,999 (2012 $33,776) to a company controlled by Mr Haggarty for director fees.
3 For the year ended 30th June 2013 the Company paid a total of $9,086 (2012 $28,776) to a company controlled by Mr Plummer for director fees.

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	
		$	$			**2013**	2012
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**	1,500,000
	21 Jan 2009	Nil	$1.00	31 Dec 2013	2,000,000	**2,000,000**	2,000,000
					4,500,000	**4,500,000**	4,500,000

The options were provided at no cost to the recipient.

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

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:

Executive	Grant Date	Date at which grant vests	Number	Vested		Forfeited[4]	
				2013 %	2012 %	**2013 %**	2012 %
S Bird	21 Jan 2009	1 Jan 2010	1,000,000	**100.0**	100.0	**-**	-
	21 Jan 2009	1 Jan 2011	1,500,000	**100.0**	100.0	**-**	-
	21 Jan 2009	1 Jan 2012	2,000,000	**100.0**	100.0	**-**	-
			4,500,000	**100.0**	100.0	**-**	-

[4] 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

At any time prior to 31 December 2013 and unless the Board resolves otherwise, if Mr Bird ceases to be an employee of the Company for any reason other than retirement, permanent disability, redundancy or death, all vested options held by Mr Bird will, to the extent they have not already been exercised, automatically lapse on the earlier of (a) expiry of three calendar months from date Mr Bird's employment ceases; and (b) 31 December 2013. 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. 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.

No options were granted, exercised or lapsed during the financial year.

The Group prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangement has been prohibited by law since 1st July 2011.

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

Johann Jooste-Jacobs
Chairman
Sydney

29th August 2013

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 2013. 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.			
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.			
Recommendation 2.1: A majority of the board should be independent directors.	Does not comply	At 30th June 2013, the Board of consisted of four Directors. Three Directors were each non-executive, including the Chairman. The Chief Executive Officer was also a Director. 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.	Comply	The Chairman is a non-executive Director, and independent.	Not Applicable
Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	At 30th June 2013, the Chairman and Chief Executive Officer were 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.

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.			
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 makes 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
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.
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.			

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.			

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 factual, timely, regular and detailed 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. The Invitation 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

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
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
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.

• 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	2013 $	Restated[5] 2012 $
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Employee expenses	4	**(586,470)**	(420,719)
Administrative expenses		**(552,189)**	(521,499)
Exploration & evaluation expenses		**(73,486)**	(2,896,929)
Results from operating activities		**(1,212,145)**	(3,839,147)
Financial income – interest		**34,136**	140,763
Financial expense – interest		**-**	-
Net finance income		**34,136**	140,763
Loss before tax		**(1,178,009)**	(3,698,384)
Income tax benefit	6	**94,935**	-
Net loss attributable to members of the parent		**(1,083,074)**	(3,698,384)
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		**(1,083,074)**	(3,698,384)
Losses per share		**Cents**	Cents
Basic losses per share attributable to ordinary equity holders	7	**(1.2)**	(4.5)
Diluted losses per share attributable to ordinary equity holders	7	**(1.2)**	(4.5)

The Notes on pages 30 to 59 are an integral part of these Consolidated Financial Statements.

[5] Refer Note 13.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

Consolidated	Note	Issued Capital	Accumulated Profits/(losses)	Share Option reserve	Total equity
		$	$	$	$
Balance at 1st July 2011		48,562,107	(14,041,901)	350,001	**34,870,207**
Impact of the change in accounting policy at 1st July 2011		-	(29,435,364)	-	**(29,435,364)**
Shares issued 20th October 2011 to Pacific Road Corporate Finance for advisory fee	16	279,394	-	-	**279,394**
Total comprehensive income for the period		-	(3,698,384)	-	**(3,698,384)**
Restated Balance at 30th June 2012		48,841,501	(47,175,649)	350,001	**2,015,853**
Balance at 1st July 2012		48,841,501	(14,599,503)	350,001	**34,591,999**
Impact of the change in accounting policy at 1st July 2011		-	(29,435,364)	-	**(29,435,364)**
Impact of the change in accounting policy during the year ending 30th June 2012		-	(3,140,782)	-	**(3,140,782)**
Rights issue capital raising on 6th September 2012		914,094	-	-	**914,094**
Total comprehensive income for the period		-	(1,083,074)	-	**(1,083,074)**
Balance at 30th June 2013		49,755,595	(48,258,723)	350,001	**1,846,873**

The Notes on pages 30 to 59 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013	Restated[6] 2012	Restated[6] 1 July 2011
		$	$	$
Assets				
Cash and cash equivalents	8	**769,352**	1,021,470	5,656,516
Trade and other receivables	9	**209,762**	79,128	120,838
Inventories	10	**28,050**	28,050	28,050
Total current assets		**1,007,164**	1,128,648	5,805,404
Trade and other receivables	9	**4,600**	14,300	14,750
Property, plant and equipment	12	**1,016,849**	1,027,935	489,925
Intangible assets	13	**-**	-	-
Total non-current assets		**1,021,449**	1,042,235	504,675
Total assets		**2,028,613**	2,170,883	6,310,079
Liabilities				
Trade and other payables	14	**166,207**	109,627	839,870
Provisions	15	**15,533**	45,403	35,366
Total current liabilities		**181,740**	155,030	875,236
Total non-current liabilities		**-**	-	-
Total liabilities		**181,740**	155,030	875,236
Net assets		**1,846,873**	2,015,853	5,434,843
Equity				
Issued capital	16	**49,755,595**	48,841,501	48,562,107
Reserves	16	**350,001**	350,001	350,001
Accumulated losses		**(48,258,723)**	(47,175,649)	(43,477,265)
Total equity		**1,846,873**	2,015,853	5,434,843

The Notes on pages 30 to 59 are an integral part of these Consolidated Financial Statements.

[6] Refer Note 13.

Consolidated Statement of Cash Flows
For the year ended 30 June 2013

	Note	2013 $	Restated[7] 2012 $
Cash flows used in operating activities			
Cash paid to suppliers and employees		**(1,304,883)**	(4,226,259)
Cash used in operations		**(1,304,883)**	(4,226,259)
Research and development expenditure tax rebate		**94,935**	-
Interest received		**34,036**	140,763
Net cash used in operating activities	20	**(1,175,912)**	(4,085,496)
Cash flows used in investing activities			
Payment for property, plant and equipment		**-**	(550,001)
Refund received from security deposits		**9,700**	451
Net cash used in investing activities		**9,700**	(549,550)
Cash flows from financing activities			
Proceeds from the issue of share capital		**992,978**	-
Cost of issuing share capital	16	**(78,884)**	-
Net cash generated from financing activities		**914,094**	-
Net decrease in cash and cash equivalents		**(252,118)**	(4,635,046)
Cash and cash equivalents at 1 July		**1,021,470**	5,656,516
Cash and cash equivalents at 30 June	8	**769,352**	1,021,470

The Notes on pages 30 to 59 are an integral part of these Consolidated Financial Statements.

[7] Refer Note 13.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

King Island Scheelite Limited (the "Company") is a for-profit company domiciled in Australia. The consolidated financial report of the Company for the year ended 30th June 2013 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

On 29th August 2013, 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 other than share-based transactions that are assessed at fair value.

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 financial report and directors' report have been reported to the nearest dollar, 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.

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.

(c) Change in Accounting Policy

The consolidated financial report has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to intangible expenditure.

The previous intangible expenditure accounting policy was to capitalise and carry forward mining, exploration and evaluation expenditure as an asset when rights to tenure of the area of interest are current and costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale.

(c) Change in Accounting Policy (continued)

The new accounting policy is to charge exploration and evaluation expenditure against profit and loss as incurred; except for acquisition costs and for expenditure incurred after a decision to proceed to development is made, in which case the expenditure would be capitalised as an asset.

These changes are included in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position and consolidated statement of cash flows.

The new accounting policy was adopted on 1st July 2012 and has been applied retrospectively.

The Board of Directors considers 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 and 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.

Refer to Note 13 for further information on the effects of this change.

Refer to Note 13 for full details of the new accounting policy.

Other than the voluntary change in accounting policy relating to intangible expenditure, 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.

(d) 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.

(d) Basis of consolidation (continued)

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 profit or loss and other 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.

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.

(e) 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(j)).

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.

(e) Property, plant and equipment (continued)

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 profit or loss and other comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the statement of profit or loss and other 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:

	2013	2012
▪ plant and equipment	**2.5 to 10 years**	2.5 to 10 years

(f) Intangible assets

Mining, exploration and evaluation expenditure is expensed as incurred.

This is a new accounting policy adopted on 1st July 2012 and has been applied retrospectively.

Refer to Note 13 for full details of the changed accounting policy.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost less impairment losses (see accounting policy1(j)).

(h) Cash and cash equivalents

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

(i) 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.

(j) Impairment

The carrying amounts of the Group's assets other than, inventories (see accounting policy 1(i)), and deferred tax assets (see accounting policy 1(p)), 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 profit or loss and other 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 profit or loss and other 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.

(k) 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.

(l) 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 profit or loss and other 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.

(m) 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 (e). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(n) 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.

(o) 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.

(p) Income tax

Income tax is recognised in the statement of profit or loss and other 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

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.

(p) Income Tax (continued)

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

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

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

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

(q)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.

(r) Derivatives

The financial entity does not hold any derivative financial instruments.

(s) Revenue

Revenue from the sale of goods is recognised in the statement of profit or loss and other 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.

(t) 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 Note 26.

(u) New Standards/Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. None of these are expected to have a significant effect on the consolidated financial statements of the Group. The Group does not plan to adopt these standards early.

AASB 9 *Financial Instruments* (2010), AASB 9 *Financial Instruments* (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities* (2011)

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees (see Note 1 (d)).

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted.

The Group does not expect these new requirements to have a significant effect on the current accounting for these interests (see Note 1 (d)).

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests. These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

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

AASB 13 *Fair Value Measurement* (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group does not expect these new guidelines to have a significant effect on current methodologies in determining fair values (see Note 1 (v)). AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 119 *Employee Benefits* (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(v) 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.

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.

(w) 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 operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. In order to commercialise the Dolphin Project to generate future revenues, additional funding will be required. In July 2013 a successful capital raising occurred providing additional funds of $1,969,371 which will be utilised over the next 14 months. The Directors believe that the Group will be able to fund future operations through additional share issues, debt raising, joint venturing, or off-take agreements for the sale of tungsten. If the funding cannot be obtained, 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 in the future, 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

	2013	Restated 2012
	$	$
Salaries and fees	**536,840**	381,756
Superannuation	**29,671**	28,857
Increase / (Decrease) in annual leave provision	**407**	(919)
Workers' Comp premiums & Payroll Tax	**19,552**	11,025
	586,470	420,719

5. Auditors' Remuneration

	$	$
Auditors of the Company *KPMG Australia*		
Audit and review of financial reports	**47,500**	57,500
	47,500	57,500

The auditors of the Company KPMG Australia did not perform other services for the Group during the year (2012: $nil).

6. Income tax

	2013	Restated 2012
	$	$
Numerical reconciliation between tax benefit and pre-tax net loss		
Loss before tax	**(1,178,009)**	(3,698,384)
Prima facie Income tax benefit at a tax rate of 30%	**353,403**	1,109,515
Decrease in income tax benefit due to:		
Income tax losses not recognised	**(353,403)**	(1,109,515)
Research and development expenditure tax rebate	**94,935**	-
Income tax benefit on pre-tax net profit / (loss)	**94,935**	-

Recognised in the Statement of Profit or Loss and Other Comprehensive Income

Current year benefit	**94,935**	**-**

Unrecognised deferred tax assets

Revenue tax losses	**9,461,814**	9,108,411
Capital tax losses	**1,431,355**	1,431,355

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 taxable profit will be available against which the benefits can be offset.

7. Losses per share

The calculation of basic and diluted losses per share for the year ended 30th June 2013 was based on the net loss attributable to ordinary shareholders of $1,083,074 (2012: loss $3,698,384) and a weighted average number of ordinary shares outstanding during the year ended 30th June 2013 of 93,967,937 (2012: 82,462,308), calculated as follows:

	2013	Restated 2012
	$	$
Losses for the financial year attributable to ordinary shareholders	**(1,083,074)**	(3,698,384)

Weighted average number of ordinary shares

Number of Shares	2013	2012
Issued ordinary shares at 1st July	**82,745,908**	81,813,351
Effect of shares issued 20th October 2011	**-**	648,957
Effect of shares issued 6th September 2012	**11,222,029**	-
Weighted average number of ordinary shares used in calculating basic and diluted losses per share	**93,967,937**	82,462,308

As the Company's average share price for the year ended 30th June 2013 was below the strike prices of all options outstanding, and there were losses for previous years attributable to ordinary shareholders, options issued by the Company (Note 21) are not dilutive.

8. Cash and cash equivalents

	2013	Restated 2012
	$	$
Bank balances	**4,715**	22,440
Call deposits	**764,637**	999,030
Cash and cash equivalents in the statements of cash flows	**769,352**	1,021,470

9. Other receivables

Current		
Other receivables	**7,384**	9,805
Prepayments	**202,378**	69,323
	209,762	79,128
Non-current		
Deposits	**4,600**	14,300

10. Inventories

Finished goods	**28,050**	28,050

11. Interest in Joint Venture

	Ownership	
	2013	2012
	%	%
Balfour Joint Venture	**70.0%**	70.0%

Balfour Joint Venture (BJV)

This un-incorporated joint venture with Pleiades Resources Pty Ltd (Pleiades) 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%, with this programme and all future work 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.

Since 30th June 2013, the Company elected not to invest additional funds into this project. The Company is currently working with Pleiades to dissolve the Balfour Joint Venture and surrender the Balfour tenements.

12. Property, Plant and Equipment

Restated	Land $	Plant and equipment $	**Total** **$**
Cost			
Balance at 1 July 2011	403,410	118,868	**522,278**
Adjustment / Reclassification	60,000	(60,000)	**-**
Additions	480,000	70,001	**550,001**
Balance at 30 June 2012	943,410	128,869	**1,072,279**
Balance at 1 July 2012	943,410	128,869	**1,072,279**
Additions	-	-	**-**
Balance at 30 June 2013	943,410	128,869	**1,072,279**
Depreciation			
Balance at 1 July 2011	-	(32,354)	**(32,354)**
Depreciation change for the year	-	(11,990)	**(11,990)**
Balance at 30 June 2012	-	(44,344)	**(44,344)**
Balance at 1 July 2012	-	(44,344)	**(44,344)**
Depreciation change for the year	-	(11,086)	**(11,086)**
Balance at 30 June 2013	-	(55,430)	**(55,430)**
Carrying amounts			
At 1 July 2011	403,410	86,514	**489,924**
At 30 June 2012	943,410	84,525	**1,027,935**
At 1 July 2012	943,410	84,525	**1,027,935**
At 30 June 2013	943,410	73,439	**1,016,849**

The depreciation change for the year ending 30th June 2012 of $11,990 includes an amount of $4,882 that was booked to intangibles prior to the change in accounting policy.

13. Intangible assets

Effective 1st July 2012, the treatment of exploration and evaluation expenditure as it related to AASB 6 Exploration for and Evaluation of Mineral Resources was changed. As a result of the change, the mining, exploration and evaluation costs previously capitalised by the Group are now expensed in the period the expenditure is incurred. Refer to Note 1 (c) for further details of this change in accounting policy.

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.

13. Intangible assets (continued)

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 30th June 2011, as previously reported	31,370,495	(1,935,131)	**(14,041,901)**
Impact of the change in accounting policy at 30th June 2011	(31,370,495)	1,935,131	**(29,435,364)**
Restated balances at 30th June 2011	-	-	**(43,477,265)**
Balances at 30th June 2012, as previously reported	34,272,306	(1,696,160)	**(14,599,503)**
Impact of the change in accounting policy at 30th June 2011	(31,370,495)	1,935,131	**(29,435,364)**
Impact of the change in accounting policy during the year ended 30th June 2012	(2,901,811)	(238,971)	**(3,140,782)**
Restated balances at 30th June 2012	-	-	**(47,175,649)**

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

For the year ended 30th June 2012	**$**
Increase in exploration and evaluation expenditure	**(2,901,811)**
Decrease in income tax benefit	**(238,971)**
Increase in loss for the period	**(3,140,782)**

14. Trade and other payables

Current	**2013 $**	2012 $
Trade payables	**91,348**	60,906
Other trade payables and accrued expenses	**74,859**	48,721
	166,207	109,627

15. Provisions-current

	Employee Entitlement for Annual Leave $
Cost	
Balance at 30 June 2012	45,403
Provision used during the year	(29,870)
Balance at 30 June 2013	15,533

16. Capital and reserves

Share capital

Ordinary shares issued and fully paid	Number of shares	Issue Price Cents per share	$
1st July 2011 balance	81,813,351		48,562,107
Shares issued 20th October 2011 to Pacific Road Corporate Finance for advisory fee	932,557	29.96	279,394
30th June 2012 balance	82,745,908		48,841,501
Renounceable rights offers:			
Shares issued 6th September 2012	13,791,383	7.20	992,978
	96,537,291		49,834,479
Share issue costs	-		(78,884)
	-		(78,884)
30th June 2013 balance	96,537,291		49,755,595

Ordinary shares entitle the holder to participate in any dividend of the Company payable on all shares pro rata to the total amount for the time being paid, but not credited as paid, in respect of the shares as a proportion of the total of the amounts then paid and payable thereon, excluding amounts credited.

Subject to the ASX listing rules, the Company's Board may resolve that the whole or any portion of any sum forming part of the undivided profits of the Company or standing to the credit of any reserve or other account and which is available for distribution, be capitalised and distributed to shareholders in the same proportions in which they would be entitled to receive it if distributed by way of dividend or in accordance with either the terms of issue of any shares or the terms of any plan for the issue of securities for the benefit of officers or employees.

If the Company is wound up, whether voluntarily or otherwise, the liquidator may divide among all or any of the contributories as the liquidator thinks fit in specie or in kind any part of the assets of the Company, and may vest any part of the assets of the Company in trustees upon any trusts for the benefit of all or any of the contributories as the liquidator thinks fit.

16. Capital and reserves (continued)

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

At a general meeting on a show of hands, each shareholder present in person or by proxy has one vote and on a poll each shareholder present in person or by proxy 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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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.

Information relating to the employee options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 21.

Capital Raisings

During the year ended 30th June 2013 the Company raised $992,978 through a 1:6 renounceable rights offer for 7.2 cents per share. The offer closed on 31st August 2012 with eligible shareholders taking up a total of $752,922, or approximately 76% of offer, and the remaining $240,056 (approximately 24%) taken up by the Underwriters. A total of 13,791,383 ordinary fully paid shares were issued on 6th September 2012.

Share Based Payment Reserve

	2013	2012
	$	$
Balance at 1 July	**350,001**	350,001
Balance at 30 June	**350,001**	350,001

17. 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.

	Effective interest rate	**Total**	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	%	**$**	$	$	$	$	$
2013							
Cash and cash equivalents	3.00	**769,352**	769,352	-	-	-	-
2012							
Cash and cash equivalents	3.50	**1,021,470**	1,021,470	-	-	-	-

Fair values

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

	Note	**Carrying amount 2013**	**Fair value 2013**	Carrying amount 2012	Fair value 2012
		$	**$**	$	$
Trade and other receivables	9	**214,362**	**214,362**	93,428	93,428
Cash and cash equivalents	8	**769,352**	**769,352**	1,021,470	1,021,470
Trade and other payables	14	**(166,207)**	**(166,207)**	(109,627)	(109,627)
		817,507	**817,507**	1,005,271	1,005,271

18. Lease and exploration expenditure commitments

	2013	2012
	$	$
Non-cancellable operating leases		
Contracted but not provided for and payable:		
Within one year	**1,037**	71,796
One year or later and not later than five years	**-**	112,718
Later than five years	**-**	-
	1,037	184,514

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 as follows.

18. Lease and exploration expenditure commitments (continued)

	2013 $	2012 $
Exploration expenditure commitments		
Within one year	**200,000**	156,000
One year or later and not later than five years	**-**	-
Later than five years	**-**	-
	200,000	156,000

19. Consolidated entities

	Country of incorporation	Ownership interest 2013 %	2012 %
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.

20. Reconciliation of cash flows from operating activities

	2013 $	Restated 2012 $
Cash flows from operating activities		
Net loss attributable to members of the parent	**(1,083,074)**	(3,698,384)
Adjustments for:		
Shares issue to Pacific Road as advisory payment	**-**	279,394
Depreciation and impairment	**11,086**	11,990
Operating loss before changes in working capital and provisions	**(1,071,988)**	(3,407,000)
(Increase) / Decrease in receivables	**(130,634)**	41,710
Increase / (Decrease) in payables	**56,580**	(730,243)
(Decrease) / Increase in provisions	**(29,870)**	10,037
Net cash used in operating activities	**(1,175,912)**	(4,085,496)

21. Share-based payments

During the financial year, and during the previous financial year, there were no options granted or shares issued on the exercise of options.

The following options were granted on 21st January 2009 to the Chief Executive Officer and outstanding at 30th June 2013:

(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 2013 totalled $Nil (2012 $Nil).

22. Key management personnel disclosures

Individual directors and executive compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures are required by Corporation Regulation 2M.3.03 and provided in the remuneration report section of the Directors' Report.

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

	2013	2012
	$	$
Salaries and fees	**362,643**	455,702
	362,643	455,702
Post- employment superannuation benefits	**22,694**	28,854
	385,337	484,556

22. 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	Participation in rights issue (including sub-underwriting)	Balance of securities at the end of the year or date of ceasing, as applicable
Year ended 30 June 2013				
Johann Jooste-Jacobs	Fully paid ordinary shares	29,167	-	29,167
Simon Bird	Fully paid ordinary shares	450,000	75,000	525,000
Simon Bird	Options - vested	4,500,000	-	4,500,000
Christopher Ellis	Fully paid ordinary shares	5,489,905	-	5,489,905
Robin Morritt	Fully paid ordinary shares	13,525,858	54,000	13,579,858
Anthony Haggarty	Fully paid ordinary shares	7,534,759	2,049,560	9,584,319
Andrew Plummer	Fully paid ordinary shares	3,802,299	1,368,291	5,170,590
Year ended 30 June 2012				
Anthony Haggarty	Fully paid ordinary shares	7,534,759	-	7,534,759
Robin Morritt	Fully paid ordinary shares	13,525,858	-	13,525,858
Andrew Plummer	Fully paid ordinary shares	3,802,299	-	3,802,299
Simon Bird	Fully paid ordinary shares	450,000	-	450,000
Simon Bird	Options	4,500,000	-	4,500,000

The terms and conditions of the options granted are outlined in Note 21 to the accounts.

22. 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:

	2013	2012
	$	$
Accounts Payable - current		
Johann Jooste-Jacobs	**9,795**	-
Li Li	**10,775**	7,194

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.

23. Related party disclosures

Identity of related parties

The Group has a related party relationship with its subsidiaries (see Note 19), joint venture (see Note 11), and with its directors and executive officers (see Note 22).

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.

23. Related party disclosures (continued)

Aggregate amounts receivable from and payable to entities in the wholly owned Group at the reporting date:

	The Company	
	2013	2012
	$	$
Receivables		
Non-Current	**3,796,912**	3,650,903
Payables		
Current	**2,083,043**	2,083,043

Partly owned controlled entities

Details of interests in partly owned controlled entities are set out in Note 19.

24. 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.

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.

24. Financial Risk Management (continued)

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	
		2013	2012
		$	$
Current			
Cash and cash equivalents	8	**769,352**	1,021,470
Other receivables	9	**7,384**	9,805
Prepayments	9	**202,378**	69,323
		209,762	79,128
		979,114	1,100,598
Non-current deposits	9	**4,600**	14,300

Impairment losses

None of the Group's other receivables are past due (2012: $nil).

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.

24. Financial Risk Management (continued)

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 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$	$
30 June 2013							
Trade payables	91,348	91,348	91,348	-	-	-	-
Other trade payables and accrued expenses	74,859	74,859	74,859	-	-	-	-
30 June 2012							
Trade payables	60,906	60,906	60,906	-	-	-	-
Other trade payables and accrued expenses	48,721	48,721	48,721	-	-	-	-

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.

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.

24. Financial Risk Management (continued)

Profile

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

	Carrying amount	
	2013	2012
	$	$
Fixed rate instruments		
Financial assets	**-**	-
Financial liabilities	**-**	-
	-	-
Variable rate instruments		
Financial assets	**769,352**	1,021,470
	769,352	1,021,470

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased or decreased profit and loss by $8,954 (2012: $33,390). This analysis assumes that all other variables remain constant.

Commodity Price Risk

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

Capital and Reserves Management

The Group's objectives when managing capital and reserves (see Note 16) 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.

25. 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 Dolphin Joint Venture). In addition a royalty of 1.5% (Australian Tungsten Pty Ltd wholly liable after termination of the Dolphin Joint Venture) 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 approximately $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.

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.

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).

The first of these agreements provides that the Company shall pay an amount of $50,000 inclusive of GST in each financial year of the operational life of the mine to a Trust Fund, mainly for the purpose of upgrading and developing the community facilities in Grassy and the areas surrounding Grassy.

The second of these agreements provides that the Company shall pay an amount of $50,000 inclusive of GST in each financial year of the operational life of the mine to the King Island Council for the upgrading and improvement of the infrastructure at Grassy.

25. Contingencies (continued)

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 $10,000 inclusive of GST per annum each and future payments will commence on the date upon which the mining of ore commences.

26. Parent entity disclosures

As at, and throughout, the financial year ending 30th June 2013 the parent company of the Group was King Island Scheelite Limited.

	2013 $	Restated 2012[8] $
Results of the parent entity		
Loss for the period	**(961,691)**	(1,492,707)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(961,691)**	(1,492,707)
Financial position of parent entity at year end		
Current assets	**889,231**	1,025,933
Non-current assets	**21,065,256**	20,925,251
Total assets	**21,954,487**	21,951,184
Current liabilities	**2,251,783**	2,200,883
Total liabilities	**2,251,783**	2,200,883
Net Assets	**19,702,704**	19,750,301
Total equity of the parent entity comprising of:		
Share capital	**49,755,594**	48,841,500
Share Option Reserve	**350,001**	350,001
Accumulated Losses	**(30,402,891)**	(29,441,200)
Total Equity	**19,702,704**	19,750,301

[8] The parent entity, consistent with the Group, has changed its accounting policy for the treatment of exploration and expenditure, refer Note 13. As a result of the change in accounting policy, prior year balances have been restated; $10.1 million was reclassified from intangible assets to accumulated losses and $2.0 million was reclassified from deferred tax assets to accumulated losses, totalling a net of $12.1 million to accumulated losses.

26. Parent entity disclosures (continued)

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

	2013	2012
	$	$
Contracted but not yet provided for and payable:	**-**	-
Within one year	**-**	-
One year later and no later than five years	**-**	-
Later than five years	**-**	-

Contingencies

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 approximately $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.

27. Subsequent events

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of these operations or the Group's state of affairs in future financial years, excepting:

1. On 5th July 2013 the Company's non-renounceable rights offer announced on 29th May 2013 was successfully closed. A total of 38,615 112 new shares were issued (11th July 2013 17,018,485 shares and 16th July 2013 21,596,627 shares) to raise $1,969,371 cash before capital raising costs. Underwriting fees totalled $52,110, of which $27,734 were paid to related parties;
2. The Company elected not to invest additional funds into the Balfour project. The Company is currently working with Pleiades to dissolve the Balfour Joint Venture and surrender the Balfour tenements. Refer to Note 11 for more details; and
3. Simon Bird's employment as the Company's Chief Executive Officer ceased effective 11th August 2013. Mr Bird's bona fide termination payment totalled $183,500 (gross). It was agreed by the Company not to cancel the Company's 4,500,000 options granted on 21st January 2009 to Mr Bird (Note 21), as the options expire 31st December 2013.

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 26 to 59 and the Remuneration Report in the Directors' report, set out on pages 9 to 15 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 2013 and of its performance for the financial year ended on that date; and

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

   (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 2013.

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 Board of directors.

Johann Jooste-Jacobs
Chairman
Sydney

29th August 2013

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 2013 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

Charmaine Hopkins
Partner

Sydney

29 August 2013

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 2013, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 27 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 2013 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 modifying our opinion, we draw attention to note 2 in the financial report which indicates that there is a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and settle its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Charmaine Hopkins
Partner

Sydney

29 August 2013

Shareholder Information

At 31st July 2013 issued capital was 135,152,403 ordinary fully paid shares held by 925 holders.

At a general meeting on a show of hands, each shareholder present in person or by proxy has one vote and on a poll each shareholder present in person or by proxy 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 31st July 2013

Rank	Name	Number of Shares	% of Issued Capital
1	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	18,024,464	13.34%
2	CHRYSALIS INVESTMENTS PTY LTD	17,680,530	13.08%
3	CATHERINE MORRITT	13,972,014	10.34%
4	HFTT PTY LTD <HAGGARTY FAMILY A/C>	13,335,670	9.87%
5	PACIFIC ROAD PROVIDENT PTY LTD	5,625,548	4.16%
6	MR GIUSEPPE CORONICA	5,562,154	4.12%
7	RANAMOK PTY LTD <RANAMOK FAMILY A/C>	5,170,590	3.83%
8	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	3.29%
9	SERLETT PTY LTD <DILIGENT SUPER FUND A/C>	3,475,359	2.57%
10	MR SCOTT GILCHRIST	2,268,755	1.68%
11	BUDBERTH PTY LTD <IPSEITY S/F A/C>	2,100,000	1.55%
12	INVIA CUSTODIAN PTY LIMITED <AJ DAVIES PERSONAL S/F A/C>	2,062,405	1.53%
13	MR DONALD BOYD	1,837,500	1.36%
14	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	1,400,000	1.04%
15	CHELSEA SECURITIES LIMITED	1,354,255	1.00%
16	MR ROBERT SLADE FORBES	1,253,502	0.93%
17	HOLTEX PTY LTD <BUCKERIDGE S/F A/C>	1,200,000	0.89%
18	ALFRED STREET FUNDS MANAGEMENT PTY LTD	1,197,984	0.89%
19	INTERSUISSE NOMINEES PTY LTD <CUSTODIAN A/C>	1,120,258	0.83%
20	FINMIN SOLUTIONS PTY LTD <JACOBS FAMILY S/FUND A/C>	980,393	0.73%
Top 20 holders of ORDINARY SHARES (TOTAL)		**104,071,381**	**77.03%**

Distribution of Holders and Holdings at 31st July 2013

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	316	61,471	0.05%
1,001 - 5,000	157	490,684	0.36%
5,001 - 10,000	87	674,922	0.50%
10,001 - 100,000	262	9,010,125	6.67%
100,001 - 9,999,999,999	103	124,915,201	92.43%
Rounding			-0.01%
Total	**925**	**135,152,403**	**100.00%**

Unmarketable Parcels at 31st July 2013

	Minimum Parcel Size	Holders	Number of Shares
Minimum $ 500.00 parcel at $ 0.05 per share	10,000	536	987,077

Substantial Shareholders

Substantial shareholders at 31st July 2013,

	Number of Shares	Proportion of Issued Shares
Mr Richard Willmot Chadwick + Mrs Gwenda Ann Chadwick	18,024,464	13.34%
Chrysalis Investments Pty Ltd	17,680,530	13.08%
Catherine Morritt	13,972,014	10.34%
HFTT Pty Ltd <Haggarty Family A/C>	13,335,670	9.87%

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, Tasmania	70%

Securities Exchange Listing

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

Share Registrar

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

GPO Box 2975EE
Melbourne VIC 3000

Telephone: +61 (0)3 9415 5000 (main switchboard)
+61 (0)3 9415 4000 (investors)
1300 850 505 (investors within Australia)

Facsimile: +61 (0)3 9473 2500
(all investor related faxes should be sent to this number)

Web site:
http://www-au.computershare.com

Registered Office

Suite 26.01
Level 26, 259 George Street
Sydney NSW 2000

GPO Box 5154
Sydney NSW 2001

Principal Place of Business

Suite 26.01
Level 26, 259 George Street
Sydney NSW 2000

GPO Box 5154
Sydney NSW 2001

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

Email: info@kingislandscheelite.com.au

Web site:
http://www.kingislandscheelite.com.au

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

Telephone: (02) 9335 7000
Facsimile: (02) 9299 7077

Web site:
http://www.kpmg.com.au

On-Market Buy Back

There is no on-market buy-back.