

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

31 December 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Interim period ended 31 December

	2013 \$	Up/Down	Movement %
Revenue from ordinary activities	-	-	-
Loss before interest and income tax	1,178,299	up	37%
Net financing income	26,992	up	29%
Income tax benefit	109,824	up	16%
Loss from ordinary activities after tax attributable to members	1,041,483	up	40%
Net loss for the period attributable to members	1,041,483	up	40%
<hr/>			
Cents			
Loss per share – basic	0.8	-	-
Loss per share – diluted	0.8	-	-

Dividends	Amount per security	Franked amount per security at 30%
2014 interim dividend	-	-
2013 final dividend paid	-	-
Record date for determining entitlements to the interim dividend:	-	-

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

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

Discussion and Analysis of the results for the interim period ended 31 December 2013:

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

Net Tangible Assets per ordinary share (NTA Backing)

Current Period	Previous corresponding period
2.2 cents	2.3 cents

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Results for Announcement to the Market (continued)

Details of Associates and Joint Venture Entities

Equity Accounted Associates and Joint Venture Entities	%Ownership Interest		Contribution to Net Loss	
	Current Period %	Previous Corresponding Period %	Current Period A\$	Previous Corresponding Period A\$
Balfour Minerals Pty Ltd (a wholly owned subsidiary of King Island Scheelite Limited) and Pleiades Resources Pty Ltd established the Balfour Joint Venture.	70.0	70.0	1,700	10,639

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

Groups' Share of Associates' and Joint
Venture Entities':
Profit(Loss) from ordinary activities
before tax
Income tax on ordinary activities

Profit(Loss) from ordinary activities after
tax

Share of net profit(loss) of associates
and joint venture entities

Current Period A\$	Previous Corresponding Period A\$
-	-
-	-
-	-
-	-

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INTERIM FINANCIAL REPORT

31 DECEMBER 2013

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DIRECTORS' REPORT

The directors of King Island Scheelite Limited (**Company**) present their report together with the consolidated financial report for the interim period ended 31 December 2013 and the review report thereon.

1. Directors

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

(a) *Current*

Johann JOOSTE-JACOBS (Independent Chairman) Appointed 30 November 2012

Allan DAVIES (Non-Executive Director) Appointed 30 September 2013

Christopher ELLIS (Non-Executive Director) Appointed 8 November 2012

(b) *Previous*

Simon BIRD (Chief Executive Officer and Director) Appointed 5 October 2012
Resigned 11 August 2013

Robin MORRITT (Non-executive director) Appointed 24 May 2005 Resigned 30 September 2013

2. Review of operations

(a) *Key Points*

- Retained \$1.78 million cash on hand.
- Chief Executive Officer, Mr Simon Bird, ceased employment with the Company effective 11 August 2013. Mr Johann Jooste-Jacobs, Chairman, is providing consulting services to complete necessary administrative functions and progress work on the Dolphin Project.
- Changes to the Board of Directors during the interim period were Mr Simon Bird and Dr Robin Morritt resigning and Mr Allan Davies appointment to the Board.
- A Value Engineering Study, undertaken during the first half of 2013, confirmed the potential to optimise the 2012 Definitive Feasibility Study.
- A capital raising was undertaken in May 2013 with a fully underwritten non-renounceable rights issue finalised in July 2013, providing \$1,836,566 total net funds after costs.
- Following on from the Value Engineering Study, a shallow resource definition drilling programme was completed in December 2013 at Dolphin West and Bold Head, with the majority of holes intersecting significant tungsten mineralisation.

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Directors' Report (continued)

(b) *Dolphin Project*

A Value Engineering Study (**VES**) undertaken during the first half of 2013, and announced to the market on 16 May 2013¹, confirmed the potential to optimise the 2012 Definitive Feasibility Study (**DFS**).

An important aspect of the VES was to capitalise on readily available open cut resources, not previously considered. As a result, a shallow resource definition drilling programme was completed at Dolphin West and Bold Head, with 9 of the 13 holes intersecting significant tungsten mineralisation. The results from this drilling programme will now be used to update the geological models and mining plans. Once this work is completed, there is expected to be some incremental increase in JORC compliant resources and reserves.²

¹ The VES announced on 16 May 2013 identified an indicated and inferred resource of 1.25Mt of ore at 0.67% WO₃ in the existing pit floor and walls which can be mined during the first 3 years. The Indicated resource is 0.90Mt of ore at 0.74% WO₃ whilst the Inferred resource is 0.35Mt of ore at 0.49% WO₃.

The Information in this Directors' Report relating to Mineral Resource for Dolphin is extracted from the reports entitled 'Dolphin Project Value Engineering of Definitive Feasibility Study completed' created on 16 May 2013 and entitled 'Report for the Quarter Ended 30th June 2013' created on 22 July 2013. The reports are available to view on the Company's website www.kingislandscheelite.com.au.

² The revised ore reserve estimate announced on 1 March 2012 contains a total of 5,196,000 tonnes at 0.70% WO₃ resulting in 36,310 WO₃ tonnes:

	Tonnes (000)	WO ₃ %	WO ₃ Tonnes
Dolphin Probable	2,687	1.04	28,060
Bold Head Probable	609	0.76	4,640
Tailings Proven	1,900	0.19	3,610
TOTAL	5,196	0.70	36,310

The Information in this Directors' Report relating to Mineral Reserves for Dolphin, Bold Head, and Tailings is extracted from the report entitled 'Dolphin Project – Definitive Feasibility Study' created on 1 March 2012 and is available to view on the Company's website www.kingislandscheelite.com.au.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

Directors' Report (continued)

The more staged development, commencing with a Low Cost Option (**LCO**) and ultimately building up to a full scale operation as envisaged in the VES, remains the preferred option.

The major elements of this LCO are:

- Producing a lower grade concentrate.
- Small scale, initially single shift, operation.
- Contract mining and crushing.
- Moving to full scale production in around five years.

The expected outcomes of the LCO are:

- Production of the first concentrate in approximately 15 months.
- Subsequent full scale production will be significantly self-funded.
- Enables the Company to become an established tungsten producer and provides the opportunity to evaluate what its final product and scale of operations should be.
- Enables the full scale project to integrate into potential power and infrastructure benefits on King Island currently being assessed by the Taswind project.

As the LCO could have significant funding benefits for the development of the Dolphin/Bold Head mines, it is taking precedence over the full scale Revised Definitive Feasibility Study and is anticipated to be completed by the end of the first quarter of 2014.

The Company holds title to the freehold land across the mine site, with all major statutory and other approvals in place.

(c) *Balfour Joint Venture (BJV)*

The Company held a 70% interest in the BJV with Pleiades Resources Pty Ltd (30%) to explore tin-tungsten and copper-gold targets within the BJV tenements in north-west Tasmania. With the Company now focused on the Dolphin Project, the decision was made not to invest additional funds into this project.

On 17 October 2013 the BJV relinquished the two tenements it held in Tasmania. The next stage is for the BJV to be dissolved, which will occur as soon as all regulatory approvals relating to the relinquishment are received.

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Directors' Report (continued)

(d) *Tungsten Market*

Tungsten prices strengthened during the period with the price of ammonium paratungstate (APT) increasing from December 2012 at USD 31,800 to USD 38,000 per tonne in December 2013. The current price is approximately USD 37,200 per tonne with concentrate typically trading at a discount of 20% to APT.

Significant favourable movement was also seen in the USD: AUD exchange rates for this period, moving from 1.04:1 in December 2012 to 0.89:1 in December 2013. Reductions in this exchange rate contribute considerable additional revenue to the project.

(e) *Competent Persons' Statements*

The information in this Directors' Report that relates to JORC Mineral Resources and Minerals Reserve estimate for Tailings is based on information compiled from reports prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Consultant Geologist Mr Tim Callaghan of Resource and Exploration Geology, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM"); has a minimum of twenty years of experience as a geologist, five of which are in the estimation, assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the JORC Code. This Directors' Report accurately summarises and fairly reports his estimations and he has consented in writing to the form and context in which it appears.

The information in this Directors' Report that relates to the June 2011 JORC Mineral Reserves estimate for Dolphin Mine and the May 2010 Mineral Reserve estimate for Bold Head is based on information compiled from reports prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Consultant Mining Engineer Mr Alan Fudge of Polberro Consulting, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM") and has a minimum of five years experience in the estimation, assessment and evaluation of Mineral Reserves of this style and is a Competent Person as defined in the JORC Code (2004). This Directors' Report accurately summarises and fairly reports his estimations and he has consented in writing to this review in the form and context in which it appears.

3. Outlook

The Company remains focused on redeveloping the well-understood and high-grade tungsten deposit on King Island. The key focus in the short term is to complete the study on the Low Cost Option by the end of the first quarter in 2014. Early indications are that, when implemented, the LCO will result in much improved project economics.

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Directors' Report (continued)

4. Subsequent events

There has not arisen in the interval between the end of the interim period and the date of this review report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

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

The lead auditor's independence declaration is set out on page 23 and forms part of the directors' report for the interim period ended 31 December 2013.

6. Rounding off

The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10th July 1998 and as such, amounts in the condensed consolidated interim financial report and directors' report have been reported to the nearest dollar, unless otherwise stated.

Signed in accordance with a resolution of the Board of directors



Johann Jooste-Jacobs

Chairman

Sydney

24 February 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the interim period ended 31 December 2013

	31 December 2013	31 December 2012
	\$	\$
Revenue	-	-
Administration expenses	(795,333)	(780,079)
Exploration & evaluation expenses	(382,966)	(77,488)
Loss from operating activities	(1,178,299)	(857,567)
Financial income	26,992	20,845
Net financing income	26,992	20,845
Loss before tax	(1,151,307)	(836,722)
Income tax benefit	109,824	94,935
Net loss for the interim period	(1,041,483)	(741,787)
Total comprehensive income for the interim period	(1,041,483)	(741,787)
Basic loss per share attributable to ordinary equity holders	Cents	Cents
	(0.8)	(0.8)
Diluted loss per share attributable to ordinary equity holders	(0.8)	(0.8)

The condensed notes on pages 13 to 21 are an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the interim period ended 31 December 2013

	Note	Issued capital \$	Accumulated losses \$	Share option reserve \$	Total Equity \$
Balance at 1 July 2012		48,841,501	(47,175,649)	350,001	2,015,853
Rights issue capital raising	7	914,094	-	-	914,094
Total comprehensive income for the interim period		-	(741,787)	-	(741,787)
Balance at 31 December 2012		<u>49,755,595</u>	<u>(47,917,436)</u>	<u>350,001</u>	<u>2,188,160</u>
Balance at 1 July 2013		49,755,595	(48,258,723)	350,001	1,846,873
Rights issue capital raising	7	1,836,566	-	-	1,836,566
Equity settled share based payments	8	-	-	154,185	154,185
Total comprehensive income for the interim period		-	(1,041,483)	-	(1,041,483)
Balance at 31 December 2013		<u>51,592,161</u>	<u>(49,300,206)</u>	<u>504,186</u>	<u>2,796,141</u>

The condensed notes on pages 13 to 21 are an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	31 December 2013	30 June 2013
		\$	\$
Current assets			
Cash and cash equivalents		1,779,620	769,352
Trade and other receivables		203,794	209,762
Inventories		-	28,050
Total current assets		1,983,414	1,007,164
Non-current assets			
Trade and other receivables		4,600	4,600
Property, plant and equipment		1,013,684	1,016,849
Total non-current assets		1,018,284	1,021,449
Total assets		3,001,698	2,028,613
Current liabilities			
Trade and other payables		204,998	166,207
Provisions		559	15,533
Total current liabilities		205,557	181,740
Non-current liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		205,557	181,740
Net assets		2,796,141	1,846,873
Equity			
Issued capital	7	51,592,161	49,755,595
Reserves	8	504,186	350,001
Accumulated losses		(49,300,206)	(48,258,723)
Total equity		2,796,141	1,846,873

The condensed notes on pages 13 to 21 are an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the interim period ended 31 December 2013

	31 December 2013	31 December 2012
	\$	\$
Cash flows used in operating activities		
Cash received from customers	-	14,300
Cash paid to suppliers and employees	(989,114)	(986,840)
Proceeds from sale of inventory	26,000	-
Interest received	26,992	20,845
Research & development tax refund	109,824	94,935
Net cash used in operating activities	(826,298)	(856,760)
Cash flows used in investing activities	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities		
Net proceeds from capital raising	7	1,836,566
Net cash generated from financing activities	1,836,566	914,094
Net increase in cash and cash equivalents	1,010,268	57,334
Cash and cash equivalents at 1 July	769,352	1,021,470
Cash and cash equivalents at 31 December	1,779,620	1,078,804

The condensed notes on pages 13 to 21 are an integral part of these consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

King Island Scheelite Limited (**Company**) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the interim period ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 is available upon request from the Company's registered office at Level 26, 259 George Street, Sydney NSW 2000 or at www.kingslandscheelite.com.au.

2. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2013.

This condensed consolidated interim financial report was approved by the Board of Directors on 24 February 2014

The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10th July 1998 and as such, amounts in the condensed consolidated interim financial report and directors' report have been reported to the nearest dollar, unless otherwise stated.

3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements* (2011) (see (a))
AASB 11 *Joint Arrangements* (see (b))
AASB 13 *Fair Value Measurement* (see (c))

Annual Improvements to Australian Accounting Standards 2009–2011 Cycle (see (e)).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

The nature and the effect of the changes are further explained below.

(a) *Subsidiaries*

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances.

(b) *Joint arrangements*

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

(c) *Fair value measurement*

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see Note 12).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(d) *Segment information*

The amendment to AASB 134 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2013.

5. 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. The Directors believe that the Group will be able to fund future operations through share issues, debt raising, joint venturing or off-take agreements for the sale of tungsten. 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 realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

6. Segment reporting

(a) *Business and geographical segments*

The results and financial position of the Group's single operating segment are prepared 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.

(b) *Products and services*

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

(c) *Geographical Areas*

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

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

7. Issued Capital

	31 December 2013	30 June 2013
	\$	\$
Fully paid ordinary shares	<u>51,592,161</u>	49,755,595
Fully paid ordinary shares		
Balance 1 July 2012	<u>82,745,908</u>	48,841,501
Rights issue capital raising on 6 th September 2012	<u>13,791,383</u>	992,980
Capital raising costs	-	(78,886)
Balance 31 December 2012	<u>13,791,383</u>	914,094
Balance 1 July 2013	<u>96,537,291</u>	49,755,595
Rights issue capital raising on 11 July 2013	<u>17,018,485</u>	867,943
Rights issue capital raising on 16 July 2013	<u>21,596,627</u>	1,101,428
Capital raising costs	-	(132,805)
Balance 31 December 2013	<u>38,615,112</u>	1,836,566
	<u>135,152,403</u>	51,592,161

On 31 August 2012 the Company successfully closed a renounceable rights issue at 7.2 cents per share to eligible shareholders of ordinary shares. The rights offer was fully underwritten by several major shareholders and raised \$914,094 after capital raising costs.

On 5 July 2013 the Company successfully closed a non-renounceable rights issue at 5.1 cents per share to eligible shareholders of ordinary shares. The rights offer was fully underwritten by several major shareholders and raised \$1,836,566 after capital raising costs.

8. Share Option Reserve

	Note	2013	2012
		\$	\$
Balance at 30 June		<u>350,001</u>	350,001
Equity settled share based payments for the interim period	9	<u>154,185</u>	-
Balance at 31 December		<u>504,186</u>	350,001

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

9. Shares under option

On 6 December 2013 the Company granted a total of 9,000,000 share options to Messrs Jooste-Jacobs and Davies. Details relating to these options are below.

The fair value of the options at grant date is determined using the Black-Scholes model. The following inputs were used in the measurement of the fair values at grant date.

	Tranche 1	Tranche 2	Tranche 3
Number	2,000,000	3,000,000	4,000,000
Fair value at grant date	\$136,800	\$198,900	\$269,600
Share price at grant date	11.5 cents	11.5 cents	11.5 cents
Exercise Price per Company Share	15 cents	22 cents	28 cents
Expected volatility (weighted average volatility)	75.9%	75.9%	75.9%
Grant Date	6 December 2013	6 December 2013	6 December 2013
Vesting Date	1 January 2014	1 January 2015	1 January 2016
Expiry Date	31 December 2018	31 December 2019	31 December 2020
Option Life	5.1 years	6.1 years	7.1 years
Exercise Period	5 years	5 years	5 years
Expected dividends	\$Nil	\$Nil	\$Nil
Risk-free interest rate	3.86%	3.86%	3.86%

Expected volatility is estimated by taking into account historic average share price volatility. The expense for the interim period to 31 December 2013 totals \$154,185 (2012 \$Nil).

Options were granted at no cost to the recipient.

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

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.

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 1 July 2011.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

10. Related Party Transactions

- (a) Balfour Joint Venture (**BJV**):
- i. Pleiades Resources Pty Ltd (**Pleiades**) is a 30% partner in the BJV, with the Company's wholly owned subsidiary Balfour Minerals Pty Ltd owning 70%. At the date of Dr Morritt ceasing to be a director of the Company (30 September 2013), he was also a director and shareholder of Pleiades.
 - ii. At the date of this report, the Company has a 70% interest in the BJV (30 June 2013: 70%) - although the BJV relinquished its tenements on 17 October 2013.
 - iii. During the interim period ended 31 December 2013, a total of \$1,700 (2012 \$10,639) was spent on the BJV by the Company.
- (b) In light of reduced workload demands during the interim period and with a view to conserving cash, effective 11 August 2013 the Company's former Chief Executive Officer Mr Simon Bird ceased employment with the Company. Mr Bird's bona fide termination payment totalled \$183,500 (before tax). It was agreed by the Company not to cancel Mr Bird's 4,500,000 Company options granted on 21 January 2009, as the options were due to expire on 31 December 2013. None of the options were exercised prior to their expiration date.
- (c) The Company engaged consulting services through a company related to Mr Jooste-Jacobs, effective from 1 August 2013. The material terms of this agreement are:
- i. Provision of executive services to the Company by Mr Jooste-Jacobs.
 - ii. Mr Jooste-Jacobs services are required to be requested by the Company.
 - iii. Consulting fees are payable to the company related to Mr Jooste-Jacobs at the rate of \$2,100 per day (excluding GST) for two days per week.
 - iv. These fees are in addition to Mr Jooste-Jacobs' Chairman fees payable at \$33,776 per annum, including statutory superannuation.
- (d) Dr Robin Morritt ceased to be a director of the Company on 30 September 2013 and was paid an ex-gratia payment of \$12,000 (before tax), including statutory superannuation.

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

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

	Transaction Value interim period ended		Balance Outstanding: Payable	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	\$	\$	\$	\$
Directors' Fees	57,714	46,172	26,507	17,893
Consulting Fees	75,600	-	42,000	-

All outstanding balances with these related parties are at call.

11. Dividends

No dividends were paid by the Company during the interim period to 31 December 2013 (2012 \$Nil).

12. Fair Values

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

	Carrying amount 2013	Carrying amount 2012	Fair value 2013	Fair value 2012
	\$	\$	\$	\$
Trade and other receivables	208,394	214,362	208,394	214,362
Cash and cash equivalents	1,779,620	769,352	1,779,620	769,352
Trade and other payables	(204,998)	(166,207)	(204,998)	(166,207)
	<u>1,783,016</u>	<u>817,507</u>	<u>1,783,016</u>	<u>817,507</u>

13. Lease and exploration expenditure commitments

(a) Office Lease

The Company continues to occupy office space at Level 26, 259 George Street, Sydney with no fixed lease and no other lease commitments. The current rent and outgoings for shared services is approximately \$3,700 per month.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

(b) *Exploration*

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 the Tasmanian Government.

With the completion of its recent drilling programme, the Company has met the Dolphin Project tenement commitment for the year ended 31 December 2013 totalling \$200,000.

A Dolphin Project tenement commitment for the year ended 31 December 2014 totalling \$200,000 has been proposed and is subject to approval.

With the relinquishment of the Balfour Joint Venture (**BJV**) tenements, the only remaining BJV commitment relates to final rehabilitation of the BJV tenements, which is estimated to total \$5,000.

14. Contingencies

(a) *Purchase price and royalty*

The Dolphin Project has a liability to a third party in respect of the acquisition of the tenements. If the decision to mine is taken, the amount payable to the third party is \$250,000 plus an additional royalty of 1.5% on tungsten sale amounts received, after selling costs, transport costs for delivery to the buyer, and any taxes (other than income tax).

(b) *Adjoining land*

On 12 July 2005 the Company entered into an agreement with a third party vendor to acquire a 5 hectare block of land immediately on the northern boundary of the mine lease to ensure that an appropriate buffer zone is in place between the planned mine and Grassy township. The terms of this purchase were an initial payment of \$700,000 plus an additional \$100,000 payable upon the Company obtaining a permit for planning and development approval to carry on an extractive industry, both of which have been paid in full. There is a further \$100,000 payable to the third party vendor contingent upon the commencement of operations.

(c) *Hunan Nonferrous Metals Corporation Ltd*

Under the agreed terms relating to termination of the Dolphin Joint Venture effective 17 December 2010, the Company's wholly owned subsidiary 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.

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

(d) *King Island Council*

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

Also as part of these agreements, the Company paid the first instalments of these in advance, a total of \$100,000 inclusive of GST, on 1 July 2011. These advances are to be deducted from future payments over five years at the rate of \$20,000 inclusive of GST per annum. Future payments will be made over the operational life of the mine.

15. Subsequent events

There has not arisen in the interval between the end of the interim period and the date of this review report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

DIRECTORS' DECLARATION

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

- (a) the condensed consolidated financial statements and notes set out on pages 9 to 21, are in accordance with the *Corporations Act 2001* including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the six month period ended on that date; and
 - ii. complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting* 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.

Signed in accordance with a resolution of the Board of directors



Johann Jooste-Jacobs

Chairman

Sydney

24 February 2014

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

To: the directors of King Island Scheelite Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

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

KPMG

KPMG



Charmaine Hopkins
Partner

Sydney

24 February 2014

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

Report on the financial report

We have reviewed the accompanying interim financial report of King Island Scheelite Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 15 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 half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of King Island Scheelite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to note 5 in the interim financial report which indicates that the going concern basis is dependent on future share issues, debt raising, joint venturing or off-take agreements for the sale of tungsten. Should this additional funding not be forthcoming there is a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern and the Group may be unable to realise its assets and settle its liabilities in the normal course of business.

KPMG

KPMG



Charmaine Hopkins
Partner

Sydney

24 February 2014

SHAREHOLDER INFORMATION

At 31 January 2014 issued capital was 135,152,503 ordinary fully paid shares held by 927 holders.
The 20 largest holders were:

Rank	Shareholder	Number of Shares	% of Issued Capital
1.	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	18,024,477	13.3%
2.	CHRYSALIS INVESTMENTS PTY LTD	17,680,543	13.1%
3.	CATHERINE MORRITT	13,972,024	10.3%
4.	HFTT PTY LTD <HAGGARTY FAMILY A/C>	13,335,680	9.9%
5.	IN VIA CUSTODIAN PTY LIMITED < PACIFIC ROAD PROVIDENT A/C >	5,625,552	4.2%
7.	MR GIUSEPPE CORONICA	5,562,158	4.1%
6.	RANAMOK PTY LTD < RANAMOK FAMILY A/C >	5,170,594	3.8%
8.	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,003	3.3%
9.	SERLETT PTY LTD < DILIGENT SUPER FUND A/C >	3,475,361	2.6%
12.	MR SCOTT GILCHRIST	2,268,756	1.7%
10.	BUDBERTH PTY LTD < IPSEITY S/F A/C >	2,100,002	1.6%
11.	IN VIA CUSTODIAN PTY LIMITED < AJ DAVIES PERSONAL S/F A/C >	2,062,407	1.5%
17.	MR DONALD BOYD	1,837,501	1.4%
13.	CHELSEA SECURITIES LIMITED	1,750,001	1.3%
14.	INTERSUISSE NOMINEES PTY LTD < CUSTODIAN A/C >	1,463,563	1.1%
15.	MR ROBERT SLADE FORBES	1,400,001	1.0%
16.	RYTECH PTY LTD < RYTECH SUPERFUND A/C >	1,400,001	1.0%
18.	ALFRED STREET FUNDS MANAGEMENT PTY LTD	1,199,598	0.9%
19.	HOLTEX PTY LTD < BUCKERIDGE S/F A/C >	1,060,001	0.8%
20.	FINMIN SOLUTIONS PTY LTD < JACOBS FAMILY S/FUND A/C >	980,394	0.7%
Total		104,818,617	77.6%

Distribution of holders and holdings at 31 January 2014

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	315	61,197	0.05
1,001 - 5,000	158	494,851	0.37
5,001 - 10,000	88	678,932	0.50
10,001 - 100,000	265	9,112,418	6.74
100,001 - 9,999,999,999	101	124,805,005	92.34
Rounding			0.00
Total	927	135,152,403	100.00
Unmarketable Parcels	Minimum Parcel Size		Holders
Minimum \$500.00 parcel at \$0.08 per Share	6,250		498
			695,272