

KING ISLAND
SCHEELITE



King Island Scheelite Limited
ABN 40 004 681 734

and its controlled entities

ANNUAL FINANCIAL REPORT

30th June 2014

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Directors' Report

Directors

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

Johann Jooste-Jacobs – Chairman, B.Acc, MBL, FCA, FAICD (Appointed 30th November 2012.)

Johann has over 30 years' experience in the resources industry and was, until earlier this year, Non-Executive Chairman of ASX listed Uranex Limited where he continues as a Non-Executive Director. In addition, he is Non-Executive Director of Australian Zircon NL and TWH Limited. He previously was Chairman of Coalworks Limited and IMX Resources Limited. Johann is a Fellow member of both the Institute of Chartered Accountants and the Institute of Company Directors of Australia.

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).

Allan Davies – Non-Executive Director, B.E (Mining) (Appointed 30th September 2013.)

Allan is a mining engineer and has over 40 years' experience in the Australian and international coal and metalliferous mining industries. He is a registered mine manager in Australia and South Africa. Allan was a founding Director of Excel Coal Limited and as Executive Director – Operations for Excel Coal Limited, Allan had direct responsibility for operations and construction projects. From 2000 until early 2006, Allan worked for Patrick Corporation as Director, Operations. In addition, he was an Executive Director of Whitehaven Coal from February 2009 until November 2012 and a Non-Executive Director of QR Limited and QR National Limited from October 2008 until December 2011. He is currently a Non-Executive Director of Qube Holdings.

Robin FC Morritt - Non-Executive Director, BA Hons (Macquarie NSW Australia), MS (Stanford CA USA), PhD (Queen's Ontario Canada), FSEG (Appointed 24th May 2005 and ceased 30th September 2013.)

Robin joined the Board in May 2005 following the acquisition of Australian Tungsten Pty Ltd (ATPL) by the Company. He 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.

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.

Company Secretary

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:

	<i>Board Meetings</i>		<i>Audit Committee Meetings</i>	
	Eligible	Attended	Eligible	Attended
Johann Jacobs	11	11	2	2
Simon Bird	1	1	-	-
Allan Davies	8	8	1	-
Christopher Ellis	11	10	2	-
Robin Morrill	3	3	1	1

Principal activities

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

1. The continued review and re-engineering the previous Bankable Feasibility Study, in anticipation of reopening of the Dolphin Mine on King Island; and
2. The termination of the Balfour Joint Venture that had been undertaking exploration and evaluation of tenements in North West Tasmania.

For details of the Balfour Joint Venture, see Note 12.

Notwithstanding the termination of the Balfour Joint Venture, there were no significant changes in the nature of the activities of the King Island Scheelite Group during the financial year.

Operating and financial review

Dolphin Project – 100% interest

The project is focused on the redevelopment of the tungsten deposit on King Island. Major achievements for the year ending 30th June 2014 include the following.

1. Corporate cost cutting measures continued with the CEO being retrenched on 11th August 2013 and the Chairman undertaking administrative functions on a part-time basis from that time.
2. Two Directors leaving the Board (including the CEO) and one new Director appointed, taking the new Board to three.
3. Bold Head and Dolphin West resource delineation drilling completed.
4. A metallurgical test work programme was undertaken on the drill core from the latest drilling which concluded that by introducing a gravity circuit ahead of the flotation circuit, both capex and operating costs could be significantly reduced.
5. A new Development Plan, as an enhancement to the Low Cost Option development plan, has largely been completed with the following key outcomes:
 - a. potential increase in life of mine WO₃ production by 15% to 20%;
 - b. significant reduction in mining costs – especially during the open cut years; and
 - c. development capital reduced from \$141M to less than \$50M.
6. Completed a capital raising to continue the new Development Plan, including dewatering the pit.
7. A Mining Lease was issued by Mineral Resources Tasmania.

The Company has all the necessary land, permits and approvals to progress this redevelopment into the construction phase, subject to securing full funding.

Balfour Joint Venture (BJV) – terminated

A joint venture with Pleiades Resources Pty Ltd formed on 9th February 2009 to explore for tin and tungsten within Balfour tenements in north-west Tasmania. The Company had a 70% interest in this joint venture at 30th June 2013, however difficulties in securing a funding partner for the next exploration phase of this project means the joint venture had no choice but to surrender these tenements. The tenements were surrendered on 17th October 2013 and the joint venture is in the process of being dissolved.

Financial

The Group retained a cash balance of \$1,029,651 at 30th June 2014 (2013 \$769,352).

A non-renounceable rights issue was undertaken in July 2013 with \$1,969,371 raised through the issue of 38,615,112 shares at 5.1 cents.

In order to complete the current Dolphin Project feasibility study works and dewater the pit at the mine, a further fundraising of approximately \$2,027,000 (before costs) from existing shareholders was undertaken and closed on 1st August 2014, issuing a further 16,894,354 shares at 12.0 cents.

Going Concern

The financial report has been prepared on the basis of a going concern. 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 additional share issues or 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.

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

Outlook

The key objective is to bring the high-grade Dolphin tungsten deposit on King Island into production. Higher tungsten prices, a weaker Australian dollar, positive outcomes from the Value Engineering Study and the investigation into the Low Cost Option development all indicate much improved project economics.

To further de-risk the Project's development it was decided to commence dewatering of the open cut void, work which is currently being undertaken. Following dewatering, a drilling programme will be undertaken with the objective of confirming the open cut resources and to undertake further metallurgical test work to confirm the re-designed processing unit. This work is anticipated to be completed by November 2014, after which a further decision will be taken on the redevelopment of the mine.

Business Risks

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

1. Approval for an extension to the Group's existing tenements
Tenement exploration and retention licences held by the Group require renewal or extension. All existing licences are current, with the latest renewals and extensions approved. There is no guarantee that the Group's licences would continue to be granted on terms that are acceptable, or at all for future applications.
2. The Group may need to raise additional funds
The Group is likely to require additional funds to proceed with future stages and development of its projects.
3. 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 income and expenditure of the Group is denominated in Australian dollars which 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.

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Directors' Report (continued)

4. Land access and title risk

The Group has obligations in relation to expenditure levels, environmental matters for its tenements as well as responsibilities to various government entities and any 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 may be affected by land access issues for any land the Group does not own.

5. Environmental risk

As part of the mining industry, 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.

6. 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 harm 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 (2013 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 the following.

1. On 14th July 2014 the Company announced a 1 for 8 non-renounceable rights offer for 12 cents cash each share.
2. The Offer closed on 1st August 2014 and was fully subscribed, resulting in proceeds of \$2,027,322 before Offer costs.
3. The Offer was partially underwritten up to \$922,443, being the total (\$2,027,322) excluding Rights held by:
 - a. Underwriters (\$547,450);
 - b. Other Directors (\$64,629); and
 - c. Other major shareholders who committed to take up their Rights (\$492,800).
4. Actual shortfall was taken up by the underwriters and totalled \$401,559 (3,346,325 shares).
5. The Company issued 16,894,354 ordinary fully paid shares on 11th August 2014.

Directors' interests

The relevant beneficial interest of each Director in the securities 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:

<i>King Island Scheelite Limited</i> <i>Ordinary fully paid shares</i>	Number
Johann Jacobs	2,015,548
Christopher Ellis	22,037,750
Allan Davies	3,248,288

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Directors' Report (continued)

<i>King Island Scheelite Limited Unquoted Options</i>			Johann Jacobs	Allan Davies	Total
			Number	Number	Number
Exercise Price per share	Vesting Date	Expiry Date			
15 cents	1 st January 2014	31 st December 2018	1,000,000	1,000,000	2,000,000
22 cents	1 st January 2015	31 st December 2019	1,500,000	1,500,000	3,000,000
28 cents	1 st January 2016	31 st December 2020	2,000,000	2,000,000	4,000,000
			4,500,000	4,500,000	9,000,000

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

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 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	
	2014	2013
Auditors of the Company	\$	\$
<i>KPMG Australia</i>		
Audit and review of financial reports	<u>43,000</u>	<u>47,500</u>

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 54 and forms part of this Directors' Report.

Rounding off

The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and as such, amounts in the Condensed Consolidated 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 have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors of the Company and other future executives. Key management personnel comprise the Directors and Managers of the Company.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced Directors, executives and future executives. There were no remuneration consultants used to set the remuneration of key management personnel.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the Group's performance
- the Group's performance including:
 - the Group's earnings
 - the growth in share price and delivering constant returns on shareholder wealth
 - the amount of incentives within each key management person's compensation.

Compensation packages will 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.

Contract terms and conditions

The determination of Directors' remuneration is made by the Board having regard to the inputs and value to the Company of the respective contributions by each Director.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

The Board reviews remuneration annually, so as to reflect current industry norms, and determines remuneration policies and practices generally, reviews and makes specific decisions on the remuneration packages and other terms of employment of its Directors and senior executives with respect to the following:

- Executive remuneration and incentive policy.
- The remuneration of executive Directors, the Company Secretary and all senior executives reporting directly to an executive Director.
- Any executive incentive plan and any equity based incentive plan.
- The remuneration of non-executive Directors.
- Superannuation arrangements.
- Recruitment, retention, performance measurement and termination policies and procedures for non-executive Directors, executive Directors, the Company Secretary and all senior executives reporting directly to an executive Director.
- The disclosure of remuneration in the Company's public materials including ASX filings and the Annual Financial Report.

Non-Executive Directors may receive performance-based remuneration. During the year ended 30 June 2014, a total of 9,000,000 unquoted options were granted to Non-Executive Directors. Refer to Note 21 for more details. No bonuses were paid in respect of the current or previous financial years.

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.

Remuneration Report (continued)

Each Key Management Personnel's terms of employment are set out as follows:

Mr Jacobs (Chairman)

During the financial year ended 30 June 2014, an entity controlled by Mr Jacobs was paid at the rate of \$30,987 p.a. plus 9.25% statutory superannuation (2013 \$30,987 p.a. plus 9% statutory superannuation) for Mr Jacobs to be a Director and Chairman. Consultancy services to the Company are also agreed with the entity controlled by Mr Jacobs, for his services to be provided as required and charged on a per diem basis. No annual or long service leave accrues to Mr Jacobs or his controlled entity.

The entity controlled by Mr Jacobs was formally appointed to provide consulting work to the Company on the following conditions.

Performance	Any consulting services are to be performed in a competent and professional manner with the standard of diligence and care normally employed by a properly qualified person in the performance of comparable duties and in accordance with generally accepted practices appropriate to the activities undertaken.
Exclusivity	Any consulting services are to be performed in a competent and professional manner with the standard of diligence and care normally employed by a properly qualified person in the performance of comparable duties and in accordance with generally accepted practices appropriate to the activities undertaken.
Consultancy Fee Rate	The Company would pay the entity controlled by Mr Jacobs at the rate of \$2,100 per day, excluding GST.
Consultancy Fee Review	The Consultancy Fee shall be reviewed no later than one month after the end of each financial year or after such other period (being less than one year) agreed between the parties. In determining the amount of any increase in the Consultancy Fee, the Board (or any committee appointed by the Board to undertake the review) shall take into account performance in the period under review, the level of remuneration of executives in an equivalent position and any other factors which it considers relevant.
Independent Contractor	The entity controlled by Mr Jacobs is an independent contractor and is not and shall not hold itself out as an employee or partner of the Company.
Employment Status	Mr Jacobs shall at all times be an employee of the entity which he controls and shall not hold himself out as an employee of the Company.
Employment Costs and Entitlements	The entity controlled by Mr Jacobs agrees that it shall be solely responsible for the payment of salaries and wages, holiday pay, sick pay, long service leave, any worker's compensation premiums or entitlements and all other employee benefits and entitlements (including, without limitation, superannuation contributions) to or on Mr Jacobs' behalf, and for the making of all tax instalment deductions in respect of his remuneration, together with the payment of any other tax or levy which may arise out of the performance of consulting services.

Mr Ellis (Non-Executive Director)

During the financial year ended 30 June 2014, Mr Ellis was paid at the rate of \$26,400 p.a. plus 9.25% statutory superannuation (2013 \$26,400 p.a. plus 9% statutory superannuation) to be a Non-Executive Director. Any further work on behalf of the Company is paid on a time incurred basis. No annual or long service leave accrues to Mr Ellis.

Remuneration Report (continued)

Mr Davies (Non-Executive Director)

During the financial year ended 30 June 2014, an entity controlled by Mr Davies was paid at the rate of \$26,400 p.a. plus 9.25% statutory superannuation for Mr Davies to be a Non-Executive Director. Consultancy services to the Company are also agreed with the entity controlled by Mr Davies, for his services to be provided as required and charged on a per diem basis. No annual or long service leave accrues to Mr Davies or his controlled entity.

The entity controlled by Mr Davies was formally appointed to provide consulting work to the Company on the following conditions.

Performance	Any consulting services are to be performed in a competent and professional manner with the standard of diligence and care normally employed by a properly qualified person in the performance of comparable duties and in accordance with generally accepted practices appropriate to the activities undertaken.
Exclusivity	Nothing prevents the entity Mr Davies controls from providing or agreeing to provide to any other person, firm or company services the same as or similar to the consulting services, provided that the provision of such services does not in any way impair or hinder the performance of duties to the Company.
Consultancy Fee Rate	The Company will pay the entity controlled by Mr Davies at the rate of \$2,000 per day excluding GST.
Consultancy Fee Review	The Consultancy Fee shall be reviewed no later than one month after the end of each financial year or after such other period (being less than one year) agreed between the parties. In determining the amount of any increase in the Consultancy Fee, the Board (or any committee appointed by the Board to undertake the review) shall take into account performance in the period under review, the level of remuneration of executives in an equivalent position and any other factors which it considers relevant.
Independent Contractor	The entity controlled by Mr Davies is an independent contractor and is not and shall not hold itself out as an employee or partner of the Company.
Employment Status	Mr Davies shall at all times be an employee of the entity which he controls and shall not hold himself out as an employee of the Company.
Employment Costs and Entitlements	The entity controlled by Mr Davies agrees that it shall be solely responsible for the payment of salaries and wages, holiday pay, sick pay, long service leave, any worker's compensation premiums or entitlements and all other employee benefits and entitlements (including, without limitation, superannuation contributions) to or on Mr Davies' behalf, and for the making of all tax instalment deductions in respect of his remuneration, together with the payment of any other tax or levy which may arise out of the performance of consulting services.

Dr Morritt (Non-Executive Director)

During the financial year, Dr Morritt was paid at the rate of \$26,400 p.a. plus 9.25% statutory superannuation (2013 \$26,400 p.a. plus 9% statutory superannuation) to be a Non-Executive Director. Any further work on behalf of the Company is paid on a time incurred basis. No annual or long service leave accrues to Dr Morritt. Dr Morritt ceased to be a Director of the Company on 30th September 2013 and was paid an ex-gratia payment of \$12,000 (before tax), including 9.25% statutory superannuation.

Mr Bird (Director & Chief Executive Officer)

Mr Bird was appointed as CEO on 1st January 2009 and Director on 5th October 2012. In light of reduced workload demands during the interim period and with a view to conserving cash, effective 11th August 2013, Mr Bird ceased both his employment and directorship with the Company.

At the time of Mr Bird's retrenchment, his base remuneration was \$367,000 per annum inclusive of 9.25% superannuation. His contract of employment provided for the payment of six months of his annual remuneration package in the event of Mr Bird's retrenchment or redundancy and his bona fide termination payment totalled \$183,500 (before tax). Mr Bird's accrued annual leave was also paid out on his retrenchment, as per the terms of his contract of employment.

No bonus was paid to Mr Bird during the year ended 30th June 2014 (2013 \$Nil).

Remuneration Report (continued)

It was agreed by the Company not to cancel Mr Bird's 4,500,000 Company options granted on 21st January 2009, as the options were due to expire on 31st December 2013. None of the options were exercised prior to their expiration date.

Options issued to Directors or Executives

On 6th December 2013 the Company granted a total of 9,000,000 share options to Messrs 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 year ending 30th June 2014 totals \$315,554 (2013 \$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 1st July 2011.

Options expiring during the period

4,500,000 options were granted on 21st January 2009 to Mr Bird as follows. The Expiry Date of all these Options was 31st December 2013 they all expired on this date without being exercised.

- (a) 1,000,000 options vesting on 1st January 2010 for an Exercise Price of A\$ 25 cents each;
- (b) 1,500,000 options vesting on 1st January 2011 for an Exercise Price of A\$ 50 cents each; and
- (c) 2,000,000 options vesting on 1st January 2012 for an Exercise Price of A\$1.00 each.

Remuneration Report (continued)

Consequences of performance on shareholders' wealth

	2014	2013	2012
Loss attributable to owners of the Company	\$2,029,842	\$1,083,074	\$3,698,384
Working capital	\$938,613	\$825,424	\$973,618
Net assets	\$1,969,151	\$1,846,873	\$2,015,853
Number of Shares on issue	135,152,403	96,537,291	82,745,908
Dividends paid	-	-	-
Share price (cents per Share)	14.0	4.6	9.5
Market capitalisation	\$18,921,336	\$4,440,715	\$7,860,861
Loss on capital employed	(103%)	(59%)	(183%)
Termination benefits of key management persons	\$194,484	-	-
Options benefits of key management persons	\$315,554	-	-
Other compensation of key management persons	\$326,046	\$385,337	\$484,556
Total compensation of key management persons (Group and Company)	\$836,084	\$385,337	\$484,556

During the last several 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; conducted a Value Engineering Study, and is currently working toward updating the Definitive Feasibility Study, including dewatering the pit to allow for further drilling work and terminated the Balfour joint venture. Capital has been raised during the course of the last few years with a current capital raising for an estimated \$2,027,000 which closed on 1st August 2014.

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 4 to 6.

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				Total	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	Consulting fees	Cash bonus	Non-monetary benefits		Superannuation benefits			Options			
		\$	\$	\$	\$	\$	\$	\$	\$	\$		%	
Directors													
J Jacobs ¹	2014	30,882	182,700	-	-	213,582	2,879	-	-	157,777	374,238	-	42.2%
	2013	18,161	-	-	-	18,161	1,634	-	-	-	19,795	-	-
C Ellis	2014	26,400	-	-	-	26,400	2,442	-	-	-	28,842	-	-
	2013	17,064	-	-	-	17,064	1,536	-	-	-	18,600	-	-
A Davies ²	2014	19,800	8,000	-	-	27,800	1,832	-	-	157,777	187,409	-	84.2%
	2013	-	-	-	-	-	-	-	-	-	-	-	-
R Morritt	2014	6,600	-	-	-	6,600	1,627	-	10,984	-	19,211	-	-
	2013	26,400	-	-	-	26,400	2,376	-	-	-	28,776	-	-
A Haggarty	2014	-	-	-	-	-	-	-	-	-	-	-	-
	2013	11,008	-	-	-	11,008	991	-	-	-	11,999	-	-
A Plummer	2014	-	-	-	-	-	-	-	-	-	-	-	-
	2013	8,336	-	-	-	8,336	750	-	-	-	9,086	-	-
L Li	2014	-	-	-	-	-	-	-	-	-	-	-	-
	2013	3,285	-	-	-	3,285	296	-	-	-	3,581	-	-
Executive													
S Bird (CEO)	2014	39,358	-	-	-	39,358	3,526	-	183,500	-	226,384	-	-
	2013	278,389	-	-	-	278,389	15,111	-	-	-	293,500	-	-
Total compensation (The Group and Company)	2014	123,040	190,700	-	-	313,740	12,306	-	194,484	315,554	836,084	-	37.7%
	2013	362,643	-	-	-	362,643	22,694	-	-	-	385,337	-	-

¹ For the year ended 30th June 2014, the Company paid a total of \$216,461 (2013 \$19,795) to a company controlled by Mr Jacobs, including \$182,700 for consulting charges.

² For the year ended 30th June 2014, the Company paid a total of \$29,632 (2013 \$Nil) to a company controlled by Mr Davies, including \$8,000 for consulting charges.

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:

Executive	Grant Date	Fair value per option at grant date \$	Exercise price per option \$	Expiry date	Number of options	Number of vested options	
						2014	2013
J Jacobs	6 Dec 2013	6.84 cents	15 cents	31 Dec 2018	1,000,000	1,000,000	-
	6 Dec 2013	6.63 cents	22 cents	31 Dec 2019	1,500,000	-	-
	6 Dec 2013	6.74 cents	28 cents	31 Dec 2020	2,000,000	-	-
					4,500,000	1,000,000	-
A Davies	6 Dec 2013	6.84 cents	15 cents	31 Dec 2018	1,000,000	1,000,000	-
	6 Dec 2013	6.63 cents	22 cents	31 Dec 2019	1,500,000	-	-
	6 Dec 2013	6.74 cents	28 cents	31 Dec 2020	2,000,000	-	-
					4,500,000	1,000,000	-

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		Lapsed ³	
				2014 %	2013 %	2014 %	2013 %
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	-
J Jacobs	6 Dec 2013	1 Jan 2014	1,000,000	100.0	-	-	-
	6 Dec 2013	1 Jan 2015	1,500,000	-	-	-	-
	6 Dec 2013	1 Jan 2016	2,000,000	-	-	-	-
			4,500,000	22.2	-	-	-
A Davies	6 Dec 2013	1 Jan 2014	1,000,000	100.0	-	-	-
	6 Dec 2013	1 Jan 2015	1,500,000	-	-	-	-
	6 Dec 2013	1 Jan 2016	2,000,000	-	-	-	-
			4,500,000	22.2	-	-	-

³ The % lapsed in the year represents the reduction from the maximum number of options available to vest due to the options not being exercised and lapsing.

King Island Scheelite Limited Annual Financial Report 30th June 2014
Directors' Report (continued)

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 2018	1 January 2014	15 cents	2,000,000
31 December 2019	1 January 2015	22 cents	3,000,000
31 December 2020	1 January 2016	28 cents	4,000,000
			<u>9,000,000</u>

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 exercised 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.

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	Date commenced or ceased as a Key Management Person, if applicable	Balance of shares at 1 July or date of appointment, as applicable	On-market purchases	Participation in rights issue (including underwriting)	Balance of shares at 30 June or date of ceasing, as applicable
		Number	Number	Number	Number
<i>Fully paid ordinary shares</i>					
Year ended 30 June 2014					
Johann Jacobs		29,167	400,000	992,060	1,421,227
Simon Bird	Ceased 11 August 2013	525,000	-	210,000	735,000
Christopher Ellis		5,489,905	791,695	12,190,625	18,472,225
Allan Davies	Commenced 30 September 2013	2,887,367	-	-	2,887,367
Robin Morritt	Ceased 30 September 2013	13,579,858	-	392,156	13,972,014
Year ended 30 June 2013					
Johann Jacobs	Commenced 30 November 2012	29,167	-	-	29,167
Simon Bird		450,000	-	75,000	525,000
Christopher Ellis	Commenced 8 November 2012	5,489,905	-	-	5,489,905
Robin Morritt		13,525,858	-	54,000	13,579,858
Anthony Haggarty	Ceased 8 November 2012	7,534,759	-	2,049,560	9,584,319
Andrew Plummer	Ceased 24 October 2012	3,802,299	-	1,368,291	5,170,590

Remuneration Report (continued)

Key Management Person	Number of Options 1 July	Granted during the financial year	Expired during the financial year	Number of Options 30 June
<i>Unquoted Options</i>				
Year ended 30 June 2014				
Johann Jacobs	-	4,500,000	-	4,500,000
Simon Bird	4,500,000	-	(4,500,000)	-
Allan Davies	-	4,500,000	-	4,500,000
	<u>4,500,000</u>	<u>9,000,000</u>	<u>(4,500,000)</u>	<u>9,000,000</u>
Year ended 30 June 2013				
Simon Bird	4,500,000	-	-	4,500,000
	<u>4,500,000</u>	<u>-</u>	<u>-</u>	<u>4,500,000</u>

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

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



Johann Jacobs
Chairman
Sydney

21st August 2014

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 2014. 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.	Does not 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 Board and by officers and employees to whom the management function is delegated by the Board.	The Company's current structure does not support the employment of a senior Chief Executive Officer.
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Does not comply	The Board reviews the performance of executives.	The Company's current structure does not support the employment of a senior Chief Executive Officer.
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.			

King Island Scheelite Limited Annual Financial Report 30th June 2014
Corporate Governance Statement (continued)

ASX Principles/ Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 2.1: A majority of the board should be independent directors.	Does not comply	<p>The Board consists of three Directors, who are each non-executive.</p> <p>Entities related to Messrs Jacobs and Davies each consult to the Company, as required.</p> <p>An entity related to Mr Ellis is a substantial shareholder of the Company and Mr Ellis is not independent.</p> <p>There is not a majority of independent Directors.</p>	<p>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.</p> <p>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.</p>
Recommendation 2.2: The chair should be an independent director.	Does not comply	Whilst the Chairman's related entity consults to the Company, the Chairman is considered to be a Non-Executive Director and not independent.	Refer to Recommendation 2.1 above
Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	The Company's current structure does not support the employment of a senior Chief Executive Officer.	Refer to Recommendation 1.1 above
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	<p>An independent Board evaluates performance.</p> <p>Details of Directors' qualifications, experience, term of office and special responsibilities are in the Directors Report included in the Annual Report.</p> <p>Potential nominations to the Board are assessed by the full Board. The Board may appoint a nominations or remuneration committee.</p> <p>The Board undertakes self -assessment of its collective performance. Individual performance is evaluated by the full Board.</p>	Not Applicable
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply		Not Applicable

King Island Scheelite Limited Annual Financial Report 30th June 2014
Corporate Governance Statement (continued)

ASX Principles/ Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
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 measurable 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 Company's Finance Manager, who reports to the Chief Financial 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			

King Island Scheelite Limited Annual Financial Report 30th June 2014
Corporate Governance Statement (continued)

ASX Principles/ Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
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: <ul style="list-style-type: none"> • 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	<p>The Company's Audit Committee comprises the full Board. The Chairman of the Audit Committee is also the Chairman of the Board.</p> <p>Details of the Audit Committee Member's qualifications, experience, and special responsibilities are in the Directors Report included in the Annual Report.</p> <p>The Audit Committee meets at least twice a year. The attendees are the Audit Committee Members; External Auditor and Company Secretary.</p>	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.			

King Island Scheelite Limited Annual Financial Report 30th June 2014
 Corporate Governance Statement (continued)

ASX Principles/ Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply	The Board's policy is that shareholders are informed of all material developments that impact on the Company. Detailed continuous disclosure policy is intended to maintain the market integrity and market efficiency of the Company's shares listed on the ASX. This policy sets out the requirements of management to report any matter that may require disclosure under the Company's continuous disclosure obligations. The Project Manager and Company Secretary / Chief Financial Officer are also each 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 <i>Corporations Act 2001</i> .	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.			

King Island Scheelite Limited Annual Financial Report 30th June 2014
Corporate Governance Statement (continued)

ASX Principles/ Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
<p>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.</p>	Comply	<p>The Company aims to convey to its shareholders pertinent information in a factual, timely, regular and detailed manner.</p> <p>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 <i>Corporations Act 2001</i>.</p> <p>Information is communicated to shareholders by the Company through:</p> <ol style="list-style-type: none"> 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. <p>All shareholders are welcome to communicate directly with the Company.</p> <p>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.</p>	Not Applicable
<p>Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.</p>	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.			

King Island Scheelite Limited Annual Financial Report 30th June 2014
 Corporate Governance Statement (continued)

ASX Principles/ Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
<p>Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.</p>	<p>Comply</p>	<p>The Audit Committee has the responsibility to establish policies on the system of internal control and management of financial and business risks.</p> <p>Risk matters are raised with the Audit Committee, which in turn manages these matters raised and reports to the full Board.</p>	<p>Not Applicable</p>
<p>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.</p>	<p>Comply</p>	<p>The Board manages the Company's material business risks.</p> <p>The Corporate Governance Policy requires the Company to regularly review procedures, and ensure timely identification of disclosure material and materiality thresholds.</p> <p>Materiality judgments can only be made on a case by case basis, when all the facts are available.</p> <p>When establishing a preliminary assessment of materiality, the Company has regard to:</p> <ol style="list-style-type: none"> 1) the reliability of management information; 2) factors which may indicate deviations from normal activities; and 3) qualitative factors which impact on the materiality of individual misstatements, to assess: <ol style="list-style-type: none"> a) the significance of the misstatement to the particular entity; b) the pervasiveness of the misstatement; and c) the effect of misstatement. 	<p>Not Applicable</p>

King Island Scheelite Limited Annual Financial Report 30th June 2014
 Corporate Governance Statement (continued)

ASX Principles/ Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
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 Chairman 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: <ul style="list-style-type: none"> • 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.

King Island Scheelite Limited Annual Financial Report 30th June 2014
 Corporate Governance Statement (continued)

ASX Principles/ Recommendations	Compliance	Details	Disclosure Requirement for Non Compliance
<p>• Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p>	Comply	<p>Non-Executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders.</p> <p>Any structure for equity based remuneration must be commercially cost effective, and appropriate to the Company's size and structure.</p> <p>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.</p> <p>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 participate in equity based remuneration. Non-Executive Directors do not receive any bonus payments nor are they provided with retirement benefits other than statutory superannuation.</p> <p>There are no schemes for retirement benefits, other than statutory superannuation, for Non-Executive Directors.</p>	Not Applicable
<p>• Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.</p>	Comply		Not Applicable

King Island Scheelite Limited Annual Financial Report 30th June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Other income	4	60,769	-
Employee expenses	5	(829,885)	(586,470)
Administrative expenses		(558,407)	(552,189)
Exploration & evaluation expenses		(856,594)	(73,486)
Results from operating activities		(2,184,117)	(1,212,145)
Financial income – interest		44,451	34,136
Financial expense – interest		-	-
Net finance income		44,451	34,136
Loss before tax		(2,139,666)	(1,178,009)
Income tax benefit	7	109,824	94,935
Net loss attributable to members of the parent		(2,029,842)	(1,083,074)
Other comprehensive income for the financial year, net of income tax		-	-
Total comprehensive income for the period		(2,029,842)	(1,083,074)
Losses per share		Cents	Cents
Basic losses per share attributable to ordinary equity holders	8	(1.5)	(1.2)
Diluted losses per share attributable to ordinary equity holders	8	(1.5)	(1.2)

The Notes on pages 30 to 52 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

Consolidated	Note	Attributable to owners of the Company				Non-controlling Interests	Total Equity
		Issued Capital	Accumulated Profits/(losses)	Share Option Reserve	Total		
		\$	\$	\$	\$	\$	\$
Balance at 1 st July 2012		48,841,501	(14,599,503)	350,001	34,591,999	-	34,591,999
Profit for the year		-	(1,083,074)	-	(1,083,074)	-	(1,083,074)
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	(1,083,074)	-	(1,083,074)	-	(1,083,074)
Impact of the change in accounting policy at 1 st July 2011		-	(29,435,364)	-	(29,435,364)	-	(29,435,364)
Impact of the change in accounting policy during the year ending 30 th June 2012		-	(3,140,782)	-	(3,140,782)	-	(3,140,782)
		-	(32,576,146)	-	(32,576,146)	-	(32,576,146)
Transactions with owners in their capacity as owners:							
Rights issue capital raising	16	914,094	-	-	914,094	-	914,094
Restated Balance at 30th June 2013		49,755,595	(48,258,723)	350,001	1,846,873	-	1,846,873
Balance at 1st July 2013		49,755,595	(48,258,723)	350,001	1,846,873	-	1,846,873
Profit for the year		-	(2,029,842)	-	(2,029,842)	-	(2,029,842)
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	(2,029,842)	-	(2,029,842)	-	(2,029,842)
Transactions with owners in their capacity as owners:							
Rights issue capital raising	16	1,836,566	-	-	1,836,566	-	1,836,566
Equity settled share based payments	21	-	-	315,554	315,554	-	315,554
		1,836,566	-	315,554	2,152,120	-	2,152,120
Balance at 30th June 2014		51,592,161	(50,288,565)	665,555	1,969,151	-	1,969,151

The Notes on pages 30 to 52 are an integral part of these Consolidated Financial Statements.

King Island Scheelite Limited Annual Financial Report 30th June 2014

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 \$	2013 \$
Assets			
Cash and cash equivalents	9	1,029,651	769,352
Trade and other receivables	10	153,506	209,762
Inventories	11	-	28,050
Total current assets		1,183,157	1,007,164
Trade and other receivables	10	19,600	4,600
Property, plant and equipment	13	1,010,937	1,016,849
Total non-current assets		1,030,537	1,021,449
Total assets		2,213,694	2,028,613
Liabilities			
Trade and other payables	14	244,543	166,207
Provisions	15	-	15,533
Total current liabilities		244,543	181,740
Total non-current liabilities		-	-
Total liabilities		244,543	181,740
Net assets		1,969,151	1,846,873
Equity			
Issued capital	16	51,592,161	49,755,595
Reserves	16	665,555	350,001
Accumulated losses		(50,288,565)	(48,258,723)
Total equity		1,969,151	1,846,873

The Notes on pages 30 to 52 are an integral part of these Consolidated Financial Statements.

King Island Scheelite Limited Annual Financial Report 30th June 2014

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows used in operating activities			
Royalties received		60,769	-
Cash paid to suppliers and employees		(1,802,311)	(1,304,883)
Cash used in operations		(1,741,542)	(1,304,883)
Research and development expenditure tax rebate		109,824	94,935
Interest received		44,451	34,036
Payment received on sale of inventory		26,000	-
Net cash used in operating activities	20	(1,561,267)	(1,175,912)
Cash flows used in investing activities			
Payment made for security deposits		(15,000)	-
Refund received from security deposits		-	9,700
Net cash used in investing activities		(15,000)	9,700
Cash flows from financing activities			
Proceeds from the issue of share capital		1,969,371	992,978
Cost of issuing share capital	16	(132,805)	(78,884)
Net cash generated from financing activities		1,836,566	914,094
Net decrease in cash and cash equivalents		260,299	(252,118)
Cash and cash equivalents at 1 July		769,352	1,021,470
Cash and cash equivalents at 30 June	9	1,029,651	769,352

The Notes on pages 30 to 52 are an integral part of these Consolidated Financial Statements.

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 2014 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

On 21st August 2014, 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.

The Company is not 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) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 1 to all periods presented in these consolidated financial statements.

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.

- (i) AASB 10 Consolidated Financial Statements (2011)
- (ii) AASB 11 Joint Arrangements
- (iii) AASB 13 Fair Value Measurement

The nature and effects of the changes are explained below.

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 focuses 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 accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013. And there has been no impact on the control conclusion.

(c) **Changes in accounting policies (continued)**

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 has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered 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.

The Group has re-evaluated its involvement in its only joint arrangement and has reclassified the investment from a jointly controlled entity to a joint venture. Notwithstanding the reclassification, the investment continues to be recognised by applying the equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

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. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7.

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) **Basis of consolidation**

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

Associates

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

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

Joint ventures

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

Jointly controlled entities

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

(d) **Basis of consolidation (continued)**

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.

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:

	2014	2013
▪ 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.

(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 policy 1(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 equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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. The net interest expense (income) on the net defined benefit liability (asset) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets and interest on the effect on the asset ceiling. Previously the Group determined interest income on plan assets based on their long-term rate of expected return.

(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. At this time, a best estimate of the total area of disturbance and present value restoration cost over the estimated mine is made. From this, an annual charge is derived which is reflected as an expense over the life of the mine and as an increase in the provision.

The balance of the provision is the cumulation of the annual charges, less any remedial work done, which is charged directly against the provision. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

As the Company is not yet in the mining or construction phase, no provision currently exists.

(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.

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 January 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 additional changes relating to financial liabilities. The IASB currently has an active project to make 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 2018 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.

(v) Determination of fair values (continued)

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 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 is reviewed 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 2014 a capital raising was announced that closed on 1st August 2014 and provided additional funds of \$2,027,322 (before costs), which will be utilised to complete the current Development Plan and Revised Definitive Feasibility Study, leading to a decision on the redevelopment of the Dolphin project on King Island.

The Directors believe that the Group will be able to fund future operations through additional share issues or 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.

3. Segment reporting

Business and geographical segments

The results and financial position of the Company'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.

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. Other income

	2014	2013
	\$	\$
Royalty income	60,769	-
	<u>60,769</u>	<u>-</u>

5. Employee expenses

Salaries and fees	123,040	458,477
Consulting charges	190,700	-
Termination benefits	194,484	78,363
Options expense	315,554	-
Superannuation	12,306	29,671
Increase / (Decrease) in annual leave provision	(2,147)	407
Workers' Comp premiums & Payroll Tax	(4,052)	19,552
	<u>829,885</u>	<u>586,470</u>

6. Auditors' Remuneration

	\$	\$
Auditors of the Company <i>KPMG Australia</i>		
Audit and review of financial reports	43,000	47,500
	<u>43,000</u>	<u>47,500</u>

The auditors of the Company KPMG Australia did not perform other services for the Group during the year (2013: nil).

7. Income tax

	2014 \$	2013 \$
Numerical reconciliation between tax benefit and pre-tax net loss		
Loss before tax	(2,139,666)	(1,178,009)
Prima facie Income tax benefit at a tax rate of 30%	<u>641,900</u>	353,403
Decrease in income tax benefit due to:		
Income tax losses not recognised	(641,900)	(353,403)
Research and development expenditure tax rebate	<u>109,824</u>	94,935
Income tax benefit on pre-tax net profit / (loss)	<u><u>109,824</u></u>	<u><u>94,935</u></u>
Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Current year benefit	<u><u>109,824</u></u>	<u><u>94,935</u></u>
Unrecognised deferred tax assets		
Revenue tax losses	10,135,620	9,461,814
Capital tax losses	<u><u>1,431,355</u></u>	<u><u>1,431,355</u></u>

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of this item because, at this time, it is not probable that future taxable profit will be available against which the benefits can be offset.

8. Losses per share

The calculation of basic and diluted losses per share for the year ended 30th June 2014 was based on the net loss attributable to ordinary shareholders of \$2,029,842 (2013: loss \$1,083,074) and a weighted average number of ordinary shares outstanding during the year ended 30th June 2014 of 133,692,816 (2013: 93,967,937), calculated as follows:

	2014 \$	2013 \$
Losses for the financial year attributable to ordinary shareholders	<u>(2,029,842)</u>	<u>(1,083,074)</u>
Weighted average number of ordinary shares		
Number of Shares	2014	2013
Issued ordinary shares at 1 st July	96,537,291	82,745,908
Effect of shares issued 6 th September 2012	-	11,222,029
Effect of shares issued 11 th July 2013	16,505,599	-
Effect of shares issued 16 th July 2013	<u>20,649,926</u>	-
Weighted average number of ordinary shares used in calculating basic and diluted losses per share	<u><u>133,692,816</u></u>	<u><u>93,967,937</u></u>

The impact of dilutive potential ordinary shares in existence during the year not been included as the company is in a loss position (2013: none).

King Island Scheelite Limited Annual Financial Report 30th June 2014
Notes to the Consolidated Financial Statements (continued)

9. Cash and cash equivalents

	2014	2013
	\$	\$
Bank balances	5,924	4,715
Call deposits	1,023,727	764,637
Cash and cash equivalents in the statements of cash flows	<u>1,029,651</u>	<u>769,352</u>

10. Other receivables

Current

Other receivables	15,591	7,384
Prepayments	137,915	202,378
	<u>153,506</u>	<u>209,762</u>

Non-current

Deposits	<u>19,600</u>	<u>4,600</u>
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11. Inventories

Finished goods	<u>-</u>	<u>28,050</u>
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12. Interest in Joint Venture

Ownership

	2014	2013
	%	%
Balfour Joint Venture	<u>70.0%</u>	<u>70.0%</u>

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.

Difficulties in securing a funding partner for the next exploration phase of this project meant the joint venture surrendered these tenements. The tenements were surrendered on 17th October 2013 and the joint venture is in the process of being dissolved. Until dissolution, the Company retains its 70% ownership of the joint venture, despite the assets of the joint venture being effectively reduced to nil upon surrender of the tenements.

King Island Scheelite Limited Annual Financial Report 30th June 2014
Notes to the Consolidated Financial Statements (continued)

13. Property, Plant and Equipment

	Land \$	Plant and equipment \$	Total \$
Cost			
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
Balance at 1 July 2013	943,410	128,869	1,072,279
Additions	-	-	-
Balance at 30 June 2014	943,410	128,869	1,072,279
Depreciation			
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)
Balance at 1 July 2013	-	(55,430)	(55,430)
Depreciation change for the year	-	(5,912)	(5,912)
Balance at 30 June 2014	-	(61,342)	(61,342)
Carrying amounts			
At 30 June 2013	943,410	73,439	1,016,849
At 30 June 2014	943,410	67,527	1,010,937

14. Trade and other payables

Current	2014 \$	2013 \$
Trade payables	127,878	91,348
Other trade payables and accrued expenses	116,665	74,859
	<u>244,543</u>	<u>166,207</u>

15. Provisions-current

Cost	Employee Entitlement for Annual Leave \$
Balance at 30 June 2013	15,533
Provision used during the year	(15,533)
Balance at 30 June 2014	<u>-</u>

16. Capital and reserves

Share capital

Ordinary shares issued and fully paid	Number of shares	Issue Price	
		Cents per share	\$
1 st July 2012 balance	82,745,908		48,841,501
Renounceable rights offers:			
Shares issued 6 th September 2012	13,791,383	7.2	992,978
Share issue costs	-		(78,884)
			914,094
30 th June 2013 balance	96,537,291		49,755,595
Renounceable rights offers:			
Shares issued 11 th July 2013	17,018,485	5.1	867,943
Shares issued 16 th July 2013	21,596,627	5.1	1,101,428
	38,615,112		1,969,371
Share issue costs	-		(132,805)
			1,836,566
30 th June 2014 balance	135,152,403		51,592,161

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.

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.

16. Capital and reserves (continued)

Capital Raisings

During the year ended 30th June 2014 the Company raised \$1,969,371 through a non-renounceable rights offer for 5.1 cents per share. The offer closed on 5th July 2013 with a total raised of \$1,836,566 after capital raising costs. 17,018,485 and 21,596,627 shares were issued on 11th and 16th July 2013, respectively, resulting in a total of 38,615,112 ordinary fully paid shares being issued through this capital raising.

On 14th July 2014 the Company announced a 1 for 8 non-renounceable rights offer for 12 cents cash each share. The Offer closed on 1st August 2014 and was fully subscribed including a partial underwriting, raising \$2,027,322 before Offer costs. The Company issued 16,894,354 ordinary fully paid shares on 11th August 2014.

Share Based Payment Reserve

	2014 \$	2013 \$
Balance at 1 July	350,001	350,001
Option expense increase on 31 st December 2013	154,185	-
Option expense increase on 30 th June 2014	161,369	-
	<u>315,554</u>	-
Balance at 30 June	<u>665,555</u>	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 \$
2014							
Cash and cash equivalents	2.45	<u>1,029,651</u>	1,029,651	-	-	-	-
2013							
Cash and cash equivalents	3.00	<u>769,352</u>	769,352	-	-	-	-

Fair values

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

	Note	Carrying amount 2014 \$	Fair value 2014 \$	Carrying amount 2013 \$	Fair value 2013 \$
Trade and other receivables	10	173,106	173,106	214,362	214,362
Cash and cash equivalents	9	1,029,651	1,029,651	769,352	769,352
Trade and other payables	14	(244,543)	(244,543)	(166,207)	(166,207)
		<u>958,214</u>	<u>958,214</u>	817,507	817,507

18. Lease and exploration expenditure commitments

	2014	2013
	\$	\$
Non-cancellable operating leases		
Contracted but not provided for and payable:		
Within one year	-	1,037
One year or later and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>1,037</u>

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.

	2014	2013
	\$	\$
Exploration expenditure commitments		
Within one year	200,000	200,000
One year or later and not later than five years	-	-
Later than five years	-	-
	<u>200,000</u>	<u>200,000</u>

19. Consolidated entities

	Country of incorporation	Ownership interest	
		2014	2013
		%	%
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	<u>100</u>	<u>100</u>

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

	2014	2013
	\$	\$
Cash flows from operating activities		
Net loss attributable to members of the parent	(2,029,842)	(1,083,074)
Adjustments for:		
Depreciation and impairment	5,912	11,086
Options expensed	315,554	-
Operating loss before changes in working capital and provisions	(1,708,376)	(1,071,988)
(Increase) / Decrease in receivables	56,256	(130,634)
Increase / (Decrease) in payables	78,336	56,580
(Decrease) / Increase in provisions	(15,533)	(29,870)
Decrease / (Increase) in inventory	28,050	-
Net cash used in operating activities	<u>(1,561,267)</u>	<u>(1,175,912)</u>

21. Share-based payments

During the financial year there were no shares issued on the exercise of options. There were, however, options issues and options that expired.

The following options were granted on 21st January 2009 to the then Chief Executive Officer, Mr Simon Bird. The Expiry Date of all these Option was 31st December 2013 and on that date they all expired.

- (a) 1,000,000 options vesting on 1st January 2010 for an Exercise Price of A\$ 25 cents each;
- (b) 1,500,000 options vesting on 1st January 2011 for an Exercise Price of A\$ 50 cents each; and,
- (c) 2,000,000 options vesting on 1st January 2012 for an Exercise Price of A\$1.00 each.

The following options were issued on 6th December 2013 to the Chairman and Director, Messrs Jacobs and Davies, respectively:

- (a) 1,000,000 options to Mr Jacobs and 1,000,000 options to Mr Davies, vesting on 1st January 2014, for an Exercise Price of A\$ 15 cents each and with an Expiry Date of 31st December 2018;
- (b) 1,500,000 options to Mr Jacobs and 1,500,000 options to Mr Davies, vesting on 1st January 2015, for an Exercise Price of A\$ 22 cents each and with an Expiry Date of 31st December 2019; and
- (c) 2,000,000 options to Mr Jacobs and 2,000,000 options to Mr Davies, vesting on 1st January 2016, for an Exercise Price of A\$ 28 cents each and with an Expiry Date of 31st December 2020.

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

Employee options expenses for the year ended 30th June 2014 totalled \$315,554 (2013 \$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.

22. Key management personnel disclosures (continued)

Compensation for Key Management Personnel

	2014	2013
	\$	\$
Salaries and fees	123,040	362,643
Superannuation benefits	12,306	22,694
Consulting charges	190,700	-
Termination benefits	194,484	-
Share based payments - Options	315,554	-
	<u>836,084</u>	<u>385,337</u>

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:

	2014	2013
	\$	\$
Accounts Payable - current		
Johann Jacobs	63,063	9,795
Allan Davies	<u>2,404</u>	<u>-</u>

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 12), 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.

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.

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	
		2014	2013
		\$	\$
Current			
Cash and cash equivalents	9	1,029,651	769,352
Other receivables	10	15,591	7,384
Prepayments	10	137,915	202,378
		<u>153,506</u>	<u>209,762</u>
		<u>1,183,157</u>	<u>979,114</u>
Non-current deposits	10	<u>19,600</u>	4,600

24. Financial Risk Management (continued)

Impairment losses

None of the Group's other receivables are past due (2013: \$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.

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 2014							
Trade payables	127,878	127,878	127,878	-	-	-	-
Other trade payables and accrued expenses	116,665	116,665	116,665	-	-	-	-
30 June 2013							
Trade payables	91,348	91,348	91,348	-	-	-	-
Other trade payables and accrued expenses	74,859	74,859	74,859	-	-	-	-

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.

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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	
	2014	2013
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>
Variable rate instruments		
Financial assets	1,029,651	769,352
	<u>1,029,651</u>	<u>769,352</u>

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 \$8,995 (2013: \$8,954). 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.

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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. In addition a royalty of 1.5% 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.

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.

King Island Scheelite Limited Annual Financial Report 30th June 2014
Notes to the Consolidated Financial Statements (continued)

26. Parent entity disclosures

As at, and throughout, the financial year ending 30th June 2014 the parent company of the Group was King Island Scheelite Limited.

	2014	2013
	\$	\$
Results of the parent entity		
Loss for the period	(1,050,694)	(961,691)
Other comprehensive income	-	-
Total comprehensive income for the period	<u>(1,050,694)</u>	<u>(961,691)</u>
Financial position of parent entity at year end		
Current assets	1,060,808	889,231
Non-current assets	21,979,401	21,065,256
Total assets	<u>23,040,209</u>	<u>21,954,487</u>
Current liabilities	2,236,079	2,251,783
Total liabilities	<u>2,236,079</u>	<u>2,251,783</u>
Net Assets	<u>20,804,130</u>	<u>19,702,704</u>
Total equity of the parent entity comprising of:		
Share capital	51,592,161	49,755,594
Share Option Reserve	665,555	350,001
Accumulated Losses	<u>(31,453,586)</u>	<u>(30,402,891)</u>
Total Equity	<u>20,804,130</u>	<u>19,702,704</u>

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

	2014	2013
	\$	\$
Contracted but not yet provided for and payable:		
Within one year	-	-
One year later and no later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>

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 the following.

1. On 14th July 2014 the Company announced a 1 for 8 non-renounceable rights offer for 12 cents cash each share.
2. The Offer closed on 1st August 2014 and was fully subscribed, resulting in proceeds of \$2,027,322 before Offer costs.
3. The Offer was partially underwritten up to \$922,443, being the total (\$2,027,322) excluding Rights held by:
 - a. Underwriters (\$547,450);
 - b. Other Directors (\$64,629); and
 - c. Other major shareholders who committed to take up their Rights (\$492,800).
4. Actual shortfall was taken up by the underwriters and totalled \$401,559 (3,346,325 shares).
5. The Company issued 16,894,354 ordinary fully paid shares on 11th August 2014.

Directors' Declaration

1. In the opinion of the Directors of King Island Scheelite Limited ("the Company"):
 - (a) the consolidated financial statements and notes that are set out on pages 26 to 52 and the Remuneration Report on pages 8 to 16 in the Directors' Report, 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 2014 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 Chairman and Company Secretary for the financial year ended 30th June 2014.
3. The Directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Johann Jacobs

Chairman

Sydney

21st August 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 audit for the financial year ended 30 June 2014 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

21 August 2014

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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 2014, and 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*.

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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 2014 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 the going concern basis is dependent on future share issues, debt raising, joint venturing or off-take agreement for the sale of tungsten. Should these additional funds 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.

Report on the remuneration report

We have audited the Remuneration Report included on page 8 to 16 of the directors' report for the year ended 30 June 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Charmaine Hopkins
Partner

Sydney

21 August 2014

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Shareholder Information

At 11th August 2014 issued capital was 152,046,757 ordinary fully paid shares held by 938 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 11th August 2014

Rank	Name	Number of Shares	% of Issued Capital
1	CHRYSALIS INVESTMENTS PTY LTD	22,037,750	14.5%
2	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	21,950,685	14.4%
3	MRS CATHERINE JEANE MORRITT	13,972,014	9.2%
4	MR ANTHONY JAMES HAGGARTY	8,476,604	5.6%
5	MR GIUSEPPE CORONICA	7,388,602	4.9%
6	HFTT PTY LTD <HAGGARTY FAMILY A/C>	6,522,348	4.3%
7	INVIA CUSTODIAN PTY LIMITED <PACIFIC ROAD PROVIDENT A/C>	5,625,548	3.7%
8	RANAMOK PTY LTD <RANAMOK FAMILY A/C>	5,170,590	3.4%
9	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	2.9%
10	SERLETT PTY LTD <DILIGENT INV SUPERFUND A/C>	3,500,386	2.3%
11	INVIA CUSTODIAN PTY LIMITED <AJ & LM DAVIES FAMILY A/C>	3,248,288	2.1%
12	MR SCOTT GILCHRIST	2,268,755	1.5%
13	MR DONALD BOYD	2,067,188	1.4%
14	CHELSEA SECURITIES LIMITED	1,750,000	1.2%
15	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	1,700,000	1.1%
16	MR ROBERT SLADE FORBES	1,575,000	1.0%
17	FINMIN SOLUTIONS PTY LTD <JACOBS FAMILY S/FUND A/C>	1,552,943	1.0%
18	INTERSUISSE NOMINEES PTY LTD <CUSTODIAN A/C>	1,463,562	1.0%
19	CARIDON PTY LTD <CARIDON P/L SUPER FUND A/C>	1,275,000	0.8%
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	914,053	0.6%
Top 20 holders of ORDINARY SHARES (TOTAL)		116,909,316	76.9%

Distribution of Holders and Holdings at 11th August 2014

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	315	59,657	0.04%
1,001 - 5,000	151	474,841	0.31%
5,001 - 10,000	85	656,066	0.43%
10,001 - 100,000	277	9,867,405	6.49%
100,001 - 9,999,999,999	110	140,988,788	92.73%
Total	938	152,046,757	100.00%

Unmarketable Parcels at 11th August 2014

	Minimum Parcel Size	Holders	Number of Shares
Minimum \$ 500.00 parcel at \$ 0.13 per share	3,847	412	283,207

King Island Scheelite Limited Annual Financial Report 30th June 2014
Shareholder Information (continued)

Substantial Shareholders

Substantial shareholders at 11th August 2014,

	Number of Shares	Proportion of Issued Shares
CHRYSALIS INVESTMENTS PTY LTD	22,037,750	14.5%
MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	21,950,685	14.4%
MRS CATHERINE JEANE MORRITT	13,972,014	9.2%
MR ANTHONY JAMES HAGGARTY	8,476,604	5.6%

Unquoted Securities

The following options were issued on 6th December 2013 to the Chairman and Director, Messrs Jacobs and Davies, respectively:

<i>King Island Scheelite Limited Unquoted Options</i>			Johann Jacobs	Allan Davies	Total
			Number	Number	Number
Exercise Price per share	Vesting Date	Expiry Date			
15 cents	1 st January 2014	31 st December 2018	1,000,000	1,000,000	2,000,000
22 cents	1 st January 2015	31 st December 2019	1,500,000	1,500,000	3,000,000
28 cents	1 st January 2016	31 st December 2020	2,000,000	2,000,000	4,000,000
			4,500,000	4,500,000	9,000,000

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

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%

Securities Exchange Listing

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

King Island Scheelite Limited Annual Financial Report 30th June 2014
Shareholder Information (continued)

Share Registrar

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

GPO Box 2975EE
Melbourne VIC 3000

Telephone:

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+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

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

GPO Box 5154
Sydney NSW 2001

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

Principal Place of Business

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Sydney NSW 2000

Web site:

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Telephone: (02) 8622 1400
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Email: info@kingislandscheelite.com.au

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On-Market Buy Back

There is no on-market buy-back.