

31 December 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Interim period ended 31 December

	2014	Up/Down	Movement
	\$		%
Revenue from operating activities	-	-	-
Loss before interest and income tax	1,792,355	Up	52
Net financing income	20,595	Down	24
Income tax benefit	-	Down	100
Loss from ordinary activities after tax attributable to members	1,771,760	Up	70
Net loss for the period attributable to members	1,771,760	Up	70

Cents

Loss per share – basic	1.2	Up	50
Loss per share – diluted	1.2	Up	50

Dividends	Amount per security	Franked amount per security at 30%
2015 interim dividend	-	-
2014 final dividend paid	-	-
Record date for determining entitlements to the interim dividend:	-	-

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

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

Discussion and Analysis of the results for the six months ended 31 December 2014:

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

	Current Period	Previous corresponding period
Net Tangible Assets per ordinary share (NTA Backing)	1.5 cents	2.2 cents

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

31 December 2014

Results for Announcement to the Market (continued)

Details of Associates and Joint Venture Entities

Equity Accounted Associates and Joint Venture Entities	%Ownership Interest as at 31 December		Contribution to Net Loss for the six months ended 31 December	
	Current Period	Previous Corresponding Period	Current Period	Previous Corresponding Period
	%	%	A\$	A\$
Balfour Joint Venture	-	70	486	1,700

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

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

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

INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2014

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King Island Scheelite Limited

Interim financial statements 31 December 2014

DIRECTORS' REPORT

The directors of King Island Scheelite Limited (**Company**) present their report together with the consolidated financial report for the six months ended 31 December 2014 and the review report thereon.

1. Directors

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

Johann JOOSTE-JACOBS	(Executive Chairman)	Appointed 30 November 2012
Christopher ELLIS	(Executive Director)	Appointed 8 November 2012
Allan DAVIES	(Non-Executive Director)	Appointed 30 September 2013

2. Review of operations

(a) Key Points

- Completion of an Updated (JORC 2012 compliant) Reserve Statement (based on previously defined Open-cut Resources) (December 2014).
- Underwritten rights issue raised \$1.9 million cash, with strong support from the Company's shareholders (August 2014).
- Successful dewatering of open cut pit, on time and on budget (October 2014).
- Commencement of resource definition drilling program (October 2014).
- Offer to assist shareholders to sell their unmarketable parcels without brokerage costs (December 2014).
- \$1.3 million cash on hand at December 2014.

(b) Dolphin Project

Consultants completed an Updated (JORC 2012 Compliant) Reserve Statement based on previously defined open cut resources, which was released to the market on 5 December 2014. In determining the economic viability for the purpose of this open cut Reserve, the potential underground mine has not been taken into account. Therefore, the total capital cost for the project including site establishment and construction of the processing plant is attributed to the open cut. The 4 to 5 year open cut is a viable stand-alone operation at an average strip ratio of 3:1, tonne for tonne.

The Dolphin Open Cut Reserve Statement announced on 5 December 2014 contains Probable Reserves of 1,900,000 tonnes at 0.55% WO₃ (at 0.2% WO₃ cut-off), resulting in 10,450 tonnes of WO₃. Total indicated Resources for Dolphin remain 10.82Mt at 0.81% WO₃ (at 0.2% WO₃ cut-off) for 87,360 tonnes of WO₃ concentrate.

Dewatering of the open cut pit commenced in early July 2014 with removal of approximately 2,500 megalitres of water by October 2014. The large pump was removed from the void in mid-October 2014, and replaced with a much smaller pump purchased by the Group. The dewatering program was completed on schedule and within budget.

The diamond core drill rig arrived on-site mid-October 2014 and commenced the 1,670 metre drilling program to validate the historical data on which the current Development Plan is based. The drillers completed the resource definition drilling program in mid-December 2014. Assays on drill core are being completed.

King Island Scheelite Limited

Interim financial statements 31 December 2014

Directors' Report (continued)

The Group is currently investigating ore sorting technology (X-Ray Transmission) to improve process efficiency. Preliminary results are encouraging and it is anticipated that this investigation will be completed towards the end of March 2015.

(c) *Balfour Joint Venture (BJV)*

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

On 17 October 2013 the BJV relinquished the two tenements it held in Tasmania. Final regulatory approval of the relinquishment was received in August 2014 when the regulator refunded the Group's tenement security deposits in full, permitting the Group to dissolve the BJV.

(d) *Tungsten Market*

Tungsten prices weakened during the period with the price of ammonium paratungstate (APT) decreasing from USD 38,000 (AUD 42,200) per tonne in December 2013 to USD 31,000 (AUD 37,800) per tonne in December 2014. The current price is approximately USD 28,000 (AUD 35,900) per tonne

(e) *Previously Released Information*

This Directors' Report refers to information extracted from the following reports, which are available for viewing on the Company website www.kingislandscheelite.com.au.

- 14 July 2014 Updated Resource Statement
- 5 December 2014 Updated Reserve Statement

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources and Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcement.

(f) *Sale of Unmarketable Parcels*

The Company has made an offer for its shareholders to sell their unmarketable share parcels (up to \$240), allowing these shareholders to dispose of them without incurring any brokerage costs.

3. Outlook

The Group remains focused on redeveloping the well-understood and high-grade tungsten deposit on King Island. The key focus in the short term is to complete the New Development Plan that will have a similar production profile to the Definitive Feasibility Study but with significantly enhanced project metrics.

King Island Scheelite Limited

Interim financial statements 31 December 2014

Directors' Report (continued)

4. Subsequent events

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

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

The lead auditor's independence declaration is set out on page 18 and forms part of the directors' report for the six months ended 31 December 2014.

6. Rounding off

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

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



JC Jooste-Jacobs
Chairman
Sydney
18 February 2015

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

For the six months ended 31 December 2014

	31 December 2014	31 December 2013
	\$	\$
Other income	70,341	-
Employee expenses	(356,494)	(501,347)
Administration expenses	(301,942)	(293,986)
Exploration & evaluation expenses	(1,204,260)	(382,966)
Results from operating activities	(1,792,355)	(1,178,299)
Financial income - interest	20,595	26,992
Financial expense - interest	-	-
Net financial income	20,595	26,992
Loss before tax	(1,771,760)	(1,151,307)
Income tax benefit	-	109,824
Net loss attributable to members of the parent	(1,771,760)	(1,041,483)
Other comprehensive income for the interim period, net of income tax	-	-
Total comprehensive income for the interim period	(1,771,760)	(1,041,483)
	Cents	Cents
Basic loss per share attributable to ordinary equity holders	(1.2)	(0.8)
Diluted loss per share attributable to ordinary equity holders	(1.2)	(0.8)

The condensed notes on pages 11 to 16 are an integral part of these interim financial statements.

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King Island Scheelite Limited

Interim financial statements 31 December 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Note	Issued capital \$	Accumulated losses \$	Share option reserve \$	Non- controlling interests \$	Total Equity \$
Balance at 1 July 2013		49,755,595	(48,258,723)	350,001	-	1,846,873
Rights issue capital raising	7	1,836,566	-	-	-	1,836,566
Equity settled share based payments	8	-	-	154,185	-	154,185
Total comprehensive income for the interim period		-	(1,041,483)	-	-	(1,041,483)
Balance at 31 December 2013		<u>51,592,161</u>	<u>(49,300,206)</u>	<u>504,186</u>	<u>-</u>	<u>2,796,141</u>
Balance at 1 July 2014		51,592,161	(50,288,565)	665,555	-	1,969,151
Rights issue capital raising	7	1,949,974	-	-	-	1,949,974
Equity settled share based payments	8	-	-	158,891	-	158,891
Total comprehensive income for the interim period		-	(1,771,760)	-	-	(1,771,760)
Balance at 31 December 2014		<u>53,542,135</u>	<u>(52,060,325)</u>	<u>824,446</u>	<u>-</u>	<u>2,306,256</u>

The condensed notes on pages 11 to 16 are an integral part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 \$
Current assets			
Cash and cash equivalents		1,294,209	1,029,651
Trade and other receivables		206,180	153,506
Total current assets		1,500,389	1,183,157
Non-current assets			
Trade and other receivables		19,600	19,600
Property, plant and equipment		1,140,754	1,010,937
Total non-current assets		1,160,354	1,030,537
Total assets		2,660,743	2,213,694
Current liabilities			
Trade and other payables		354,487	244,543
Total current liabilities		354,487	244,543
Non-current liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		354,487	244,543
Net assets		2,306,256	1,969,151
Equity			
Issued capital	7	53,542,135	51,592,161
Reserves	8	824,446	665,555
Accumulated losses		(52,060,325)	(50,288,565)
Total equity		2,306,256	1,969,151

The condensed notes on pages 11 to 16 are an integral part of these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	31 December 2014	31 December 2013
	\$	\$
Cash flows used in operating activities		
Royalties received	24,225	-
Cash paid to suppliers and employees	(1,670,014)	(989,114)
Proceeds from sale of inventory	-	26,000
Interest received	20,595	26,992
Research & development tax refund	-	109,824
Net cash used in operating activities	(1,625,194)	(826,298)
Cash flows used in investing activities		
Payments for property, plant and equipment	(79,427)	-
Refund received for security deposit	19,205	-
Net cash used in investing activities	(60,222)	-
Cash flows from financing activities		
Proceeds from issue of share capital	2,027,322	1,969,371
Payments for issuing share capital	(77,348)	(132,805)
Net cash generated from financing activities	1,949,974	1,836,566
Net increase in cash and cash equivalents	264,558	1,010,268
Cash and cash equivalents at 1 July	1,029,651	769,352
Cash and cash equivalents at 31 December	1,294,209	1,779,620

The condensed notes on pages 11 to 16 are an integral part of these interim financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Reporting entity

King Island Scheelite Limited (**Company**) is a company domiciled in Australia. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily focused on redeveloping the well-understood and high-grade tungsten deposit on King Island.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at Level 26, 259 George Street, Sydney NSW 2000 or at www.kingislandscheelite.com.au.

2. Statement of compliance

These interim financial statements are general purpose financial statements prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 Interim Financial Reporting.

They do not include all of the information required for a full annual financial report. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated annual financial report of the Group as at and for the year ended 30 June 2014.

These interim financial statements were approved by the Board of Directors on 18 February 2015

The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in these interim financial statements and directors' report have been rounded to the nearest dollar, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2014.

4. Estimates

In preparing these interim financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the last annual consolidated annual financial report of the Group as at and for the year ended 30 June 2014.

King Island Scheelite Limited

Interim financial statements 31 December 2014

Notes to the Condensed Consolidated Interim Financial Statements (continued)

5. Going concern

These interim financial statements have 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 fund ongoing operations and progress to the commercialisation of the Dolphin Project to generate future revenues, additional funding will be required.

Directors believe that the Group will be able to fund future operations through share issues, debt raising, joint venturing or off-take agreements for the sale of tungsten. If the funding cannot be obtained, there is a material uncertainty whether the Group will be able to continue as a going concern.

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

6. Segment reporting

(a) *Business and geographical segments*

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

(b) *Products and services*

The Group currently explores for tungsten and is in the exploration and evaluation phase of bringing into development the King Island tungsten deposit and as such, currently provides no products for sale.

(c) *Geographical Areas*

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

King Island Scheelite Limited

Interim financial statements 31 December 2014

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7. Issued Capital

	31 December 2014	30 June 2014
	\$	\$
Fully paid ordinary shares	<u>53,542,135</u>	<u>51,592,161</u>
Fully paid ordinary shares	Number of shares	\$
Balance 1 July 2013	<u>96,537,291</u>	49,755,595
Rights issue capital raising on 11 July 2013	17,018,485	867,943
Rights issue capital raising on 16 July 2013	21,596,627	1,101,428
Capital raising costs	-	(132,805)
	<u>38,615,112</u>	<u>1,836,566</u>
Balance 31 December 2013	<u>135,152,403</u>	<u>51,592,161</u>
Balance 1 July 2014	<u>135,152,403</u>	51,592,161
Rights issue capital raising on 11 August 2014	16,894,354	2,027,322
Capital raising costs	-	(77,348)
	<u>16,894,354</u>	<u>1,949,974</u>
Balance 31 December 2014	<u>152,046,757</u>	<u>53,542,135</u>

On 1 August 2014 the Company successfully closed a non-renounceable rights issue at 12 cents cash per share to eligible shareholders of ordinary shares. The rights offer was fully subscribed including a partial underwriting and raised \$1,949,974 after capital raising costs.

8. Share Option Reserve

	2014	2013
	\$	\$
Balance at 30 June	665,555	350,001
Equity settled share based payments for the interim period	158,891	154,185
Balance at 31 December	<u>824,446</u>	<u>504,186</u>

King Island Scheelite Limited

Interim financial statements 31 December 2014

Notes to the Condensed Consolidated Interim Financial Statements (continued)

9. Related Party Transactions

- (a) Balfour Joint Venture (**BJV**):
- The BJV relinquished its tenements on 17 October 2013 and, after some rehabilitation work, security deposits were refunded during the six months ended 31 December 2014.
 - The BJV was dissolved effective 12 November 2014.
 - Cross charges between the BJV parties (the Company's wholly owned subsidiary Balfour Minerals Pty Ltd and Pleiades Resources Pty Ltd) were discharged effective 1 December 2014.
 - During the six months ended 31 December 2014, a total of \$486 (2013 \$1,700) was spent on the BJV by the Group.
- (b) The Group continues to utilise consulting services through a company related to Mr Jacobs, effective from 1 August 2013. The material terms of this agreement are:
- Provision of executive services to the Group by Mr Jacobs.
 - Mr Jacobs' services are required to be requested by the Group.
 - Consulting fees are payable to the company related to Mr Jacobs at the rate of \$2,100 per day (excluding GST) for two-and-a-half days per week.
 - These fees are in addition to Mr Jacobs' Chairman fees payable at \$30,987 per annum, plus statutory superannuation.
- (c) The Group also utilises consulting services through a company related to Mr Davies, effective from 4 March 2014. The material terms of this agreement are:
- Provision of consulting services to the Group by Mr Davies.
 - Mr Davies' services are required to be requested by the Group.
 - Consulting fees are payable to the company related to Mr Davies at the rate of \$2,000 per day (excluding GST) on an as-required basis.
 - These fees are in addition to Mr Davies' Director fees payable at \$26,400 per annum, plus statutory superannuation.
- (d) The following related party transaction charges for Directors' Fees and Consulting Fees were made to the Group on normal terms and conditions and in the ordinary course of business.

	Transaction Value for six months ended		Balance Outstanding: Payable	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	\$	\$	\$	\$
Directors' Fees	45,874	57,714	10,892	26,507
Consulting Fees	152,250	75,600	71,000	42,000

All outstanding balances with these related parties are at call.

King Island Scheelite Limited

Interim financial statements 31 December 2014

Notes to the Condensed Consolidated Interim Financial Statements (continued)

10. Dividends

No dividends were paid by the Company during the six months to 31 December 2014 (2013 \$Nil).

11. Fair Values

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

	Carrying amount 2014 \$	Fair value 2014 \$	Carrying amount 2013 \$	Fair value 2013 \$
Trade and other receivables	225,780	225,780	208,394	208,394
Cash and cash equivalents	1,294,209	1,294,209	1,779,620	1,779,620
Trade and other payables	(354,487)	(354,487)	(204,998)	(204,998)
	<u>1,165,502</u>	<u>1,165,502</u>	<u>1,783,016</u>	<u>1,783,016</u>

12. Lease and exploration expenditure commitments

(a) *Office Lease*

The Group continues to occupy office space at Level 26, 259 George Street, Sydney with no fixed lease term and no other lease commitments. Rent and outgoings for shared services total approximately \$4,100 per month.

(b) *Exploration*

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian Government.

The Group met all Dolphin Project exploration expenditure commitments for the year ended 31 December 2014, so the Dolphin Project licences and lease are in good standing. As the Group incurred expenditure on Dolphin Project evaluation, the Tasmanian regulator granted an exemption to a \$200,000 exploration licence commitment.

A Dolphin Project tenement commitment for the year ended 31 December 2015 totalling \$200,000 is in place.

13. Contingencies

(a) *Purchase price and royalty*

The Dolphin Project has a liability to a third party in respect of the acquisition of the tenements. If the decision to mine is taken, the amount payable to the third party is \$250,000 plus an additional royalty of 1.5% on tungsten sale amounts received, after

King Island Scheelite Limited

Interim financial statements 31 December 2014

Notes to the Condensed Consolidated Interim Financial Statements (continued)

selling costs, transport costs for delivery to the buyer, and any taxes (other than income tax).

(b) *Adjoining land*

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

(c) *Hunan Nonferrous Metals Corporation Ltd*

Under the agreed terms relating to termination of the Dolphin Joint Venture effective 17 December 2010, the Company's wholly owned subsidiary Australian Tungsten Pty Ltd has a liability to Hunan Nonferrous Metals Corporation Ltd which is contingent on the successful extraction of tungsten ore or concentrate from the Dolphin Project on King Island. The amount payable is a 2% royalty on gross revenue and the maximum royalty amount payable is \$3,900,000.

(d) *King Island Council*

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

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

14. Subsequent events

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

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Interim financial statements 31 December 2014

DIRECTORS' DECLARATION

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

- (a) the condensed consolidated financial statements and notes set out on pages 7 to 16, are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the six month period ended on that date; and
 - ii. complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



JC Jooste-Jacobs
Chairman

Sydney
18 February 2015

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

To: the directors of King Island Scheelite Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

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

KPMG

KPMG

Daniel Camilleri
Partner

Sydney

18 February 2015

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

Report on the financial report

We have reviewed the accompanying interim financial report of King Island Scheelite Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of King Island Scheelite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

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

KPMG

Daniel Camilleri
Partner

Sydney

18 February 2015

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King Island Scheelite Limited

Interim financial statements 31 December 2014

SHAREHOLDER INFORMATION

At 31 January 2015 issued capital was 152,046,757 ordinary fully paid shares held by 934 holders.

The 20 largest holders were:

Rank	Shareholder	Number of Shares	% of Issued Capital
1	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	21,950,685	14.44
2	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	21,837,671	14.36
3	MRS CATHERINE JEANE MORRITT	13,972,014	9.19
4	MR ANTHONY JAMES HAGGARTY	8,506,025	5.59
5	MR GIUSEPPE CORONICA	7,000,000	4.60
6	HFTT PTY LTD <HAGGARTY FAMILY A/C>	6,492,927	4.27
7	INVIA CUSTODIAN PTY LIMITED <PACIFIC ROAD PROVIDENT A/C>	5,625,548	3.70
8	RANAMOK PTY LTD <RANAMOK FAMILY A/C>	5,170,590	3.40
9	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	2.93
10	INVIA CUSTODIAN PTY LIMITED <AJ & LM DAVIES FAMILY A/C>	3,248,288	2.14
11	SERLETT PTY LTD <DILIGENT INV SUPERFUND A/C>	3,122,745	2.05
12	MR SCOTT GILCHRIST	2,268,755	1.49
13	MR DONALD BOYD	2,067,188	1.36
14	CHELSEA SECURITIES LIMITED	1,850,000	1.22
15	INTERSUISSE NOMINEES PTY LTD <CUSTODIAN A/C>	1,746,508	1.15
16	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	1,700,000	1.12
17	MR ROBERT SLADE FORBES	1,565,000	1.03
18	FINMIN SOLUTIONS PTY LTD <JACOBS FAMILY S/FUND A/C>	1,552,943	1.02
19	CARIDON PTY LTD <CARIDON P/L SUPER FUND A/C>	1,275,000	0.84
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	932,803	0.61
	Total	116,334,690	76.51

Distribution of holders and holdings at 31 January 2015

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	314	58,816	0.04
1,001 - 5,000	145	453,729	0.30
5,001 - 10,000	89	689,088	0.45
10,001 - 100,000	278	10,048,877	6.61
100,001 - 9,999,999,999	108	140,796,247	92.60
Rounding			0.00
Total	934	152,046,757	100.00
Unmarketable Parcels	Minimum Parcel Size	Holders	Number of Shares
Minimum \$500.00 parcel at \$0.12 per Share	4,167	418	316,430