

King Island Scheelite Limited

ABN 40 004 681 734

Interim Financial Statements

Six Months Ended 31 December 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Six months interim period ended 31		
	2015	December	Movement
	\$	Up / Down	%
Revenue from operating activities	-	-	-
Loss before interest and income tax	983,783	Down	45
Net financing income	4,665	Down	77
Income tax benefit	14,383	Up	100
Loss from ordinary activities after tax attributable to members	964,735	Down	46
Net loss for the period attributable to members	964,735	Down	46

	Cents		
Loss per share – basic	0.6	Down	50
Loss per share – diluted	0.6	Down	50

Dividends	Amount per security	Franked amount per security at 30%
2016 interim dividend	-	-
2015 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 2015:

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)	1.0 cent	1.5 cents

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RESULTS FOR ANNOUNCEMENT TO THE MARKET (continued)

Details of Associates and Joint Venture Entities

Equity Accounted Associates and Joint Venture Entities	%Ownership Interest 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	-	-	-	486

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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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 2015 and the review report thereon.

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

REVIEW OF OPERATIONS

Key Points

- The Company obtained up to \$2,000,000 committed funding through the issue of four \$500,000 unsecured redeemable convertible notes (**Convertible Notes**).
The Company drew \$1,000,000 during December 2015 (Tranche 1) and, if required, the remaining \$1,000,000 would be drawn (Tranche 2). Conversion or repayment is at the Company's sole discretion. (18 December 2015)
- Completion of an Updated Reserve Statement (JORC 2012 compliant) (21 September 2015).
- Continued compilation of definitive feasibility study.
- \$1,508,517 cash on hand as at 31 December 2015.

Dolphin Project

The Company completed a Dolphin Updated Reserve Statement, released to the market on 21 September 2015 and based on previously defined open cut resources.

The Updated Reserve Statement supports:

1. An open cut mine life of 8 years (previously 4-5 years)
2. An average strip ratio of 9.7:1 tonne for tonne¹ (previous strip ratio was 3.1:1 tonne for tonne).
3. Probable Reserves of 3.14 million tonnes at 0.73% WO₃ (at 0.2% WO₃ cut-off), resulting in 22,900 tonnes of WO₃. Previously reported Probable Reserves were 1.90 million tonnes at 0.55% WO₃ (at 0.2% WO₃ cut-off), resulting in 10,450 tonnes of WO₃.
4. Total Indicated Resources for Dolphin remained 9.60 million tonnes at 0.90% WO₃ (at 0.2% WO₃ cut-off), resulting in 86,400 tonnes of WO₃.

Work continued during the period on compiling the new Definitive Feasibility Study.

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.

- 24 April 2015 Updated Resource Statement
- 21 September 2015 and 20 October 2015 Updated Reserve Statement

¹ One tonne of ore requires mining 9.7 tonnes of waste rock.

DIRECTORS' REPORT (continued)

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.

Tungsten Market

Tungsten prices weakened during the period with the price of ammonium paratungstate (APT) decreasing from USD 31,000 (AUD 37,800) per tonne in December 2014 to USD 17,000 (AUD 23,300) per tonne in December 2015. The current APT price is approximately USD 16,800 (AUD 23,800) per tonne, with WO₃ concentrate typically trading at a discount of 20% to APT.

Issue of Redeemable Convertible Notes

The Company secured up to \$2,000,000 funding through the issue of Convertible Notes. Funds would be drawn in two tranches, the first \$1,000,000 was drawn and received in December 2015 (Tranche 1) while the next \$1,000,000 (Tranche 2) will be drawn if required.

Principal terms of the Convertible Notes are set out on page 13 (Note A8).

OUTLOOK

The Company's revised development plan indicates improved project economics compared to previous studies. The key objective remains to bring the high-grade Dolphin tungsten deposit on King Island into production.

Next steps are:

1. Update environment and development approvals.
2. Secure off-take arrangements.
3. Once the above actions are completed, the Board will consider project approval and, if approved, will initiate project funding.
4. Engage with potential project financiers/ partners.

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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 19 and forms part of the directors' report for the six months ended 31 December 2015.

DIRECTORS' REPORT (continued)

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 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
2 February 2016

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SIX MONTHS ENDED 31 DECEMBER

	2015	2014
	\$	\$
Other income	67,315	70,341
Employee expenses	(195,476)	(356,494)
Administration expenses	(486,190)	(301,942)
Exploration & evaluation expenses	(369,432)	(1,204,260)
Results from operating activities	(983,783)	(1,792,355)
Financial income - interest	6,947	20,595
Financial expense - interest	(2,282)	-
Net financial income	4,665	20,595
Loss before tax	(979,118)	(1,771,760)
Income tax benefit	14,383	-
Net loss attributable to members of the parent	(964,735)	(1,771,760)
Other comprehensive income for the interim period, net of income tax	-	-
Total comprehensive income for the interim period	(964,735)	(1,771,760)
	Cents	Cents
Basic loss per share attributable to ordinary equity holders	(0.6)	(1.2)
Diluted loss per share attributable to ordinary equity holders	(0.6)	(1.2)

The condensed notes on pages 11 to 17 are an integral part of these interim financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 31 DECEMBER

	Note	Ordinary fully paid shares \$	Share option reserve \$	Accumulated losses \$	Total Equity \$
Balance at 1 July 2014		51,592,161	665,555	(50,288,565)	1,969,151
Rights issue capital raising, net of capital raising costs	A6	1,949,974	-	-	1,949,974
Equity settled share based payments	A7	-	158,891	-	158,891
Total comprehensive income for the interim period		-	-	(1,771,760)	(1,771,760)
Balance at 31 December 2014		53,542,135	824,446	(52,060,325)	2,306,256
Balance at 1 July 2015		55,234,043	889,415	(53,577,927)	2,545,531
Rights issue capital raising, net of capital raising costs	A6	(342)	-	-	(342)
Equity settled share based payments	A7	-	65,530	-	65,530
Total comprehensive income for the interim period		-	-	(964,735)	(964,735)
Balance at 31 December 2015		55,233,701	954,945	(54,542,662)	1,645,984

The condensed notes on pages 11 to 17 are an integral part of these interim financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	31 December 2015	30 June 2015
		\$	\$
Current assets			
Cash and cash equivalents		1,508,517	1,567,911
Trade and other receivables		211,882	128,814
Total current assets		<u>1,720,399</u>	<u>1,696,725</u>
Non-current assets			
Trade and other receivables		19,600	19,600
Property, plant and equipment		1,152,979	1,159,506
Total non-current assets		<u>1,172,579</u>	<u>1,179,106</u>
Total assets		<u>2,892,978</u>	<u>2,875,831</u>
Current liabilities			
Trade and other payables		244,712	330,300
Convertible notes	A8	1,002,282	-
Total current liabilities		<u>1,246,994</u>	<u>330,300</u>
Non-current liabilities		-	-
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>1,246,994</u>	<u>330,300</u>
Net assets		<u>1,645,984</u>	<u>2,545,531</u>
Equity			
Issued capital	A5	55,233,701	55,234,043
Reserve	A7	954,945	889,415
Accumulated losses		(54,542,662)	(53,577,927)
Total equity		<u>1,645,984</u>	<u>2,545,531</u>

The condensed notes on pages 11 to 17 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 31 DECEMBER

	Note	2015 \$	2014 \$
Cash flows used in operating activities			
Royalties received		44,280	24,225
Cash paid to suppliers and employees		(1,124,662)	(1,670,014)
Interest received		6,947	20,595
Research & development tax refund		14,383	-
Net cash used in operating activities		(1,059,052)	(1,625,194)
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 ordinary fully paid shares	A6	-	2,027,322
Proceeds from issue of Convertible Notes	A8	1,000,000	-
Payments for capital raising costs	A6	(342)	(77,348)
Net cash generated from financing activities		999,658	1,949,974
Net (decrease) / increase in cash and cash equivalents		(59,394)	264,558
Cash and cash equivalents at 1 July		1,567,911	1,029,651
Cash and cash equivalents at 31 December		1,508,517	1,294,209

The condensed notes on pages 11 to 17 are an integral part of these interim financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

SECTION A KEY FINANCIAL INFORMATION AND PREPARATION BASIS

A1 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 2015 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 2015 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.

A2 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 2015.

These interim financial statements were approved by the Board of Directors on 2 February 2016

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.

A3 BASIS OF PREPARATION

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 2015.

A4 GOING CONCERN

These interim financial statements have been prepared on the basis of a going concern. The Directors believe that the Group will be able to continue to fund the committed expenditure of the Group for the next 12 months through the cash currently available and the conversion of Convertible Notes of a further \$1,000,000. During the half year ended 31 December 2015, the Convertible Notes were drawn down \$1,000,000, with a further \$1,000,000 available to be drawn down up to 31 December 2016, and the option to convert to equity at the discretion of the Group.

In assessing the funding requirements for the period 12 months beyond the signing of this report, the Directors believe that the Group will be able to fund further expenditure, if required, through share issues, debt raising, joint venturing or off-take agreements for the sale of tungsten.

In order to fund the progress to the commercialisation of the Dolphin Project to generate future revenues, additional funding would be required.

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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.

A5 ISSUED CAPITAL

	Note	31 December 2015	30 June 2015
		\$	\$
Ordinary fully paid shares	A6	<u>55,233,701</u>	<u>55,234,043</u>

A6 ORDINARY FULLY PAID SHARES

	Note	Number	\$
Balance 1 July 2014		<u>135,152,403</u>	<u>51,592,161</u>
Rights issue capital raising on 11 August 2014		16,894,354	2,027,322
Capital raising costs		-	(77,348)
Rights issue capital raising, net of capital raising costs		<u>16,894,354</u>	<u>1,949,974</u>
Balance 31 December 2014		<u>152,046,757</u>	<u>53,542,135</u>
Balance 1 July 2015		165,251,702	55,234,043
Capital raising costs (adjustment to prior year costs)		-	(342)
Balance 31 December 2015	A5	<u>165,251,702</u>	<u>55,233,701</u>

A7 RESERVE

	31 December 2015	30 June 2015
	\$	\$
Share option reserve	<u>954,945</u>	<u>889,415</u>
	2015	2014
	\$	\$
Balance at 1 July	889,415	665,555
Equity settled share based payments for the interim period	65,530	158,891
Balance at 31 December	<u>954,945</u>	<u>824,446</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A8 CURRENT LIABILITY CONVERTIBLE NOTES

	Number	\$
Balance 1 July 2014	-	-
Balance 31 December 2014	-	-
Balance 1 July 2015	-	-
Convertible Notes issued on 22 December 2015	1	500,000
Convertible Notes issued on 23 December 2015	1	500,000
	2	1,000,000
Accrued interest	-	2,282
Convertible Notes issued and classified as debt, including interest	2	1,002,282
Balance 31 December 2015	2	1,002,282

The Company obtained up to \$2,000,000 committed funding through the issue of four \$500,000 unsecured redeemable convertible notes (**Convertible Notes**).

The Company drew \$1,000,000 during December 2015 (Tranche 1) and, if required, the remaining \$1,000,000 would be drawn (Tranche 2). Conversion or repayment is at the Company's sole discretion.

Principal terms of the Convertible Notes are:

1. Face value of \$500,000 each Convertible Note
2. Interest rate of 8% per annum
3. Unsecured
4. Maturity date is 31 December 2016 or on being repaid, whichever is earlier
5. Conversion or repayment is at the Company's sole discretion:
 - a. The number of the Company's shares to be issued on conversion of Convertible Notes is (Face value of the Convertible Notes being converted plus interest accrued) / Conversion Price
 - b. Conversion Price is the lower of:
 - i. the VWAP² of the Company's shares over the 30 trading days ending on trading day before the conversion date, discounted by 15%; and
 - ii. if, at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%.
6. As required by the ASX Listing Rules, prior to any conversion the Company would request shareholder approval at a General Meeting

An entity related to Mr Christopher Ellis, a director of the Company, subscribed for two Convertible Notes totaling \$1,000,000. Refer to Note C1 for further details.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption

² Arithmetic average of the daily volume weighted average price of the ordinary shares in the Company traded on the ASX.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income and expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Debt Classification of Convertible Notes

Notwithstanding the Convertible Notes contractual obligations include many of the obligations of equity (unsecured and convertible to the Company's shares at the Company's sole discretion), as the Convertible Notes include a contractual obligation for the Company to deliver a variable number of its own shares, the Company has classified the Convertible Notes as debt, in accordance with accounting standards.

A9 DIVIDENDS

No dividends were paid by the Company during the six months to 31 December 2015 (2014 \$Nil).

A10 COMMITMENTS

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 \$4,300 per month.

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.

As the Group incurred expenditure on Dolphin Project evaluation, the Company has applied to the Tasmanian regulator to be granted an exemption to a \$200,000 exploration licence commitment for the year ended 31 December 2015, the response to which is still pending.

A Dolphin Project tenement commitment for the year ended 31 December 2016 totalling \$200,000 is in place and all Dolphin Project licences and leases are in good standing.

A11 SEGMENT REPORTING

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.

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.

Geographical Areas

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A12 CONTINGENCIES

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 and there is receipt of sufficient finance (at least \$1,000,000), the amount payable to the third party is \$250,000 plus an additional royalty of 1.5% on tungsten sale amounts received, after selling costs, transport costs for delivery to the buyer, and any taxes (other than income tax).

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.

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.

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.

A13 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

SECTION B RISK AND JUDGEMENT

B1 FAIR VALUES

The carrying amounts of financial assets and liabilities are reasonable approximations of their fair values.

SECTION C KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

C1 RELATED PARTY TRANSACTIONS

Johann Jacobs

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:

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

- (a) Provision of executive services to the Group by Mr Jacobs.
- (b) Mr Jacobs' services are required to be requested by the Group.
- (c) 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.
- (d) These fees are in addition to Mr Jacobs' Chairman fees payable at \$30,987 per annum, plus statutory superannuation.

Allan Davies

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:

- (a) Provision of consulting services to the Group by Mr Davies.
- (b) Mr Davies' services are required to be requested by the Group.
- (c) 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.
- (d) These fees are in addition to Mr Davies' Director fees payable at \$26,400 per annum, plus statutory superannuation.

Christopher Ellis

An entity related to Mr Ellis subscribed for Convertible Notes totalling \$1,000,000, from which the Company drew \$500,000 on 23 December 2015. Refer to Note A8 for further details.

Total Related Party Transactions

The following related party transaction charges for Directors' Fees, Consulting Fees, and subscription for Convertible Notes were made with the Group on normal terms and conditions and in the ordinary course of business.

	Transaction Value for six months ended		Balance Outstanding		Terms
	31 Dec 2015	31 Dec 2014	31 Dec 2015	30 June 2015	
	\$	\$	\$	\$	
Directors' Fees	45,874	45,874	10,892	10,892	Payable at call
Consulting Fees	83,400	152,250	82,400	107,000	Payable at call
Convertible Notes					
Face value	500,000	-	500,000	-	Payable when maturing on 31 December 2016 or on the Convertible Note being repaid, whichever is earlier
Interest	1,083	-	1,083	-	
	501,083	-	501,083	-	

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SECTION D OTHER DISCLOSURES

D1 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 2015.

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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 17, 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 2015 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
2 February 2016

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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 of the interim period ended 31 December 2015 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

Daniel Camilleri

Partner

Sydney

2 February 2016

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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 consolidated statement of financial position as at 31 December 2015, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes A1 to D1 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 2015 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of King Island Scheelite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 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*.



KPMG



Daniel Camilleri
Partner

Sydney

2 February 2016

SHAREHOLDER INFORMATION

At 31 December 2015 issued capital was 165,251,702 ordinary fully paid shares held by 612 holders. The 20 largest holders were:

Rank	Shareholder	Number of Shares	% of Issued Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,787,220	16.2%
2	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	25,983,239	15.7%
3	MRS CATHERINE JEANE MORRITT	14,157,199	8.6%
4	MR ANTHONY JAMES HAGGARTY	8,476,604	5.1%
5	MR GIUSEPPE CORONICA	7,554,222	4.6%
6	HFTT PTY LTD <HAGGARTY FAMILY A/C>	6,522,348	3.9%
7	INVIA CUSTODIAN PTY LIMITED <PACIFIC ROAD PROVIDENT A/C>	5,766,567	3.5%
8	RANAMOK PTY LTD <RANAMOK FAMILY A/C>	5,170,590	3.1%
9	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	2.7%
10	INVIA CUSTODIAN PTY LIMITED <AJ & LM DAVIES FAMILY A/C>	3,543,587	2.1%
11	SERLETT PTY LTD <DILIGENT INV SUPERFUND A/C>	2,818,537	1.7%
14	FINMIN SOLUTIONS PTY LTD	2,487,871	1.5%
13	MR SCOTT GILCHRIST	2,268,755	1.4%
12	CHELSEA SECURITIES LIMITED	2,188,659	1.3%
15	MR DONALD BOYD	1,967,188	1.2%
16	INTERSUISSE NOMINEES PTY LTD <CUSTODIAN A/C>	1,905,282	1.2%
17	CARIDON PTY LTD <CARIDON P/L SUPER FUND A/C>	1,650,000	1.0%
18	MR ROBERT SLADE FORBES	1,500,000	0.9%
19	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	1,500,000	0.9%
20	MR GIUSEPPE CORONICA + MRS YVONNE PRICE <G CORONICA PTY S/F A/C>	1,491,145	0.9%
	TOTAL	128,189,013	77.5%

Distribution of holders and holdings at 31 December 2015

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	30	2,297	0.00
1,001 - 5,000	107	374,237	0.23
5,001 - 10,000	87	657,601	0.40
10,001 - 100,000	276	10,103,063	6.11
100,001 - 9,999,999,999	112	154,114,504	93.26
Rounding			0.00
Total	612	165,251,702	100.00
Unmarketable Parcels	Minimum Parcel Size	Holders	Number of Shares
Minimum \$500.00 parcel at \$0.095 per Share	5,264	144	412,254