

King Island Scheelite Limited

ABN 40 004 681 734

Interim Financial Statements

Six Months Ended 31 December 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Six months interim period ended 31
December

	2016 \$	Up / Down	Movement %
Revenue from operating activities	-	-	-
Loss before interest and income tax	451,534	Down	54
Net financing loss	64,365	Up	1,480
Income tax benefit	-	Down	100
Loss from ordinary activities after tax attributable to members	515,899	Down	47
Net loss for the period attributable to members	515,899	Down	47

Cents

Loss per share – basic	0.3	Down	50
Loss per share – diluted	0.3	Down	50

Dividends	Amount per security	Franked amount per security at 30%
2017 interim dividend	-	-
2016 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 2016:

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 cents	1.0 cents

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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 2016 and the auditor's 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

- Directors are examining the potential of staging the development of the Dolphin Mine commencing with a lower production profile producing a lower grade concentrate.
- The Revised Environmental Assessment Report was submitted to the Environmental Protection Agency (**EPA**) for review and approval.
- Tranche 2 of the Company's unsecured redeemable convertible notes (**Convertible Notes**) was drawn down during August 2016. In addition, the first tranche has been converted into shares.
- \$1,707,815 cash on hand as at 31 December 2016 (June 2016 \$1,274,849).

Dolphin Project

After several meetings and detailed discussions with King Island Council and the Environment Protection Authority Tasmania (**EPA**), regarding any amendments required to the Company's environmental approvals, King Island Council advised that the amendments discussed, in relation to the new operating plan, are adequately covered by the conditions contained in the Company's existing planning permit.

Additional studies were undertaken to ensure that the Environment Effects Report submitted to the EPA incorporates the most up-to-date data.

The revised report was submitted to the EPA and it is expected that the amended EPA conditions will be issued early in 2017, reflecting the Company's revised mining operations.

Work continued on the consolidation of recent studies into a Definitive Feasibility Study. This work can only be completed when the final environmental approvals have been obtained.

Tungsten Market

Tungsten prices strengthened slightly during the period with the price of ammonium paratungstate (**APT**) increasing from USD 16,800 (AUD 23,100) per tonne in December 2015 to USD 19,500 (AUD 26,500) per tonne in December 2016. The current APT price remains at approximately USD 19,500 (AUD 26,100) per tonne, with WO₃ concentrate typically trading at a discount of 20% to APT.

Issue of Redeemable Convertible Notes

- Tranche 2 of the Convertible Notes was drawn down during August 2016:
 - After the Tranche 2 draw down, face values of the Convertible Notes totaled \$2,000,000 (Tranche 1 \$1,000,000 drawn December 2015 Tranche 2 \$1,000,000 drawn August 2016).

DIRECTORS' REPORT (continued)

- At the Company's Annual General Meeting held on 2 November 2016, members resolved to approve the issue of Company shares on any conversion of up to four Convertible Notes, each with a face value of A\$500,000 convertible into shares.
- A part conversion of the Convertible Notes was made on 7 December 2016 for a total value of \$1,094,980 (23,397,000 shares at 4.68 cents each).
- Convertible Notes at 31 December 2016 total \$1,021,721 (June 2016 \$1,043,682).
- Principal terms and further details of the Convertible Notes are set out on page 12 (Note A8).

OUTLOOK

The key objective remains to bring the high-grade Dolphin tungsten deposit on King Island into production.

Next steps are:

1. Obtain the amended EPA conditions reflecting the revised mining operations.
2. Finalise work on the potential of staging the development of the mine, commencing with a lower production profile producing a lower grade concentrate.
3. Finalise the Definitive Feasibility Study.
4. Once the above actions are completed, the Board will consider project approval and, if approved, will initiate project funding.
5. 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 18 and forms part of the directors' report for the six months ended 31 December 2016.

ROUNDING OFF

The Company is not of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 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:



Johann Jacobs
Chairman
Sydney
20 January 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SIX MONTHS ENDED 31 DECEMBER

	2016	2015
	\$	\$
Other income	70,150	67,315
Employee expenses	(77,742)	(195,476)
Administration expenses	(215,200)	(486,190)
Exploration & evaluation expenses	(228,742)	(369,432)
Results from operating activities	(451,534)	(983,783)
Financial income - interest	8,654	6,947
Financial expense - interest	(73,019)	(2,282)
Net financing (loss) / income	(64,365)	4,665
Loss before tax	(515,899)	(979,118)
Income tax benefit	-	14,383
Net loss attributable to members of the parent	(515,899)	(964,735)
Other comprehensive income for the interim period, net of income tax	-	-
Total comprehensive income for the interim period	(515,899)	(964,735)
	Cents	Cents
Basic loss per share attributable to ordinary equity holders	(0.3)	(0.6)
Diluted loss per share attributable to ordinary equity holders	(0.3)	(0.6)

The condensed notes on pages 10 to 16 are an integral part of these interim financial statements.

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 2015		55,234,043	889,415	(53,577,927)	2,545,531
Equity settled share based payments	A7	-	65,530	-	65,530
Part conversion of Convertible Notes		-	-	-	-
Capital raising costs	A6	(342)	-	-	(342)
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
Balance at 1 July 2016		55,233,701	955,301	(54,846,142)	1,342,860
Equity settled share based payments	A7	-	-	-	-
Part conversion of Convertible Notes	A6, A8	1,094,980	-	-	1,094,980
Capital raising costs	A6	(12,724)	-	-	(12,724)
Total comprehensive income for the interim period		-	-	(515,899)	(515,899)
Balance at 31 December 2016		56,315,957	955,301	(55,362,041)	1,909,217

The condensed notes on pages 10 to 16 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	31 December 2016	30 June 2016
		\$	\$
Current assets			
Cash and cash equivalents		1,707,815	1,274,849
Trade and other receivables		209,348	178,113
Total current assets		1,917,163	1,452,962
Non-current assets			
Trade and other receivables		19,600	19,600
Property, plant and equipment		1,140,525	1,146,657
Total non-current assets		1,160,125	1,166,257
Total assets		3,077,288	2,619,219
Current liabilities			
Trade and other payables		146,350	232,677
Convertible notes	A8	1,021,721	1,043,682
Total current liabilities		1,168,071	1,276,359
Non-current liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		1,168,071	1,276,359
Net assets		1,909,217	1,342,860
Equity			
Issued capital	A5	56,315,957	55,233,701
Reserve	A7	955,301	955,301
Accumulated losses		(55,362,041)	(54,846,142)
Total equity		1,909,217	1,342,860

The condensed notes on pages 10 to 16 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 31 DECEMBER

	Note	2016 \$	2015 \$
Cash flows used in operating activities			
Royalties received		66,010	44,280
Cash paid to suppliers and employees		(628,319)	(1,124,662)
Interest received		8,654	6,947
Research & development tax refund		-	14,383
Net cash used in operating activities		(553,655)	(1,059,052)
Cash flows used in investing activities			
Payments for property, plant and equipment		(655)	-
Net cash used in investing activities		(655)	-
Cash flows from financing activities			
Proceeds from issue of Convertible Notes	A8	1,000,000	1,000,000
Payments for capital raising costs	A6	(12,724)	(342)
Net cash generated from financing activities		987,276	999,658
Net increase / (decrease) in cash and cash equivalents		432,966	(59,394)
Cash and cash equivalents at 1 July		1,274,849	1,567,911
Cash and cash equivalents at 31 December		1,707,815	1,508,517

The condensed notes on pages 10 to 16 are an integral part of these interim financial statements.

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 2016 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 2016 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 2016.

These interim financial statements were approved by the Board of Directors on 20 January 2017

The Company is not of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 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 2016.

A4 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.

To fund working capital until the Company proceeds with a larger capital raising to develop its Dolphin Project, the Company successfully obtained \$2,000,000 committed funds up to 31 December 2017 with the issue and draw down of four \$500,000 unsecured redeemable convertible notes.

For further details see Note A8.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A5 ISSUED CAPITAL

	Note	31 December 2016	30 June 2016
		\$	\$
Ordinary fully paid shares	A6	<u>56,315,957</u>	<u>55,233,701</u>

A6 ORDINARY FULLY PAID SHARES

	Note	Number	\$
Balance 1 July 2015		165,251,702	55,234,043
Capital raising costs		-	(342)
Balance 31 December 2015		<u>165,251,702</u>	<u>55,233,701</u>
Balance 1 July 2016		165,251,702	55,233,701
Part conversion of Convertible Notes - 7 December 2016	A8	23,397,000	1,094,980
Capital raising costs		-	(12,724)
Balance 31 December 2016	A5	<u>188,648,702</u>	<u>56,315,957</u>

A7 RESERVE

	31 December 2016	30 June 2016
	\$	\$
Share option reserve	<u>955,301</u>	<u>955,301</u>
	2016	2015
	\$	\$
Balance at 1 July	955,301	889,415
Equity settled share based payments for the interim period	-	65,530
Balance at 31 December	<u>955,301</u>	<u>954,945</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A8 CURRENT LIABILITY CONVERTIBLE NOTES

	Note	Number	\$
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
Balance 1 July 2016		2	1,043,682
Convertible Notes issued on 18 August 2016		1	500,000
Convertible Notes issued on 31 August 2016		1	500,000
		4	2,043,682
Accrued interest		-	73,019
Convertible Notes converted to shares on 7 December 2016	A6	-	(1,094,980)
Convertible Notes issued and classified as debt, including interest		4	1,021,721
Balance 31 December 2016		4	1,021,721

The Company obtained \$2,000,000 funding through the issue of four \$500,000 unsecured redeemable convertible notes (**Convertible Notes**), drawing \$1,000,000 during December 2015 (Tranche 1) and the remaining \$1,000,000 (Tranche 2) drawn during August 2016. 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 2017 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 VWAP¹ 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%.

¹ 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)

6. As required by the ASX Listing Rules, prior to any conversion the Company would request shareholder approval at a General Meeting.

After the Tranche 2 draw down, face values of the Convertible Notes totaled \$2,000,000 (Tranche 1 \$1,000,000 drawn December 2015 Tranche 2 \$1,000,000 drawn August 2016).

At the Company's Annual General Meeting held on 2 November 2016, members resolved to approve the issue of Company shares on any conversion of up to four Convertible Notes, each with a face value of A\$500,000 convertible into shares.

A part conversion of the Convertible Notes was made on 7 December 2016 for a total value of \$1,094,980 (23,397,000 shares at 4.68 cents each).

Convertible Notes at 31 December 2016 total \$1,021,721 (June 2016 \$1,043,682).

An entity related to Mr Christopher Ellis, a director of the Company, subscribed and paid for two Convertible Notes with face values totaling \$1,000,000.

Convertible Notes totaling \$545,267 issued to Mr Ellis' related entity were converted by the Company into 11,651,000 Company shares (for 4.68 cents each share) on 7 December 2016.

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 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.

Fair Values

The carrying amounts of financial liabilities, which are Level 3 instruments, are reasonable approximations of their fair values.

A9 DIVIDENDS

No dividends were paid by the Company during the six months to 31 December 2016 (2015 \$Nil).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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.

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 2016, the response to which is still pending.

A Dolphin Project tenement commitment for the year ended 31 December 2017 totalling up to \$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.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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:

- (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).
- (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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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 2016 \$	31 Dec 2015 \$	31 Dec 2016 \$	30 June 2016 \$	
Directors' Fees	45,874	45,874	18,119	30,164	Payable at call
Consulting Fees	30,000	83,400	70,200	126,100	Payable at call
Convertible Notes					
Face value	500,000	500,000	1,000,000	500,000	Payable when maturing on 31 December 2017 or on the Convertible Note being repaid, whichever is earlier
Interest payable	57,282	1,083	58,365	21,782	
Converted into Company shares, at 4.68 cents per share	(545,267)	-	(545,267)	-	
	12,015	501,083	513,098	521,782	

Refer to Note A8 for further details about the Convertible Notes.

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 2016.

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 6 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 2016 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:



Johann Jacobs
Chairman

Sydney
20 January 2017



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 2016 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

20 January 2017

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Independent Auditor's Review Report

To the shareholders of King Island Scheelite Limited

Report on the Interim Financial Report

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:

- i) giving a true and fair view of the **Group's** financial position as at 31 December 2016 and of its performance for the **Interim Period** ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

We have reviewed the accompanying Interim Financial Report of King Island Scheelite Limited.

The **Interim Financial Report** comprises:

- the consolidated statement of financial position as at 31 December 2016
- 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
- The Directors' Declaration.

The **Group** comprises King Island Scheelite Limited (the Company) and the entities it controlled as at 31 December 2016 or from time to time during the Interim Period.

The **Interim Period** is the six month period ending on 31 December 2016.

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Responsibilities of the Directors 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 for the review of the Interim Financial Report

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 Group's financial position as at 31 December 2016 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 Interim Period consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



KPMG



Daniel Camilleri
Partner
Sydney

20 January 2017

SHAREHOLDER INFORMATION

At 31 December 2016 issued capital was 188,648,702 ordinary fully paid shares held by 590 holders. The 20 largest holders were:

Rank	Shareholder	Number of Shares	% of Issued Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,691,768	14.1%
2	INVIA CUSTODIAN PTY LIMITED <R & G CHADWICK A/C>	25,983,239	13.7%
3	MRS CATHERINE JEANE MORRITT	14,157,199	7.5%
4	ABEX RESOURCE HOLDINGS PTY LTD	11,746,000	6.2%
5	CHRYSALIS INVESTMENTS PTY LTD <THE ELLIS FAMILY A/C>	11,651,000	6.2%
6	MR ANTHONY JAMES HAGGARTY	8,476,604	4.5%
7	MR GIUSEPPE CORONICA	6,859,163	3.6%
8	HFTT PTY LTD <HAGGARTY FAMILY A/C>	6,522,348	3.5%
9	INVIA CUSTODIAN PTY LIMITED <PACIFIC ROAD PROVIDENT A/C>	5,766,567	3.1%
10	RANAMOK PTY LTD <RANAMOK FAMILY A/C>	5,170,590	2.7%
11	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	2.4%
14	INVIA CUSTODIAN PTY LIMITED <AJ & LM DAVIES FAMILY A/C>	3,543,587	1.9%
13	SERLETT PTY LTD <DILIGENT INV SUPERFUND A/C>	2,818,537	1.5%
12	MR SCOTT GILCHRIST	2,268,755	1.2%
15	CHELSEA SECURITIES LIMITED	2,188,659	1.2%
16	LIPPO SECURITIES LTD <CLIENT A/C>	1,905,282	1.0%
17	MR DONALD BOYD	1,817,188	1.0%
18	FINMIN SOLUTIONS PTY LTD <JACOBS FAMILY S/FUND A/C>	1,694,120	0.9%
19	MR ROBERT SLADE FORBES	1,500,000	0.8%
20	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	1,500,000	0.8%
	TOTAL	146,710,606	77.8%

Distribution of holders and holdings at 31 December 2016

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	32	2,020	-
1,001 - 5,000	101	349,789	0.19
5,001 - 10,000	84	629,662	0.33
10,001 - 100,000	260	9,421,672	4.99
100,001 - 9,999,999,999	113	178,245,559	94.49
Rounding			-
Total	590	188,648,702	100.00
Unmarketable Parcels	Minimum Parcel Size	Holders	Number of Shares
Minimum \$500.00 parcel at \$0.048 per Share	10,417	220	1,011,859