

King Island Scheelite Limited

ABN 40 004 681 734

Interim Financial Statements

Six Months Ended 31 December 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Six months interim period ended 31		
	2017	December	Movement
	\$	Up / Down	%
Revenue from operating activities	-	-	-
Loss before interest and income tax	607,032	Up	34
Net financing loss	3,509	Down	95
Income tax benefit	-	-	-
Loss from ordinary activities after tax attributable to members of the parent	610,541	Up	18
Net loss for the period attributable to members	610,541	Up	18

	Cents	
Loss per share – basic	0.3	No change
Loss per share – diluted	0.3	No change

Dividends	Amount per security	Franked amount per security at 30%
2018 interim dividend	-	-
2017 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 2017:

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)	1.1 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 2017 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

- The Tasmanian Environmental Protection Agency (**EPA**) approved the Dolphin Project Environmental Effects Report (**EER**) and accordingly issued Environmental Protection Notice (**EPN**) 7442-2 on 2 October 2017.
- The Board continues to examine the viability of alternative processing methodologies, with crushing test work currently being undertaken to investigate more efficient breakage of ore prior to gravity separation.
- The remaining balances of convertible notes (**Convertible Notes**) was converted into shares on 29 December 2017.
- 9,000,000 new options were issued to directors on 20 December 2017, having been approved by shareholders at the AGM.
- \$1,092,159 cash on hand as at 31 December 2017 (June 2017 \$1,502,394).

Dolphin Project

The EER, allowing for an eight-year open cut mine, was completed and submitted to the EPA for its review during the December 2016 quarter. Following some additional studies, the EPA approved the EER and accordingly, issued EPN 7442-2 on 2 October 2017.

All relevant approvals for the operation of an open cut mine have now been obtained. Prior to commencement of operations, detailed operating plans must be submitted to various authorities. The Company is currently drafting the most important of these.

KIS is trialing a fine crushing machine (**VSI**) in place of grinding, to assess the possibility of producing a feed to gravity separation that has less fine scheelite than produced in a conventional flowsheet. Less fine scheelite would lead to better recovery of scheelite into concentrate.

Initial results indicate that the VSI is able to efficiently reduce the ore to the size required for the first concentration stage. Test work is ongoing to assess the metallurgical performance of the crushed ore versus conventionally crushed material.

The Company remains confident that the results of the additional test work currently being undertaken to develop the optimum flow sheet will be complete by the second quarter of 2018. The Company will continue discussions with potential offtake partners during this time, anticipating an investment decision later in 2018.

DIRECTORS' REPORT (continued)

Tungsten Market

Tungsten prices strengthened during the period with the price of ammonium paratungstate (APT) increasing from USD 19,500 (AUD 26,500) per tonne in December 2016 to USD 29,900 (AUD 39,100) per tonne in December 2017. The current APT price is approximately USD 31,000 (AUD 38,900) per tonne, with WO₃ concentrate typically trading at a discount of 20% to APT.

Issue of Redeemable Convertible Notes

- The \$2,000,000 Convertible Notes, made up of four Convertible Notes each with a face value of \$500,000, were convertible into shares at the Company's option.
- Interest accrued on the Convertible Notes over the total period was \$169,562.
- The first conversion to shares was transacted on 7 December 2016, for a total value of \$1,094,980 (23,397,000 shares at 4.68 cents each).
- The second conversion to shares was transacted on 26 June 2017, for a total value of \$825,824 (20,960,000 shares at 3.94 cents each).
- The final conversion to shares was transacted on 29 December 2017, for a total value of \$248,758 (7,681,273 shares at 3.24 cents each).
- Convertible Notes at 31 December 2017 total \$nil (June 2017 \$239,036).
- Principal terms and further details of the Convertible Notes are set out on page 13 (Note A8).

Issue of Options

On 20 December 2017, 9,000,000 new options were granted to nominees of Mr Johann Jacobs (3,000,000), Mr Allan Davies (3,000,000) and Mr Chris Ellis (3,000,000). The options vested on 31 December 2017 and expire on 31 December 2022. Further details regarding options held by directors in the Company are set out on page 11 (Note A7).

OUTLOOK

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

Next steps are:

1. Await results of the crushing tests currently being undertaken.
2. If successful, drill for some additional core samples to confirm results of the crushing tests.
3. Finalise work on the potential of staging the development of the mine, commencing with a lower production profile producing a lower grade concentrate.
4. Finalise the Definitive Feasibility Study, including offtake and financing.

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.

The Board is currently reviewing various alternative capital raising options to fund working capital requirements. A final decision is anticipated in March.

DIRECTORS' REPORT (continued)

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 2017.

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
16 February 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SIX MONTHS ENDED 31 DECEMBER

	2017	2016
	\$	\$
Other income	41,367	70,150
Employee expenses	(77,652)	(77,742)
Non-cash employee expense from granting of options to Directors	A7 (250,800)	-
Administration expenses	(198,393)	(215,200)
Exploration & evaluation expenses	(121,554)	(228,742)
Loss before interest and income tax	(607,032)	(451,534)
Financial income - interest	6,213	8,654
Financial expense - interest	(9,722)	(73,019)
Net financing (loss) / income	(3,509)	(64,365)
Loss before income tax	(610,541)	(515,899)
Income tax benefit	-	-
Net loss attributable to members of the parent	(610,541)	(515,899)
Other comprehensive income for the interim period, net of income tax	-	-
Total comprehensive income for the interim period	(610,541)	(515,899)
	Cents	Cents
Loss per share – basic	(0.3)	(0.3)
Loss per share – diluted	(0.3)	(0.3)

The condensed notes on pages 10 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 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
Balance at 1 July 2017		57,134,995	955,301	(55,700,480)	2,389,816
Equity settled share based payments	A7	-	250,800	-	250,800
Part conversion of Convertible Notes	A6, A8	248,758	-	-	248,758
Capital raising costs	A6	(3,565)	-	-	(3,565)
Total comprehensive income for the interim period		-	-	(610,541)	(610,541)
Balance at 31 December 2017		57,380,188	1,206,101	(56,311,021)	2,275,268

The condensed notes on pages 10 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 2017	30 June 2017
		\$	\$
Current assets			
Cash and cash equivalents		1,092,159	1,502,394
Trade and other receivables		200,696	155,279
Total current assets		1,292,855	1,657,673
Non-current assets			
Trade and other receivables		19,600	19,600
Property, plant and equipment		1,129,591	1,134,820
Total non-current assets		1,149,191	1,154,420
Total assets		2,442,046	2,812,093
Current liabilities			
Trade and other payables		166,778	183,241
Convertible notes	A8	-	239,036
Total current liabilities		166,778	422,277
Non-current liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		166,778	422,277
Net assets		2,275,268	2,389,816
Equity			
Issued capital	A5	57,380,188	57,134,995
Reserve	A7	1,206,101	955,301
Accumulated losses		(56,311,021)	(55,700,480)
Total equity		2,275,268	2,389,816

The condensed notes on pages 10 to 17 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 31 DECEMBER

	Note	2017	2016
		\$	\$
Cash flows used in operating activities			
Royalties received		23,164	66,010
Rent received		1,629	-
Cash paid to suppliers and employees		(435,609)	(628,319)
Interest received		6,213	8,654
Net cash used in operating activities		<u>(404,603)</u>	<u>(553,655)</u>
Cash flows used in investing activities			
Payments for property, plant and equipment		-	(655)
Net cash used in investing activities		<u>-</u>	<u>(655)</u>
Cash flows from financing activities			
Proceeds from issue of Convertible Notes	A8	-	1,000,000
Payments for capital raising costs	A6	(5,632)	(12,724)
Net cash generated from financing activities		<u>(5,632)</u>	<u>987,276</u>
Net (decrease) / increase in cash and cash equivalents		<u>(410,235)</u>	<u>432,966</u>
Cash and cash equivalents at 1 July		<u>1,502,394</u>	<u>1,274,849</u>
Cash and cash equivalents at 31 December		<u><u>1,092,159</u></u>	<u><u>1,707,815</u></u>

The condensed notes on pages 10 to 17 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 2017 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 2017 is available upon request from the Company's registered office at Level 26, 259 George Street, Sydney NSW 2000.

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 2017.

These interim financial statements were approved by the Board of Directors on 16 February 2018

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 2017.

A4 GOING CONCERN

During the half year period to 31 December 2017, the Company incurred a loss of \$610,541 and net cash outflows from operating activities of \$404,603. Cash and cash equivalents at 31 December 2017 were \$1,092,159.

Notwithstanding this, 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.

The Directors have prepared a cash flow forecast for the period to March 2019 and conducted a review of discretionary expenditure in order to preserve funds to ensure liabilities will be settled as and when they fall due. The Directors are satisfied there is sufficient funds available to settle liabilities as they become due and payable for the period of at least twelve months from the date of signing this interim financial report. In order to commercialise the Dolphin Project to generate future revenues, additional funding will be required.

The Board is currently reviewing various alternative capital raising options to fund working capital requirements. A final decision is anticipated in March.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A5 ISSUED CAPITAL

	Note	31 December 2017	30 June 2017
		\$	\$
Ordinary fully paid shares	A6	<u>57,380,188</u>	<u>57,134,995</u>

A6 ORDINARY FULLY PAID SHARES

	Note	Number	\$
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		<u>188,648,702</u>	<u>56,315,957</u>
Balance 1 July 2017		209,608,702	57,134,995
Conversion of Convertible Notes - 29 December 2017	A8	7,681,273	248,758
Capital raising costs		-	(3,565)
Balance 31 December 2017	A5	<u>217,289,975</u>	<u>57,380,188</u>

A7 RESERVE

	31 December 2017	30 June 2017
	\$	\$
Share option reserve	<u>1,206,101</u>	<u>955,301</u>
	2017	2016
	\$	\$
Balance at 1 July	955,301	955,301
Equity settled share based payments for the interim period	250,800	-
Balance at 31 December	<u>1,206,101</u>	<u>955,301</u>

On 20 December 2017, 9,000,000 new options were granted to nominees of Mr Johann Jacobs (3,000,000), Mr Allan Davies (3,000,000) and Mr Chris Ellis (3,000,000). Details relating to the Options are below.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

The fair value of the options at the Grant Date is determined using the Binomial model. The following inputs were used in the measurement of the fair values at the Grant Date.

	Tranche 1	Tranche 2	Tranche 3
Number	3,000,000	3,000,000	3,000,000
Fair value at grant date	\$88,200	\$82,800	\$79,800
Share price at grant date	4 cents	4 cents	4 cents
Exercise Price per Company Share	6 cents	8 cents	10 cents
Expected volatility (weighted average volatility)	106.67%	106.67%	106.67%
Grant Date	20 December 2017	20 December 2017	20 December 2017
Vesting Date	31 December 2017	31 December 2017	31 December 2017
Expiry Date	31 December 2022	31 December 2022	31 December 2022
Option Life	5 years and 11 days	5 years and 11 days	5 years and 11 days
Exercise Period	5 years only	5 years only	5 years only
Expected dividends	\$Nil	\$Nil	\$Nil
Risk-free interest rate (per annum)	2.45%	2.45%	2.45%

Expected volatility is estimated by taking into account historic average share price volatility. The options expense for the interim period to 31 December 2017 totals \$250,800 (2016 \$Nil).

Options were granted at no cost to the recipient.

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

There are no entitlements for the Company's option holders to participate in new issues of capital which may be offered to the Company's existing ordinary shareholders.

The Group prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangement has been prohibited by law since 1 July 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

Details of the total options held by directors in the Company are shown in the following table.

<i>King Island Scheelite Limited Unquoted Options</i>			Johann Jacobs	Allan Davies	Chris Ellis	Total
			Number	Number	Number	Number
Exercise Price per share	Vesting Date	Expiry Date				
15 cents	1 January 2014	31 December 2018	1,000,000	1,000,000	-	2,000,000
22 cents	1 January 2015	31 December 2019	1,500,000	1,500,000	-	3,000,000
28 cents	1 January 2016	31 December 2020	2,000,000	2,000,000	-	4,000,000
6 cents	31 December 2017	31 December 2022	1,000,000	1,000,000	1,000,000	3,000,000
8 cents	31 December 2017	31 December 2022	1,000,000	1,000,000	1,000,000	3,000,000
10 cents	31 December 2017	31 December 2022	1,000,000	1,000,000	1,000,000	3,000,000
			7,500,000	7,500,000	3,000,000	18,000,000

A8 CURRENT LIABILITY CONVERTIBLE NOTES

	Note	Number	\$
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 at 31 December 2016		4	1,021,721
Balance 1 July 2017		4	239,036
Accrued interest		-	9,722
Convertible Notes converted to shares on 29 December 2017	A6	(4)	(248,758)
Balance 31 December 2017		-	-

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 was 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 was 31 December 2017 or on being repaid, whichever was earlier
5. Conversion or repayment was at the Company's sole discretion:

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

- a. The number of the Company's shares to be issued on conversion of Convertible Notes was (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 raised at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion was 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.

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 \$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), with a further conversion made on 26 June 2017 for a total value of \$825,824 (20,960,000 shares at 3.94 cents each).

The final conversion of the balance was made on 29 December 2017 for a total value of \$248,758 (7,681,273 shares at 3.24 cents each).

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 \$1,084,998 issued to Mr Ellis' related entity were converted by the Company as follows:

- 11,651,000 Company shares (for 4.68 cents each share) on 7 December 2016;
- 10,480,000 Company shares (for 3.94 cents each share) on 26 June 2017; and
- 3,915,971 Company shares (for 3.2385 cents each share) on 29 December 2017.

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.

Fair Values

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

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)

A9 DIVIDENDS

No dividends were paid by the Company during the six months to 31 December 2017 (2016 \$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.

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.

A Dolphin Project tenement commitment for the year ended 31 December 2018 totalling \$175,000 is in place and all Dolphin Project licences and leases are in good standing. An exploration drilling program in EL19/2001 is planned to commence in February 2018, which will satisfy this tenement commitment.

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.

The Board is currently reviewing various alternative capital raising options to fund working capital requirements. A final decision is anticipated in March.

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). Notwithstanding this agreement, the annual cost for Mr Jacobs' consulting services is currently being accrued at \$60,000 per annum with payment being deferred. No payments have been made on Mr Jacobs' consulting fees accrued after March 2016.
- (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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

- (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.

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 2017	31 Dec 2016	31 Dec 2017	30 June 2017	
	\$	\$	\$	\$	
Directors' Fees	45,874	45,874	10,892	10,892	Payable at call
Consulting Fees	30,000	30,000	105,000	100,200	Payable at call
	75,874	75,874	115,892	111,092	
Non-cash Remuneration					
Options remuneration	250,800	-	-	-	
	250,800	-	-	-	
Convertible Notes					
Face value	-	500,000	1,000,000	1,000,000	Refer Section A8
Interest paid	4,956	57,282	84,997	80,041	
7 Dec 2016 - converted into shares, (4.68 cents each)	-	(545,267)	(545,267)	(545,267)	
26 Jun 2017 - converted into shares (3.94 cents each)	-	-	(412,912)	(412,912)	
29 Dec 2017 - converted into shares (3.24 cents each)	(126,818)	-	(126,818)	-	
	(121,862)	12,015	-	121,862	

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 2017.

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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 6 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 2017 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
16 February 2018

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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 King Island Scheelite Limited for the half-year ended 31 December 2017 there have been:

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

KPMG

KPMG

Charmaine Hopkins
Partner

Sydney
16 February 2018

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Independent Auditor's Review Report

To the shareholders of King Island Scheelite Limited

Report on the Interim Financial Statements

Conclusion

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

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 Statements of King Island Scheelite Limited 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 2017 and of 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*.

The **Interim Financial Statements** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or 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 at the Interim Period's end or from time to time during the Interim Period.

Interim Period is the six months ended on 31 December 2017.

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Responsibilities of the Directors for the Interim Financial Statements

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Statements that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Statements that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Statements

Our responsibility is to express a conclusion on the Interim Financial Statements based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Statements 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 Statements 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 2017 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 Financial Statements 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.

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

KPMG

Charmaine Hopkins

Partner

Sydney

16 February 2018

SHAREHOLDER INFORMATION

At 31 December 2017 issued capital was 217,289,975 ordinary fully paid shares held by 561 holders. The 20 largest holders were:

Rank	Shareholder	Number of Shares	% of Issued Capital
1.	CITICORP NOMINEES PTY LIMITED	26,361,003	12.1%
2.	CHRYSALIS INVESTMENTS PTY LTD	26,267,474	12.1%
3.	ABEX RESOURCE HOLDINGS PTY LTD	25,991,302	12.0%
4.	INVIA CUSTODIAN PTY LIMITED <R & G CHADWICK A/C>	25,983,239	12.0%
5.	MRS CATHERINE JEANE MORRITT	14,157,199	6.5%
6.	MR ANTHONY JAMES HAGGARTY	8,476,604	3.9%
7.	MR GIUSEPPE CORONICA	6,872,491	3.2%
8.	HFTT PTY LTD <HAGGARTY FAMILY A/C>	6,522,348	3.0%
9.	INVIA CUSTODIAN PTY LIMITED <PACIFIC ROAD PROVIDENT A/C>	5,766,567	2.7%
10.	RANAMOK PTY LTD <RANAMOK FAMILY A/C>	5,170,590	2.4%
11.	HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	2.0%
12.	INVIA CUSTODIAN PTY LIMITED <AJ & LM DAVIES FAMILY A/C>	3,543,587	1.6%
13.	SERLETT PTY LTD	2,818,537	1.3%
14.	CHELSEA SECURITIES LIMITED	2,188,659	1.0%
15.	LIPPO SECURITIES LTD <CLIENT A/C>	1,905,282	0.9%
16.	MR SCOTT GILCHRIST	2,268,755	1.0%
17.	FINMIN SOLUTIONS PTY LTD	2,487,871	1.1%
18.	MR ROBERT SLADE FORBES	1,500,000	0.7%
19.	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	1,500,000	0.7%
20.	MR GIUSEPPE CORONICA + MRS YVONNE PRICE <G CORONICA PTY S/F A/C>	1,491,145	0.7%
Totals: Top 20 holders of ORDINARY SHARES (TOTAL)		175,722,653	80.9%
Total Remaining Holders Balance		41,567,322	19.1%

Distribution of holders and holdings at 31 December 2017

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	31	1,698	-
1,001 - 5,000	93	321,395	0.15
5,001 - 10,000	75	571,179	0.26
10,001 - 100,000	253	9,241,280	4.25
100,001 - 9,999,999,999	109	207,154,423	95.34
Rounding			-
Total	561	217,289,975	100.00
Unmarketable Parcels	Minimum Parcel Size	Holdings	Number of Shares
Minimum \$500.00 parcel at \$0.04 per Share	12,500	225	1,190,291