
King Island Scheelite Limited

ABN 40 004 681 734

Annual Report

For the year ended 30 June 2015

CORPORATE DIRECTORY

ABN 40 004 681 734

DIRECTORS

JOHANN JOOSTE-JACOBS (EXECUTIVE CHAIRMAN)
CHRIS ELLIS (EXECUTIVE DIRECTOR)
ALLAN DAVIES (NON-EXECUTIVE DIRECTOR)

PROJECT MANAGER

ALVIN JOHNS

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

IAN MORGAN

FINANCIAL CONTROLLER

SUE JOLLIFFE

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ASX

KING ISLAND SCHEELITE SHARES ARE LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE (ASX)
CODE: KIS

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DIRECTORS' REPORT

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of King Island Scheelite Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2015.

DIRECTORS

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

Johann Jooste-Jacobs (Executive Chairman)

B.Acc, MBL, FCA, FAICD

Appointed 30 November 2012

Johann has over 30 years' experience in the resources industry in Australia, South Africa and Indonesia. He was, until last year, Non-Executive Chairman of ASX listed Magnis Resources Ltd (ASX: MNS) (formerly Uranex Limited), where he continues as a Non-Executive Director. In addition, he is Non-Executive Director of Australian Zircon NL (ASX: AZC). He was a non-executive director of TW Holdings Limited (ASX: TWH) (resigned 18 November 2014) and Chairman of Coalworks Limited (resigned 19 December 2012). Johann is a Fellow member of both the Institute of Chartered Accountants and the Institute of Company Directors of Australia.

Christopher Ellis (Executive Director)

B.Sc Hons

Appointed 8 November 2012

Chris has over 30 years' experience in the exploration and mining industry in Australia and overseas. He was a founding member and Executive Director of coal mining company Excel Coal Limited, which became Australia's largest independent coal mining company before being acquired by Peabody Energy Inc. in October 2006. Chris commenced his career in the UK coal industry, followed by positions within Shell's exploration group in Southern Africa and CRAE in Western Australia. He has also held senior positions for BP Coal (London and USA), Agipcoal Australia and for the Stratford Joint Venture. Chris has core skills in geology, mining engineering and minerals processing, mainly in the coal industry with some experience in tungsten, gold, base metals and diamonds. He has had overall responsibility for the design and engineering of four new mines during his career with Excel. Chris is a Non-Executive Director of Ausquest Limited (ASX: AOD).

Allan Davies (Independent Non-Executive Director)

B.E (Mining) Hons

Appointed 30 September 2013

Allan is a mining engineer and has over 35 years' experience in the Australian and international coal and metalliferous mining industries. He is a registered mine manager in Australia and South Africa. Allan was a founding Director of Excel Coal Limited and as Executive Director – Operations for Excel Coal Limited, Allan had direct responsibility for operations and construction projects. From 2000 until early 2006, Allan worked for Patrick Corporation as Director, Operations. In addition, he was an Executive Director of Whitehaven Coal from February 2009 until November 2012 and a Non-Executive Director of QR Limited and QR National Limited from October 2008 until December 2011. He is currently a Non-Executive Director of Qube Holdings (ASX: QUB).

COMPANY SECRETARY

Ian Morgan

B Bus (NSW Institute of Technology), M Com Law (Macquarie University), Grad Dip App Fin (Securities Institute of Australia) CA, ACIS, MAICD, F Fin

Ian was appointed Company Secretary on 3 August 2005. He is a Chartered Accountant and Chartered Company Secretary with over 30 years of experience and provides secretarial and advisory services to a range of companies, including holding the position of Company Secretary for other listed public companies.

DIRECTORS' REPORT CONTINUED

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the continued review and re-engineering of the previous Bankable Feasibility Study, in anticipation of re-opening of the Dolphin Mine on King Island. There were no significant changes in the nature of the activities of the Group during the financial year.

DIVIDENDS

There were no dividends paid or declared by the Company to members during or since the end of the financial year (2014 Nil).

REVIEW OF OPERATIONS

During the year ended 30 June 2015, the Company continued optimising its revised development plan.

Site Activity

Dewatering of the main Dolphin pit was completed during the December 2014 quarter – after pumping out approximately 2,500 Mega litres of water.



Optimised Development Plan

Open Cut mining was extended from 4 to 8 years, with resulting benefits of lower overall mining costs, higher extraction percentage of in-situ WO_3 , a more predictable mining environment and higher productivity.

The Company is currently developing various mining plans and focusing on optimising the revised development plan.

Appointment of Engineering Contractor

After a formal process seeking expressions of interest, Mineral Technologies Pty Ltd (MT), a member of the Downer Group (ASX: DOW), was appointed as the Company's process engineering contractor, for the next phase of the Dolphin Project.

MT will assist the Company to finalise the process flow-sheet and agree on design parameters and execution methodology.

DIRECTORS' REPORT CONTINUED

The Company is currently in discussions with MT with the view to finalising project documentation, which will enable a fixed price contract for the plant design and construction to be negotiated.

Resources

An updated Resource Report, taking into account the revised geological model which included ore intersections from a recent drilling programme, was released to the market on 24 April 2015.

Following a drilling programme in the last calendar quarter of 2014 comprising 42 diamond core-holes for 1,660 metres of drilling, the Company has, together with its historical data, updated its 2012 JORC compliant resources to be:

Indicated Mineral Resource

0.20% WO ₃ cut off			0.5% WO ₃ cut off		
Mt	WO ₃ %	Tonnes WO ₃	Mt	WO ₃ %	Tonnes WO ₃
9.6	0.90	86,400	6.62	1.14	75,470

This Resource estimation resulted in a reduction of Resource tonnes of 12% from the previously reported Resource (July 2014) but with an 11% increase in WO₃ grade (0.81% to 0.90%) and consequentially a negligible (~1%) reduction in "contained metal".

The major consequence of the Resource update on the project economics is that essentially the same amount of concentrate can be produced by mining and processing around 90% of the ore, resulting in significant savings to both operating and capital costs.

Work is continuing on converting a significant proportion of these resources into reserves and quantifying the potential operating and capital cost savings.

The updated Resource Report also divided/categorised the overall Dolphin Resource into that area which is anticipated to be mined by open cut methods and that area that is anticipated to be mined by underground methods (using a 0.2% WO₃ and 0.5% WO₃ cut-off grade, respectively).

The open cut Resource area is delineated by -140 m RL (the depth of the proposed "8 year pit") and Easting 220250 E, which is a line that defines the easterly limit of a potential mining operation.

The underground mining area is the deeper area of Resource to the south and east of the open cut mining area. The break-up of the overall Resource into these components is shown below.

Dolphin Indicated Resource by location

Open Cut Resource > 0.20% WO ₃ cut off			Underground Resource > 0.5% WO ₃ cut off		
Mt	WO ₃ %	Tonnes WO ₃	Mt	WO ₃ %	Tonnes WO ₃
4.12	0.74	30,490	4.16	1.20	49,920

Mine planning and design work is in progress to convert the open cut mining area (which is anticipated to be extracted in the first 8 years of the proposed Dolphin mine life) from Resource to Reserve. Based on previous studies for a 4 year open cut mine life, the conversion ratio (Resource to Reserve) was around 90% and it is anticipated that the conversion ratio in this larger area will be similar.

DIRECTORS' REPORT CONTINUED



Reserves

As announced on 5 December 2014, based on an open cut mine for 4 to 5 years, the Company's most recent JORC 2012 compliant Reserve statement indicated:

- Probable Reserves of 1.90 mt at 0.55% WO₃ (at 0.2% WO₃ cut-off) for a total of 10,450 tonnes of WO₃.
- An average strip ratio of 3.1 tonne for tonne.

A JORC 2012 compliant Reserve Statement based on the 8-year open cut mine life is currently being prepared and will be published as soon as it is available.

POTENTIAL FURTHER UPSIDE

Ore Sorting

Use of X-ray transmission (XRT) technology on a Dolphin ore sample provided encouraging results. There was rejection of approximately 30% low grade and barren ore with a minimal (~5%) loss in metal recovery, mining to a lower cut-off grade increasing valuable mineral recovery, lower processing costs per WO₃ production unit and more marketable concentrate production for the same plant capacity.

Power Options

Replacing a proposed diesel generation power station with a hybrid power plant utilising renewable energy (wind and solar) is being investigated. Power is the largest single project cost and use of a hybrid power plant could reduce power cost by 20% over the life of the mine.

CORPORATE

Financial

The Group incurred an operating loss after tax of \$3,289,362 (2014 \$2,029,842).

DIRECTORS' REPORT CONTINUED

The Group retained a cash balance of \$1,567,911 at 30 June 2015 (2014 \$1,029,651).

Non-renounceable Rights Offer 14 July 2014

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

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

The Company issued 16,894,354 ordinary fully paid shares on 11 August 2014.

Non-renounceable Rights Offer 20 April 2015

In order to fund working capital until the Company proceeds with a larger capital raising for development of its Dolphin Project, a fundraising of approximately \$1,866,000 (before costs) from existing shareholders was undertaken and closed on 18 May 2015, issuing a further 13,204,945 shares at 13.5 cents.

1. On 20 April 2015 the Company announced a 1 for 11 non-renounceable rights offer for 13.5 cents cash each share.
2. The Offer closed on 18 May 2015 and was 96% subscribed, resulting in proceeds of \$1,782,668 before Offer costs.
3. The Offer was partially underwritten up to \$825,000, being the total offer (\$1,866,069 rounded) excluding Rights held by:
 - a. Underwriters (\$634,262); and
 - b. Other Directors (\$67,854); and
 - c. Those rights that are the underwriting shortfall less rights held by underwriters and other Directors (\$338,953).
4. Actual shortfall totalled \$83,401 (617,785 shares).

The Company issued 13,204,945 ordinary fully paid shares on or about 25 May 2015.

Sale of Unmarketable Parcels

The Company finalised a programme to allow shareholders with unmarketable parcels of shares to dispose of them without incurring any brokerage costs. The invitation was sent to shareholders whose holding was valued at \$240 or less. In the final analysis, 310 shareholders either availed themselves of the facility or did not respond. The number of shareholders reduced to 628. This reduction resulted in significant savings in administration costs.

Balfour Joint Venture (BJV) – terminated

The Balfour Joint Venture was a joint venture with Pleiades Resources Pty Ltd formed on 9 February 2009 to explore for tin and tungsten within Balfour tenements in north-west Tasmania. The Company had a 70% interest in this joint venture at 30 June 2013, however difficulties in securing a funding partner for the next exploration phase of this project meant the joint venture had no choice but to surrender these tenements. The tenements were surrendered on 17 October 2013 and the joint venture has been dissolved, including deregistration of Balfour Management Pty Ltd and Balfour Minerals Pty Ltd, effective 27 May 2015.

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 have been completed, the Board will consider project approval and, if approved, will initiate project funding.

DIRECTORS' REPORT CONTINUED

- 4) Engage with potential project financiers/ partners.

GOING CONCERN

The financial report has been prepared on the basis of a going concern. In order to commercialise the Dolphin Project to generate future revenues, additional funding will be required. The Directors believe that the Group will be able to fund future operations through additional share issues or debt raising, joint venturing or off-take agreements for the sale of tungsten. If the funding cannot be obtained, there is a material uncertainty whether the Group will be able to continue as a going concern.

Refer to Note A4 of the consolidated financial report for further information about going concern for the Group.

BUSINESS RISKS

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

1. Approval for an extension to the Group's existing tenements
Tenement exploration and retention licences held by the Group require renewal or extension. All existing licences are current, with the latest renewals and extensions approved. There is no guarantee that the Group's licences would continue to be granted on terms that are acceptable, or at all, for future applications.¹
2. The Group may need to raise additional funds
The Group will require additional funds to proceed with future stages and development of its projects.
3. Commodity prices and exchange rate risk
If the Group's activities lead to production, future revenue will be derived through the sale of minerals which exposes the Group to commodity price risk. Commodity prices are dependent upon a number of factors which are outside of the Group's control. Commodity prices are usually denominated in US dollars whereas the income and expenditure of the Group is denominated in Australian dollars which exposes the Group to fluctuations and volatility of the rate of exchange between the US dollar and the Australian dollar.
Fluctuations in commodity prices and the Australian dollar exchange rate could have a material effect on the financial and operating performance of the Group.
4. Land access and title risk
The Group has obligations in relation to expenditure levels, environmental matters for its tenements as well as responsibilities to various government entities and any landowners affected by its activities. A contravention of these obligations could affect the right to hold mining tenements in a given area. The Group's mining tenements may be affected by land access issues for any land the Group does not own.
5. Environmental risk
As part of the mining industry, the Group is subject to State and Federal legislation regarding environmental obligations and liabilities. The legislative and regulatory requirements impose significant environmental obligations on the Group in relation to its operations. Compliance with these obligations and any future obligations (such as any carbon tax or carbon pollution reduction scheme imposed by the government) could have a material adverse effect on the financial and operating performance of the Group.
6. Retention of key employees
The Group is highly dependent upon qualified, scientific, technical and managerial personnel. There is significant competition for qualified personnel in the Group's business. The Group may not be able to attract and retain the qualified personnel necessary for the development of its business. The loss of the services of existing personnel, as well as the failure to recruit additional key scientific, technical, managerial and other personnel in a timely manner could harm the Group's business.

¹ Exploration Licence EL19/2001 at Grassy, King Island (91 sq kms) expires 14 December 2015. Mining Lease 1M/2006 at Grassy, King Island (544 hectares) expires 5 June 2029.

DIRECTORS' REPORT CONTINUED

EVENTS SUBSEQUENT TO THE REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of these operations or the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

The Board believes that the Group has adequate systems in place for the management of its environmental requirements.

Based on results of enquiries made, the Directors are not aware of any significant breaches during the period covered by this report.

DIRECTORS' MEETINGS

The numbers of Directors' meetings (including meetings of committees of Directors) eligible to attend and attended in person or by alternate during the financial year by each of the Directors of the Company were:

	Board Meetings		Audit Committee Meetings	
	Eligible	Attended	Eligible	Attended
Johann Jacobs	14	14	2	2
Allan Davies	14	14	2	2
Christopher Ellis	14	14	2	2

DIRECTORS' INTERESTS

The relevant beneficial interest of each Director in the securities issued by the companies within the Group and other related bodies corporate, and notified by the Directors to the ASX in accordance with section 250G(1) of the *Corporations Act 2001 (Cth)* at the date of this report are:

<i>King Island Scheelite Limited Ordinary fully paid shares</i>	Number
Johann Jacobs	2,487,871
Christopher Ellis	26,078,220
Allan Davies	3,543,587

<i>King Island Scheelite Limited Unquoted Options</i>			Johann Jacobs	Allan Davies	Total
			Number	Number	Number
Exercise Price per share	Vesting Date	Expiry Date			
15 cents	1 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
			4,500,000	4,500,000	9,000,000

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

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of the Group. Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors of the Company and other future executives. Key management personnel comprise the Directors and Managers of the Company.

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

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

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

Compensation packages will include a mix of fixed and variable compensation, and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and where applicable, contributes to a post-employment superannuation plan on their behalf.

Contract Terms and Conditions

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

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

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

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

DIRECTORS' REPORT CONTINUED

Directors may receive performance-based remuneration. During the year ended 30 June 2014, a total of 9,000,000 unquoted options were granted to Directors. Refer to Note C2 for more details. No bonuses were paid in respect of the current or previous financial years.

No Director remuneration package includes terms for redundancy, retirement or termination benefits. No such amounts were accrued or paid for any Director during the current financial year.

Terms of Employment

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

Johann Jacobs (Chairman)

During the financial year ended 30 June 2015, an entity controlled by Mr Jacobs was paid at the rate of \$30,987 p.a. plus 9.5% statutory superannuation (2014 \$30,987 p.a. plus 9.25% statutory superannuation) for Mr Jacobs to be a Director and Chairman. Consultancy services to the Company are also agreed with the entity controlled by Mr Jacobs, for his services to be provided as required and charged on a per diem basis. No annual or long service leave accrues to Mr Jacobs or his controlled entity.

Christopher Ellis (Executive Director)

During the financial year ended 30 June 2015, Mr Ellis was paid at the rate of \$26,400 p.a. plus 9.5% statutory superannuation (2014 \$26,400 p.a. plus 9.25% statutory superannuation) to be a Director. Any further work on behalf of the Company is paid on a time incurred basis. No annual or long service leave accrues to Mr Ellis. Consultancy services to the Company are also agreed with the entity controlled by Mr Ellis, for his services to be provided as required and charged on a per diem basis. No annual or long service leave accrues to Mr Ellis or his controlled entity. During the financial year ended 30 June 2015, Mr Ellis did not charge for consulting services (2014 \$Nil).

Allan Davies (Non-Executive Director)

During the financial year ended 30 June 2015, an entity controlled by Mr Davies was paid at the rate of \$26,400 p.a. plus 9.5% statutory superannuation (2014 \$26,400 p.a. plus 9.25% statutory superannuation) for Mr Davies to be a Non-Executive Director. Consultancy services to the Company are also agreed with the entity controlled by Mr Davies, for his services to be provided as required and charged on a per diem basis. No annual or long service leave accrues to Mr Davies or his controlled entity.

The entities controlled by each Director are appointed to provide consulting work to the Company on the following terms and conditions.

Performance

Any consulting services are to be performed in a competent and professional manner with the standard of diligence and care normally employed by a properly qualified person in the performance of comparable duties and in accordance with generally accepted practices appropriate to the activities undertaken.

Exclusivity

Nothing prevents the entity each Director controls from providing or agreeing to provide to any other person, firm or company services the same as or similar to the consulting services, provided that the provision of such services does not in any way impair or hinder the performance of duties to the Company.

Consultancy Fee Rates

The Company would pay the entity controlled by Mr Jacobs at the rate of \$2,100 per day, excluding GST.

The Company will pay the entity controlled by Mr Davies at the rate of \$2,000 per day excluding GST.

The Company will pay the entity controlled by Mr Ellis at the rate of \$2,000 per day excluding GST.

Consultancy Fee Review

The Consultancy Fee shall be reviewed no later than one month after the end of each financial year or after such other period (being less than one year) agreed between the parties. In determining the amount of any increase in the Consultancy Fee, the Board (or any committee appointed by the Board to undertake the review) shall take into account performance in the period under review, the level of

DIRECTORS' REPORT CONTINUED

remuneration of executives in an equivalent position and any other factors which it considers relevant.

Independent Contractor

The entity each Director controls is an independent contractor and is not and shall not hold itself out as an employee or partner of the Company.

Employment Status

Each Director shall at all times be an employee of the entity which the Director controls and shall not hold himself out as an employee of the Company.

Employment Costs and Entitlements

The entity controlled by each Director agrees that it shall be solely responsible for the payment of salaries and wages, holiday pay, sick pay, long service leave, any worker's compensation premiums or entitlements and all other employee benefits and entitlements (including, without limitation, superannuation contributions) to or on each Director's behalf, and for the making of all tax instalment deductions in respect of his remuneration, together with the payment of any other tax or levy which may arise out of the performance of consulting services.

Options Issued to Directors or Executives

On 6 December 2013 the Company granted a total of 9,000,000 share options to Messrs Jacobs and Davies. Details relating to these options are on page 10 and below.

The fair value of the options at grant date is determined using the Black-Scholes model. The following inputs were used in the measurement of the fair values at grant date.

	Tranche 1	Tranche 2	Tranche 3
Number	2,000,000	3,000,000	4,000,000
Fair value at grant date	\$136,800	\$198,900	\$269,600
Share price at grant date	11.5 cents	11.5 cents	11.5 cents
Exercise Price per Company Share	15 cents	22 cents	28 cents
Expected volatility (weighted average volatility)	75.9%	75.9%	75.9%
Grant Date	6 December 2013	6 December 2013	6 December 2013
Vesting Date	1 January 2014	1 January 2015	1 January 2016
Expiry Date	31 December 2018	31 December 2019	31 December 2020
Option Life	5.1 years	6.1 years	7.1 years
Exercise Period	5 years	5 years	5 years
Expected dividends	\$Nil	\$Nil	\$Nil
Risk-free interest rate	3.86%	3.86%	3.86%

Expected volatility is estimated by taking into account historic average share price volatility. The expense for the year ending 30 June 2015 totals \$223,860 (2014 \$315,554).

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.

If at any time prior to the Expiry Date of any Options, a Director ceases to be employed by the Company for any reason other than retirement, permanent disability, redundancy or death, all Options held by such Director or his permitted

DIRECTORS' REPORT CONTINUED

nominee (as the case may be), will, to the extent that they have not been exercised beforehand, automatically lapse on the first to occur of:

- (a) The expiry of the period of three (3) calendar months from the date of such occurrence, and
- (b) The Expiry Date.

Consequences of Performance on Shareholders' Wealth

	2015	2014	2013
Loss for the financial year attributable to owners of the Company	\$3,289,362	\$2,029,842	\$1,083,074
Working capital at 30 June	\$1,366,425	\$938,614	\$825,424
Net assets at 30 June	\$2,545,531	\$1,969,151	\$1,846,873
Number of Shares on issue at 30 June	165,251,702	135,152,403	96,537,291
Share price at 30 June (cents per Share)	11.0	14.0	4.6
Market capitalisation at 30 June	\$18,177,687	\$18,921,336	\$4,440,715
Loss on capital employed for the financial year	(129%)	(103%)	(59%)
Termination benefits of key management persons	-	\$194,484	-
Options benefits of key management persons	\$223,860	\$315,554	-
Other compensation of key management persons	\$361,497	\$326,046	\$385,337
Total compensation of key management persons (Group and Company) for the financial year	\$585,357	\$836,084	\$385,337

During the last several years, the Company focused on the redevelopment of the tungsten Dolphin Project on King Island.

The Company has implemented corporate cost cutting measures, conducted a Value Engineering Study, updated a Definitive Feasibility Study, dewatered the pit to allow for further drilling work, terminated the Balfour joint venture, and optimised its development plan. Further details are included in the Review of Operations on page 5.

Capital has been raised during the course of the last few years, with the latest capital raising offer being for about \$1,866,000 - closing successfully on 18 May 2015.

Total compensation takes into account the performance of the Group over a number of years. Over the past three years, the Group's loss from ordinary activity after income tax has varied mainly depending upon the level of exploration and evaluation work being done during the financial year.

DIRECTORS' REPORT CONTINUED

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2015

Details of the nature and amount of each major element of remuneration of each Director of the Company and other key management personnel of the Company are:

		Short-term				Total	Post-employment Superannuation benefits	Other long term	Termination benefits	Share-based payments Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	Consulting fees	Cash bonus	Non-monetary benefits								
		\$	\$	\$	\$	\$	\$	\$	\$	\$		%	
Directors													
J Jacobs ²	2015	30,987	241,500	-	-	272,487	2,944	-	-	111,930	387,361	-	28.9%
	2014	30,882	182,700	-	-	213,582	2,879	-	-	157,777	374,238	-	42.2%
C Ellis	2015	26,400	-	-	-	26,400	2,508	-	-	-	28,908	-	-
	2014	26,400	-	-	-	26,400	2,442	-	-	-	28,842	-	-
A Davies ³	2015	26,400	28,250	-	-	54,650	2,508	-	-	111,930	169,088	-	66.2%
	2014	19,800	8,000	-	-	27,800	1,832	-	-	157,777	187,409	-	84.2%
R Morritt	2015	-	-	-	-	-	-	-	-	-	-	-	-
	2014	6,600	-	-	-	6,600	1,627	-	10,984	-	19,211	-	-
Executive													
S Bird (CEO)	2014	39,358	-	-	-	39,358	3,526	-	183,500	-	226,384	-	-
Total compensation (The Group and Company)	2015	83,787	269,750	-	-	353,537	7,960	-	-	223,860	585,357	-	38.2%
	2014	123,040	190,700	-	-	313,740	12,306	-	194,484	315,554	836,084	-	37.7%

END OF REMUNERATION REPORT (AUDITED)

² For the year ended 30 June 2015, the Company paid a total of \$275,431 (2014 \$216,461) to a company controlled by Mr Jacobs, including \$241,500 for consulting charges.

³ For the year ended 30 June 2015, the Company paid a total of \$57,158 (2014 \$29,632) to a company controlled by Mr Davies, including \$28,250 for consulting charges.

DIRECTORS' REPORT CONTINUED

SHARES UNDER OPTION

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that vested during the reporting period are as follows:

Person	Grant Date	Fair value per option at grant date \$	Exercise price per option \$	Expiry date	Number of options	Number of vested options	
						2015	2014
J Jacobs	6 Dec 2013	6.84 cents	15 cents	31 Dec 2018	1,000,000	1,000,000	1,000,000
	6 Dec 2013	6.63 cents	22 cents	31 Dec 2019	1,500,000	1,500,000	-
	6 Dec 2013	6.74 cents	28 cents	31 Dec 2020	2,000,000	-	-
					4,500,000	2,500,000	1,000,000
A Davies	6 Dec 2013	6.84 cents	15 cents	31 Dec 2018	1,000,000	1,000,000	1,000,000
	6 Dec 2013	6.63 cents	22 cents	31 Dec 2019	1,500,000	1,500,000	-
	6 Dec 2013	6.74 cents	28 cents	31 Dec 2020	2,000,000	-	-
					4,500,000	2,500,000	1,000,000

The options were provided at no cost to the recipient.

No options have been granted since the end of the financial year.

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

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and each of the named key management persons are detailed below:

Person	Grant Date	Date at which grant vests	Number	Vested		Lapsed ⁴	
				2015 %	2014 %	2015 %	2014 %
S Bird	21 Jan 2009	1 Jan 2010	1,000,000	-	-	-	100.0
	21 Jan 2009	1 Jan 2011	1,500,000	-	-	-	100.0
	21 Jan 2009	1 Jan 2012	2,000,000	-	-	-	100.0
			4,500,000	-	-	-	100.0
J Jacobs	6 Dec 2013	1 Jan 2014	1,000,000	100.0	100.0	-	-
	6 Dec 2013	1 Jan 2015	1,500,000	100.0	-	-	-
	6 Dec 2013	1 Jan 2016	2,000,000	-	-	-	-
			4,500,000	55.6	22.2	-	-
A Davies	6 Dec 2013	1 Jan 2014	1,000,000	100.0	100.0	-	-
	6 Dec 2013	1 Jan 2015	1,500,000	100.0	-	-	-
	6 Dec 2013	1 Jan 2016	2,000,000	-	-	-	-
			4,500,000	55.6	22.2	-	-

⁴ The % lapsed in the year represents the reduction from the maximum number of options available to vest due to the options not being exercised and lapsing.

DIRECTORS' REPORT CONTINUED

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Expiry date	Vesting date	Issue price of shares A\$	Number of shares under option
31 December 2018	1 January 2014	15 cents	2,000,000
31 December 2019	1 January 2015	22 cents	3,000,000
31 December 2020	1 January 2016	28 cents	4,000,000
			9,000,000

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

No options were exercised during the financial year.

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

MOVEMENTS IN SECURITIES

The movement during the reporting period in the number of securities of King Island Scheelite Limited held, directly, indirectly or beneficially, by each specified Director and executive, including their personally-related entities, is as follows:

Key Management Person	Date commenced or ceased as a Key Management Person, if applicable	Balance of shares at 1 July or date of appointment, as applicable	On-market purchases	Participation in rights issue (including underwriting)	Balance of shares at 30 June or date of ceasing, as applicable
		Number	Number	Number	Number
<i>Fully paid ordinary shares</i>					
Year ended 30 June 2015					
Johann Jacobs		1,421,227	265,000	801,644	2,487,871
Christopher Ellis		18,472,225	-	7,605,995	26,078,220
Allan Davies		2,887,367	-	656,220	3,543,587
Year ended 30 June 2014					
Johann Jacobs		29,167	400,000	992,060	1,421,227
Simon Bird	Ceased 11 August 2013	525,000	-	210,000	735,000
Christopher Ellis		5,489,905	791,695	12,190,625	18,472,225
Allan Davies	Commenced 30 September 2013	2,887,367	-	-	2,887,367
Robin Morrill	Ceased 30 September 2013	13,579,858	-	392,156	13,972,014

DIRECTORS' REPORT CONTINUED

Key Management Person	Number of Options 1 July	Granted during the financial year	Expired during the financial year	Number of Options 30 June
<i>Unquoted Options</i>				
Year ended 30 June 2015				
Johann Jacobs	4,500,000	-	-	4,500,000
Allan Davies	4,500,000	-	-	4,500,000
	9,000,000	-	-	9,000,000
Year ended 30 June 2014				
Johann Jacobs	-	4,500,000	-	4,500,000
Simon Bird	4,500,000	-	(4,500,000)	-
Allan Davies	-	4,500,000	-	4,500,000
	4,500,000	9,000,000	(4,500,000)	9,000,000

The terms and conditions of the options granted are outlined in Note C2 to the accounts.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company arranged insurance to indemnify each Director and officer holding office during the year against any liabilities for costs and expenses incurred by them, including legal expenses, as a result of any third party proceedings arising from their conduct as Directors and Officers of the Company, other than dishonest or criminal intent, improper gain, or insider trading in relation to the Company.

The Company has not entered into an indemnification agreement with their auditors KPMG.

AUDIT SERVICES

During the year ending 30 June 2015, the Group paid an amount of \$45,050 (2014: \$43,000) to its auditor, KPMG and its related practices, for audit services provided.

NON-AUDIT SERVICES

The Group's auditor, KPMG, did not provide any other services in addition to their statutory audit duties during the year ending 30 June 2015.

ROUNDING OFF

The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and as such, amounts in the Condensed Consolidated Financial Report and Directors' Report have been reported to the nearest dollar, unless otherwise stated.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration made under Section 307C of the *Corporations Act 2001 (Cth)* is set out on page 45 and forms part of this Directors' Report.

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

COMPETENT PERSON'S STATEMENT

Previously Released Information

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

- 5 December 2014 Updated Reserve Statement.
- 24 April 2015 Updated Resource Statement April 2015.

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcement, 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

DIRECTORS' REPORT CONTINUED

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.



Johann Jacobs
Chairman
Sydney
26 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		\$	\$
Other income	A13	117,934	60,769
Employee expenses	C1	(585,725)	(829,885)
Administrative expenses		(550,353)	(558,407)
Exploration & evaluation expenses ⁵		(2,300,090)	(856,594)
Results from operating activities		(3,318,234)	(2,184,117)
Financial income – interest		28,872	44,451
Financial expense – interest		-	-
Net finance income		28,872	44,451
Loss before tax		(3,289,362)	(2,139,666)
Income tax benefit	D1	-	109,824
Net loss attributable to members of the parent		(3,289,362)	(2,029,842)
Other comprehensive income for the financial year, net of income tax		-	-
Total comprehensive income for the period		(3,289,362)	(2,029,842)
Losses per share⁶		Cents	Cents
Basic losses per share attributable to ordinary equity holders	D2	(2.2)	(1.5)
Diluted losses per share attributable to ordinary equity holders	D2	(2.2)	(1.5)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

⁵ Exploration and evaluation expenditure is expensed directly to profit and loss when incurred.

⁶ Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financial costs associated with dilutive ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary and dilutive potential ordinary shares adjusted for any bonus issue.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 \$	2014 \$
Assets			
Cash and cash equivalents	A10	1,567,911	1,029,651
Trade and other receivables	A7	128,814	153,506
Total current assets		1,696,725	1,183,157
Trade and other receivables	A7	19,600	19,600
Property, plant and equipment	A12	1,159,506	1,010,937
Total non-current assets		1,179,106	1,030,537
Total assets		2,875,831	2,213,694
Liabilities			
Trade and other payables	A8	330,300	244,543
Total current liabilities		330,300	244,543
Total non-current liabilities		-	-
Total liabilities		330,300	244,543
Net assets		2,545,531	1,969,151
Equity			
Issued capital	A5	55,234,043	51,592,161
Reserves	A5	889,415	665,555
Accumulated losses		(53,577,927)	(50,288,565)
Total equity		2,545,531	1,969,151

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2015

Consolidated	Note	Issued Capital \$	Accumulated Losses \$	Share Option Reserve \$	Total Equity \$
Balance at 1 July 2013		49,755,595	(48,258,723)	350,001	1,846,873
Profit for the year		-	(2,029,842)	-	(2,029,842)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	(2,029,842)	-	(2,029,842)
Transactions with owners in their capacity as owners:					
Rights issue capital raising	A5	1,836,566	-	-	1,836,566
Equity settled share based payments	C2	-	-	315,554	315,554
		1,836,566	-	315,554	2,152,120
Balance at 1 July 2014		51,592,161	(50,288,565)	665,555	1,969,151
Profit for the year		-	(3,289,362)	-	(3,289,362)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	(3,289,362)	-	(3,289,362)
Transactions with owners in their capacity as owners:					
Rights issue capital raisings	A5	3,641,882	-	-	3,641,882
Equity settled share based payments	C2	-	-	223,860	223,860
		3,641,882	-	223,860	3,865,742
Balance at 30 June 2015		55,234,043	(53,577,927)	889,415	2,545,531

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2014 \$
Cash flows used in operating activities			
Royalties received		107,159	60,769
Cash paid to suppliers and employees		(3,097,148)	(1,802,311)
Cash used in operations		<u>(2,989,989)</u>	<u>(1,741,542)</u>
Research and development expenditure tax rebate		-	109,824
Interest received		28,872	44,451
Payment received on sale of inventory		-	26,000
Net cash used in operating activities	A6	<u>(2,961,117)</u>	<u>(1,561,267)</u>
Cash flows used in investing activities			
Payment made for property, plant & equipment		(161,710)	-
Refund received / (payment made) for security deposits		19,205	(15,000)
Net cash used in investing activities		<u>(142,505)</u>	<u>(15,000)</u>
Cash flows from financing activities			
Proceeds from the issue of share capital		3,809,990	1,969,371
Cost of issuing share capital	A5	(168,108)	(132,805)
Net cash generated from financing activities		<u>3,641,882</u>	<u>1,836,566</u>
Net decrease in cash and cash equivalents		538,260	260,299
Cash and cash equivalents at 1 July		1,029,651	769,352
Cash and cash equivalents at 30 June	A10	<u>1,567,911</u>	<u>1,029,651</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

The financial statements cover King Island Scheelite Limited as a consolidated entity consisting of King Island Scheelite Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is King Island Scheelite Limited's functional and presentation currency.

King Island Scheelite Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2015. The directors have the power to amend and reissue the financial statements.

The notes to the consolidated financial statement are set out in the following main sections:

SECTION A – KEY FINANCIAL INFORMATION AND PREPARATION BASIS

SECTION B – RISK AND JUDGEMENT

SECTION C – KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

SECTION D – OTHER DISCLOSURES

SECTION A – KEY FINANCIAL INFORMATION AND PREPARATION BASIS

This section sets out the basis upon which the Group's financial statements have been prepared as a whole and explains the results and performance of the Group that the directors consider most relevant in the context of the operations of the entity.

A1 STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001 (Cth)*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

A2 BASIS OF PREPARATION

The financial report is presented in Australian dollars (AUD), which is also the Company's functional currency.

The financial report is prepared on the historical cost basis other than share-based transactions that are assessed at fair value.

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

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A3 BASIS OF CONSOLIDATION

Subsidiaries

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

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

Associates

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

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

Joint ventures

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

Jointly controlled entities

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

The Group's share of the jointly controlled entity's net profit or loss is recognised in the consolidated statement of profit or loss and other comprehensive income from the date joint control commenced until the date joint control ceases. The Group's share of the joint venture arrangements other movements in reserves are recognised directly in the consolidated reserves.

In the Parent Entity's financial statements, investments in jointly controlled entities are carried at cost.

Jointly controlled operations and assets

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity, with adjustments made to the "Investment in associates" and "Share of associates' net profit" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the relevant assets are consumed or sold by the associate or jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Group's interest in such entities is disposed of.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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. In April 2015 a capital raising was announced that closed on 18 May 2015 and provided additional funds of \$1,782,668 (before costs), which will be utilised to fund working capital until the Company proceeds with a larger capital raising for development of its Dolphin Project.

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

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

A5 CAPITAL AND RESERVES

Share capital

Ordinary shares issued and fully paid	Number of shares	Issue Price Cents per share	\$
1 July 2013 balance	96,537,291		49,755,595
Rights offer:			
Shares issued 11 July 2013	17,018,485	5.1	867,943
Shares issued 16 July 2013	21,596,627	5.1	1,101,428
Less Share issue costs	-		(132,805)
30 June 2014 balance	135,152,403		51,592,161
Rights offers:			
Shares issued 11 August 2014	16,894,354	12.0	2,027,322
Shares issued 25 May 2015	11,167,908	13.5	1,507,668
Shares issued 28 May 2015	2,037,037	13.5	275,000
Less Share issue costs	-		(168,108)
30 June 2015 balance	165,251,702		55,234,043

Ordinary shares entitle the holder to participate in any dividend of the Company payable on all shares pro rata to the total amount for the time being paid, but not credited as paid, in respect of the shares as a proportion of the total of the amounts then paid and payable thereon, excluding amounts credited.

Subject to the ASX listing rules, the Company's Board may resolve that the whole or any portion of any sum forming part of the undivided profits of the Company or standing to the credit of any reserve or other account and which is available for distribution, be capitalised and distributed to shareholders in the same proportions in which they would be entitled to receive it if distributed by way of dividend or in accordance with either the terms of issue of any shares or the terms of any plan for the issue of securities for the benefit of officers or employees.

If the Company is wound up, whether voluntarily or otherwise, the liquidator may divide among all or any of the contributories as the liquidator thinks fit in specie or in kind any part of the assets of the Company, and may vest any part of the assets of the Company in trustees upon any trusts for the benefit of all or any of the contributories as the liquidator thinks fit.

In the event of winding up of the Company ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation.

At a general meeting on a show of hands, each shareholder present in person or by proxy has one vote and on a poll each shareholder present in person or by proxy has:

- (i) one vote for each fully paid share held; and

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- (ii) for each share which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

No dividends have been declared or paid by the Company during or since the end of the financial year. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

Information relating to the employee options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note C2.

Capital Raisings

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

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

On 20 April 2015 the Company announced a 1 for 11 non-renounceable rights offer for 13.5 cents cash each share. The Offer closed on 18 May 2015 and was 96% subscribed, including a partial underwriting, raising \$1,782,668 before Offer costs. The Company issued 13,204,945 ordinary fully paid shares on or about 25 May 2015.

Share Based Payment Reserve

	2015	2014
	\$	\$
Balance at 1 July	665,555	350,001
Option expense increase on 31 December 2013	-	154,185
Option expense increase on 30 June 2014	-	161,369
Option expense increase on 31 December 2014	158,891	-
Option expense increase on 30 June 2015	64,969	-
	<u>223,860</u>	<u>315,554</u>
Balance at 30 June	<u>889,415</u>	<u>665,555</u>

A6 CASH FLOW RECONCILIATION

Cash flows from operating activities

Net loss attributable to members of the parent	(3,289,362)	(2,029,842)
Adjustments for:		
Depreciation and impairment	13,141	5,912
Options expense	223,860	315,554
Refund received for security deposits	(19,205)	-
Operating loss before changes in working capital and provisions	<u>(3,071,566)</u>	<u>(1,708,376)</u>
Decrease in receivables	24,692	56,256
Increase in payables	85,757	78,336
Decrease in provisions	-	(15,533)
Increase in inventory	-	28,050
Net cash used in operating activities	<u>(2,961,117)</u>	<u>(1,561,267)</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A7 OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost less impairment losses (see note B3).

Current	2015	2014
	\$	\$
Other receivables	18,844	15,591
Prepayments	109,970	137,915
	<u>128,814</u>	<u>153,506</u>
Non-current		
Deposits	19,600	19,600

A8 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these transactions are measured at amortised cost using the effective interest rate method.

Current	2015	2014
	\$	\$
Trade payables	207,164	127,878
Other trade payables and accrued expenses	123,136	116,665
	<u>330,300</u>	<u>244,543</u>

A9 PROVISIONS

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

No current provisions exist for the Group as at 30 June 2015.

Site Restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land is recognised when such land is disturbed. At this time, a best estimate of the total area of disturbance and present value restoration cost over the estimated mine is made. From this, an annual charge is derived which is reflected as an expense over the life of the mine and as an increase in the provision.

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

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

A10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

	2015	2014
	\$	\$
Bank balances	21,343	5,924
Call deposits	1,546,568	1,023,727
Cash and cash equivalents in the statements of cash flows	<u>1,567,911</u>	<u>1,029,651</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A11 INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

The cost of mining inventories is determined using a weighted average basis. Cost includes direct material, overburden removal, mining, processing, labour, related transportation costs to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable overhead costs directly related to mining activities.

Net realisable value (NRV) is determined on the basis of the Group's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish NRV.

A12 PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note B3).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of profit or loss and other comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current period are as follows:

▪ plant and equipment	2015 5 to 40 years		2014 5 to 40 years
	Land \$	Plant and equipment \$	Total \$
Cost			
Balance at 1 July 2013	943,410	128,869	1,072,279
Additions	-	-	-
Balance at 30 June 2014	943,410	128,869	1,072,279
Balance at 1 July 2014	943,410	128,869	1,072,279
Additions	-	161,710	161,710
Balance at 30 June 2015	943,410	290,579	1,233,989
Depreciation			
Balance at 1 July 2013	-	(55,430)	(55,430)
Depreciation change for the year	-	(5,912)	(5,912)
Balance at 30 June 2014	-	(61,342)	(61,342)
Balance at 1 July 2014	-	(61,342)	(61,342)
Depreciation change for the year	-	(13,141)	(13,141)
Balance at 30 June 2015	-	(74,483)	(74,483)
Carrying amounts			
At 30 June 2014	943,410	67,527	1,010,937
At 30 June 2015	943,410	216,096	1,159,506

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A13 OTHER INCOME

	2015 \$	2014 \$
Royalty income	107,159	60,769
Other	10,775	-
	<u>117,934</u>	<u>60,769</u>

A14 COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable as follows.

Exploration expenditure commitments

	2015 \$	2014 \$
Within one year	200,000	200,000
One year or later and not later than five years	-	-
Later than five years	-	-
	<u>200,000</u>	<u>200,000</u>

A15 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities whose operating results are reviewed regularly by the Group's Board and for which discrete financial information is available.

The Group is involved solely in development of the King Island scheelite deposit and exploration for tungsten and has a single operating segment that its Board reviews regularly to make decisions about resources to be allocated to the segment and to assess its performance.

Business and geographical segments

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

Products and services

The Group is in the process of developing the King Island scheelite deposit and, as such, currently provides no products for sale.

Geographical areas

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A16 CONTINGENCIES

Details of contingent liabilities where the probability of future payments/receipts is not considered remote are set out below:

Purchase price and royalty

The Group has a liability to a third party in respect of the acquisition of the King Island Scheelite tenements. The consideration for the acquisition of the Tenements is contingent on the decision to commercially mine. If the decision to mine is taken the amount payable to the third party is \$250,000. In addition a royalty of 1.5% of gross revenue is also payable contingent on successful extraction of tungsten ore or concentrate.

Adjoining Land

On 12 July 2005, the Group entered into an agreement with a third party vendor to acquire a 5 hectare block of land immediately on the northern boundary of the mine lease to ensure that an appropriate buffer zone is in place between the planned open pit and the Grassy township. The initial purchase price paid by the Company to the vendor to acquire this property totalled \$700,000 net of any GST. Legal costs totalled approximately \$3,000.

During the year ended 30 June 2007, the Company obtained a permit for planning and development approval to carry on an extractive industry at the mining tenement and, as agreed, paid an additional \$100,000 net of GST to the vendor.

The Group is still committed to pay the third party vendor an additional \$100,000 upon the commencement of operations.

Hunan Nonferrous Metals Corporation Ltd

Commencing 17 December 2010 and under the agreed terms relating to termination of the Dolphin Joint Venture, Australian Tungsten Pty Ltd has a liability to Hunan Nonferrous Metals Corporation Ltd which is contingent on the successful extraction of tungsten ore or concentrate from the Dolphin Project on King Island.

The amount payable is a 2% royalty on gross revenue, and the maximum royalty amount payable is \$3,900,000.

King Island Council

On 1 July 2011, the Group entered into two agreements with King Island Council that have since been registered under Part 5 of the Land Use Planning Approvals Act 1993 (TAS).

The first of these agreements provides that the Group shall pay an amount of \$50,000 inclusive of GST in each financial year of the operational life of the mine to a Trust Fund, mainly for the purpose of upgrading and developing the community facilities in Grassy and the areas surrounding Grassy.

The second of these agreements provides that the Group shall pay an amount of \$50,000 inclusive of GST in each financial year of the operational life of the mine to the King Island Council for the upgrading and improvement of the infrastructure at Grassy.

Also as part of these agreements, the Group 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 inclusive of GST per annum each and future payments will commence on the date upon which the mining of ore commences.

A17 SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of these operations or the Group's state of affairs in future financial years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SECTION B – RISK AND JUDGEMENT

This section sets out the key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. This section also outlines the significant financial risk the Group is exposed to which the directors would like to draw the attention of the readers to.

B1 FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the reporting date, there were no significant credit risks.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables

As the Group operates primarily in exploration activities, it does not have significant trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

As it has been estimated that there are no incurred losses, the Company and Group have not established an allowance for impairment in respect of other receivables and investments. The management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Carrying Amount	
		2015	2014
		\$	\$
Current			
Cash and cash equivalents	A10	1,567,911	1,029,651
Other receivables	A7	18,844	15,591
Prepayments	A7	109,970	137,915
		<u>128,814</u>	<u>153,506</u>
		<u>1,696,725</u>	<u>1,183,157</u>
Non-current deposits	A7	<u>19,600</u>	<u>19,600</u>

Impairment losses

None of the Group's other receivables are past due (2014: \$nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated	Carrying amount \$	Contractual cash	6 months or less
		flows \$	\$
30 June 2015			
Trade payables	207,164	207,164	207,164
Other trade payables and accrued expenses	123,136	123,136	123,136
30 June 2014			
Trade payables	127,878	127,878	127,878
Other trade payables and accrued expenses	116,665	116,665	116,665

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is not exposed to currency risk and at the reporting date the Group holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 30 day rolling periods.

Profile

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	Carrying amount	
	2015 \$	2014 \$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-
Variable rate instruments		
Financial assets	1,567,911	1,029,651
	1,567,911	1,029,651

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased or decreased profit and loss by \$12,988 (2014: \$8,995). This analysis assumes that all other variables remain constant.

Commodity Price Risk

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

Capital and Reserves Management

The Group's objectives when managing capital and reserves are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital and reserve structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity and debt to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

B2 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including any service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose or when acquired in a business combination.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

B3 IMPAIRMENT

The carrying amounts of the Group's assets other than, inventories (see note A11), and deferred tax assets (see note D1), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For intangible assets that are not yet available for use, the recoverable amount is estimated annually, or when facts and circumstances suggest the carrying amount may exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income unless the asset has been re-valued previously in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through the statement of profit or loss and other comprehensive income.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

B4 FINANCIAL INSTRUMENTS

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice.

	Effective interest rate %	Total \$	6 months or less \$	6-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
2015							
Cash and cash equivalents	1.65	<u>1,567,911</u>	1,567,911	-	-	-	-
2014							
Cash and cash equivalents	2.45	<u>1,029,651</u>	1,029,651	-	-	-	-

Fair values

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

	Note	Carrying amount 2015 \$	Fair value 2015 \$	Carrying amount 2014 \$	Fair value 2014 \$
Trade and other receivables	A7	148,414	148,414	173,106	173,106
Cash and cash equivalents	A10	1,567,911	1,567,911	1,029,651	1,029,651
Trade and other payables	A8	(330,300)	(330,300)	(244,543)	(244,543)
		<u>1,386,025</u>	<u>1,386,025</u>	<u>958,214</u>	<u>958,214</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SECTION C – KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

This section includes information about key management personnel's remunerations, related parties information and any transactions key management personnel or related parties may have had with the Group during the year.

C1 EMPLOYEE AND KEY MANAGEMENT PERSONNEL EXPENSES

Share-based payment transactions

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

Wages, salaries, and annual leave

Liabilities for employee benefits such as wages and salaries represent present obligations resulting from employees' services provided to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date.

	2015	2014
	\$	\$
Salaries and fees	83,787	123,040
Consulting charges	269,750	190,700
Termination benefits	-	194,484
Options expense	223,860	315,554
Superannuation	7,960	12,306
Compensation for Key Management Personnel	585,357	836,084
Decrease in annual leave provision	-	(2,147)
Salary on-costs	368	(4,052)
	<u>585,725</u>	<u>829,885</u>

C2 SHARE-BASED PAYMENTS

During the financial year there were no shares issued on the exercise of options.

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

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

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

Employee options expenses for the year ended 30 June 2015 totalled \$230,860 (2014 \$315,554).

C3 KEY MANAGEMENT PERSONNEL DISCLOSURES

Individual Directors and executive compensation disclosures

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures are required by Corporation Regulation 2M.3.03 and provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Directors' transactions with the Company or its controlled entities

Aggregate amounts payable to Directors and their Director related entities for unpaid Directors' fees, statutory superannuation owed to each Director's superannuation fund, and consulting fees at the reporting date were as follows:

	2015	2014
	\$	\$
Accounts Payable - current		
Johann Jacobs	113,483	63,063
Allan Davies	4,409	2,404
	<u>117,892</u>	<u>65,467</u>

The terms and conditions of the transactions with Directors or their Director related entities, outlined above, were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director-related entities on an arm's length basis.

C4 RELATED PARTY DISCLOSURES

Identity of related parties

The Group has a related party relationship with its subsidiaries (see Note C5), joint venture (see Note D5), and with its Directors and executive officers (see Note C3).

Other related party transactions

The classes of non-Director related parties are:

- wholly owned subsidiaries;
- partly owned subsidiaries;
- commonly controlled subsidiaries;
- joint ventures;
- associates; and
- Directors of related parties and their personally related entities.

Partly owned controlled entities

Details of interests in partly owned controlled entities are set out in Note D5.

C5 CONSOLIDATED ENTITIES

	Country of incorporation	Ownership interest	
		2015 %	2014 %
Parent entity			
King Island Scheelite Limited	Australia		
Subsidiaries			
Scheelite Management Pty Ltd	Australia	100	100
GTN Tanzania Pty Ltd	Tanzania	100	100
GTN Operations Pty Ltd	Tanzania	65	65
Australian Tungsten Pty Ltd	Australia	100	100
Balfour Management Pty Ltd	Australia	-	100
Balfour Minerals Pty Ltd	Australia	-	100
		<u>100</u>	<u>100</u>

In the financial statements of the Company, investments in controlled entities and associates are measured at cost and included with other financial assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SECTION D – OTHER DISCLOSURES

This section includes information that the directors do not consider to be significant in understanding the financial performance and position of the Group, but must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001 (Cth)* or the Corporations Regulations.

D1 INCOME TAX

Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets recorded at each reporting date are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group.

Tax consolidation

All members of the tax-consolidated group are taxed as a single entity from 1 July 2004. The head entity within the tax-consolidated group is King Island Scheelite Limited.

Current tax expense/ income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the “stand alone taxpayer” approach for each entity, as if it continued to be a taxable entity in its own right.

Any current liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the Company as amounts payable / (receivable) to / (from) other entities in the tax-consolidated group. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

As the tax-consolidated group has no income tax payable, the head entity has not entered into a tax funding arrangement in conjunction with other members of the tax-consolidated group which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Numerical reconciliation between tax benefit and pre-tax net loss

	2015	2014
	\$	\$
Loss before tax	(3,289,362)	(2,139,666)
Prima facie Income tax benefit at a tax rate of 30%	986,809	641,900
(Decrease) / Increase in income tax benefit due to:		
Income tax losses not recognised	(986,809)	(641,900)
Research and development expenditure tax rebate	-	109,824
Income tax benefit on pre-tax net loss	-	109,824
<i>Recognised in the Statement of Profit or Loss and Other Comprehensive Income</i>		
Current year benefit	-	109,824
<i>Unrecognised deferred tax assets</i>		
Revenue tax losses	11,063,289	10,135,620
Capital tax losses	1,413,355	1,413,355

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

D2 LOSSES PER SHARE

The calculation of basic and diluted losses per share for the year ended 30 June 2015 was based on the net loss attributable to ordinary shareholders of \$3,289,362 (2014: loss \$2,029,842) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2015 of 151,388,411 (2014: 133,692,816), calculated as follows:

	2015	2014
	\$	\$
Losses for the financial year attributable to ordinary shareholders	(3,289,362)	(2,029,842)
<i>Weighted average number of ordinary shares</i>		
Number of Shares	2015	2014
Issued ordinary shares at 1 July	135,152,403	96,537,291
Effect of shares issued 11 July 2013	-	16,505,599
Effect of shares issued 16 July 2013	-	20,649,926
Effect of shares issued 11 August 2014	14,950,346	-
Effect of shares issued 25 May 2015	1,101,492	-
Effect of shares issued 28 May 2015	184,170	-
Weighted average number of ordinary shares used in calculating basic and diluted losses per share	151,388,411	133,692,816

The impact of dilutive potential ordinary shares in existence during the year not been included as the company is in a loss position (2014: none).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

D3 AUDITOR REMUNERATION

	2015	2014
	\$	\$
Auditors of the Company <i>KPMG Australia</i>		
Audit and review of financial reports	41,200	40,000
Other assurance services	3,850	3,000
	<u>45,050</u>	<u>43,000</u>

The auditors of the Company KPMG Australia did not perform other services for the Group during the year (2014: \$nil).

D4 PARENT ENTITY DISCLOSURES

The Group has applied amendments to the *Corporations Act 2001 (Cth)* that remove the requirements for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the following specific parent entity disclosure.

As at, and throughout, the financial year ending 30 June 2015 the parent company of the Group was King Island Scheelite Limited.

	2015	2014
	\$	\$
Results of the parent entity		
Loss for the period	(869,823)	(1,050,694)
Other comprehensive income	-	-
Total comprehensive income for the period	<u>(869,823)</u>	<u>(1,050,694)</u>

Financial position of parent entity at year end

Current assets	1,573,680	1,060,808
Non-current assets	24,466,466	21,979,401
Total assets	<u>26,040,146</u>	<u>23,040,209</u>
Current liabilities	2,277,828	2,236,079
Total liabilities	<u>2,277,828</u>	<u>2,236,079</u>
Net Assets	<u>23,762,318</u>	<u>20,804,130</u>

Total equity of the parent entity comprising of:

Share capital	55,234,043	51,592,161
Share Option Reserve	889,414	665,555
Accumulated Losses	(32,361,139)	(31,453,586)
Total Equity	<u>23,762,318</u>	<u>20,804,130</u>

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

There are no parent entity capital commitments for acquisition of property, plant and equipment as at 30 June 2015 (2014: nil).

Contingencies

Refer to Note A16 for contingencies related to the parent entity.

D5 INTERESTS IN JOINT VENTURES

Balfour Joint Venture (BJV)

This un-incorporated joint venture with Pleiades Resources Pty Ltd (Pleiades) was created to explore mineralisation within the Balfour Tenements in north-west Tasmania.

The Company undertook a drilling program in 2009/10, recording tin-tungsten intercepts at Specimen Hill and copper-gold at Roaring 41 South. On completion of this program, the Company's interest increased from 35% to 70%, with this program and all future work managed by the Company.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Difficulties in securing a funding partner for the next exploration phase of this project meant the joint venture surrendered these tenements. The tenements were surrendered on 17 October 2013 and the joint venture has been completely dissolved, including deregistration of the legal entities.

	Ownership	
	2015 %	2014 %
Balfour Joint Venture	-	70.0%

D6 REVENUE

Revenue from the sale of goods is recognised in the statement of profit or loss and other comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

D7 FINANCING INCOME AND EXPENSES

Interest income is recognised as it accrues taking into account the effective yield on the financial asset.

Finance expenses comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

D8 DERIVATIVES

The financial entity does not hold any derivative financial instruments.

D9 GST

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

D10 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

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

The nature and effects of the changes are explained below.

Subsidiaries

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013. And there has been no impact on the control conclusion.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Joint arrangements

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

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

Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

D11 NEW ACCOUNTING STANDARDS

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from ASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141)
- AASB 14 Regulatory Deferral Accounts

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
- Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)
- Annual Improvements 2010- 2012 and 2011- 2013 Cycles.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of King Island Scheelite Limited ("the Company"):
 - (a) the consolidated financial statements and notes that are set out on pages 20 to 43 and the Remuneration Report on pages 11 to 15 in the Directors' Report, are in accordance with the *Corporations Act 2001 (Cth)*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
 - (ii) complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001 (Cth)* from the Chief Executive Officer and Company Secretary for the financial year ended 30 June 2015.
3. The Directors draw attention to Note A1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Johann Jacobs
Chairman
Sydney
26 August 2015



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 year ended 30 June 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

KPMG

Daniel Camilleri
Partner

Sydney

26 August 2015



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

Report on the financial report

We have audited the accompanying financial report of King Island Scheelite Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2015, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes A1 to D11 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note A1, the Directors also state, in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note A1.

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to note A4 in the financial report which indicates that the going concern basis is dependent on future share issues, debt raising, joint venturing or off-take agreement for the sale of tungsten. Should these additional funds not be forthcoming there is a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern and the Group may be unable to realise its assets and settle its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included on page 11 to 15 of the Directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of King Island Scheelite Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2011*.

KPMG

Daniel Camilleri
Partner

Sydney

26 August 2015

ADDITIONAL SHAREHOLDER INFORMATION

At a general meeting on a show of hands, each shareholder present in person or by proxy has one vote and on a poll each shareholder present in person or by proxy has:

- (i) one vote for each fully paid share held; and
- (ii) for each share which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

At 31 July 2015, issued capital was 165,251,702 ordinary fully paid shares held by 619 holders.

20 Largest Holders of Ordinary Shares and their Holdings at 31 July 2015

Rank	Name	Number of Shares	% of Issued Capital
1	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	25,983,239	15.7%
2	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	25,859,765	15.6%
3	MRS CATHERINE JEANE MORRITT	14,157,199	8.6%
4	MR ANTHONY JAMES HAGGARTY	8,476,604	5.1%
5	MR GIUSEPPE CORONICA	7,712,917	4.7%
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>	2,975,091	1.8%
12	MR SCOTT GILCHRIST	2,268,755	1.4%
13	MR DONALD BOYD	2,067,188	1.3%
14	CHELSEA SECURITIES LIMITED	1,938,659	1.2%
15	INTERSUISSE NOMINEES PTY LTD <CUSTODIAN A/C>	1,905,282	1.2%
16	FINMIN SOLUTIONS PTY LTD <JACOBS FAMILY S/FUND A/C>	1,694,120	1.0%
17	CARIDON PTY LTD <CARIDON P/L SUPER FUND A/C>	1,650,000	1.0%
18	RYTECH PTY LTD <RYTECH SUPERFUND A/C>	1,570,000	1.0%
19	MR ROBERT SLADE FORBES	1,500,000	0.9%
20	MR GIUSEPPE CORONICA + MRS YVONNE PRICE <G CORONICA PTY S/F A/C>	1,491,145	0.9%
Top 20 holders of ORDINARY SHARES (TOTAL)		126,703,056	76.7%

Distribution of Holders and Holdings at 31 July 2015

Range	Total holders	Number of Shares	% of Issued Capital
1 - 1,000	31	3,039	0.00%
1,001 - 5,000	110	386,166	0.23%
5,001 - 10,000	85	647,353	0.39%
10,001 - 100,000	282	10,322,406	6.25%
100,001 - 9,999,999,999	111	153,892,738	93.13%
Total	619	165,251,702	100.00%

Unmarketable Parcels at 31 July 2015

	Minimum Parcel Size	Holders	Number of Shares
Minimum \$ 500.00 parcel at \$ 0.125 per share	4,000	98	187,428

ADDITIONAL SHAREHOLDER INFORMATION CONTINUED

Substantial Shareholders at 31 July 2015

	Number of Shares	Proportion of Issued Shares
CHRYSALIS INVESTMENTS PTY LTD	26,078,220	15.8%
MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	25,983,239	15.7%
MRS CATHERINE JEANE MORRITT	14,157,199	8.6%
MR GIUSEPPE CORONICA	9,640,426	5.8%
MR ANTHONY JAMES HAGGARTY	8,476,604	5.1%

Unquoted Securities

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

<i>King Island Scheelite Limited Unquoted Options</i>			Johann Jacobs	Allan Davies	Total
			Number	Number	Number
Exercise Price per share	Vesting Date	Expiry Date			
15 cents	1 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
			4,500,000	4,500,000	9,000,000

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

Mining Tenements

The Company holds the following licences and lease. Interest

Exploration Licence EL19/2001 at Grassy, King Island (91 sq kms) (expires 14 December 2015)	100%
Mining Lease 1M/2006 at Grassy, King Island (544 hectares) (expires 5 June 2029)	100%

The Company reviewed the status of its mining lease and licences, agreeing a strategy of reducing unnecessary rental payments where possible.

The following licences were allowed to expire during the year ended 30 June 2015:

Retention Licence RL 2/1998 at Grassy, King Island (8 sq kms)

When granted, lease 1M/2006 superseded retention licence RL 2/1998. After liaising with Mineral Resources Tasmania, the Company decided to allow RL 2/1998 to lapse.

Exploration Licence EL 16/2002 at Grassy, King Island (18 sq kms)

EL 16/2002 lays entirely off-shore to the south east of Grassy, King Island, and the land tenure is Crown Land – Tasmanian Territorial Waters.

EL 16/2002 is not required for the Company's Dolphin Project. After liaising with Mineral Resources Tasmania, the Company decided to allow EL 16/2002 to lapse.

Securities Exchange Listing

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

The Company's ASX code for ordinary shares is KIS.

On-Market Buy Back

There is no on-market buy-back.

Corporate Governance Statement

The Company's Corporate Governance statement for the financial year ended 30 June 2015 is available for members to download and access from <http://kingislandscheelite.com.au/corporate-governance>