King Island Scheelite Limited and its controlled entities

ABN 40 004 681 734

Appendix 4D

31 December 2005

Results for announcement to the market:

	King Island Scheelite Group		
	Half-year ended 31 December		
	2005 $000	2004 $000	Movement %
Revenues from ordinary activities	-	-	NA (i)
(Loss) /Profit from ordinary activities after tax attributable to members	(484)	1	NA (i)
Net (loss) / profit for the period attributable to members	(484)	1	NA (i)
Loss per share - basic (cents) Loss per share - diluted (cents)	(1.56) (1.56)	0.00 0.00	

Dividends	Amount per security	Franked amount per security at 30%
2006 interim dividend 2005 final dividend paid	N/A N/A	N/A N/A
Record date for determining entitlements to the interim dividend:		N/A

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

Refer to the Directors' Report included in the half-year financial report for explanations.

Discussion and Analysis of the results for the half-year ended 31 December 2005:

(i) Refer to the Directors' Report included in the half-year financial report for commentary.

King Island Scheelite Limited

(formerly GTN Resources Ltd)

and its controlled entities

ABN 40 004 681 734

HALF YEAR REPORT

31 DECEMBER 2005

Directors' report

The directors present their report together with the half year report for the half year ended 31 December 2005 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the half year are:

Raymond Soper	(Non-executive chairman)	Appointed 18 June 1992
Anthony Haggarty	(Non-executive director)	Appointed 7 April 1998
Robin Morritt	(Non-executive director)	Appointed 24 May 2005
Andrew Plummer	(Non-executive director)	Appointed 1 March 2006

Review of operations

The Company is preparing its detailed Bankable Feasibility Study (BFS) for the King Island Scheelite Mine Redevelopment.

Geology and Geotechnical

The resource definition drill program comprising 52 core drill-holes is approaching completion with only one resource definition hole remaining. Three geotechnical drill-holes are planned to test likely pit-wall conditions.

To the 31st December 2005, total core drilling completed by King Island Scheelite Limited ("KIS") was 4,943 metres.

Modelling

Geological / geochemical logs from 600 pre-KIS drill holes have been digitized and incorporated into a 3D model of the ore environment. With the 40 resource definition holes of the current program, this 3D model now has 640 drill holes to define the ore body.

Resource Assessment

Australian Mining Consultants Pty Ltd has largely completed resource assessments for the planned open pit mine, subject only to incorporation of results from the last few resource definition holes.

Mine Design

A decision was taken during the December 2005 quarter to use Whittle 3D Pit Optimisation software to develop the optimal pit design. While further work remains to be done, the Whittle analysis supports the mine design developed during the course of the Pre-Feasibility Study.

Development of an open pit mine requires reclamation of an area towards the current shore line to provide a buffer and seawall to protect the pit.

Metallurgy

The metallurgical test program continued using samples obtained from the core drilling program, and from outcropping B and C-lens material.

Infrastructure

The KIS team investigated infrastructure support issues including power supply, water supply, disposal of tailings, accommodation, and provision of services.

Environmental and Permitting

The final Development Proposal & Environmental Management Plan (DPEMP), including commitments, was submitted to the Tasmanian Department of Primary Industries, Water and Environment (DPIWE), Mineral Resources Tasmania (MRT), King Island Council and the Community Consultative Committee.

Additional marine surveys required by DPIWE were completed.

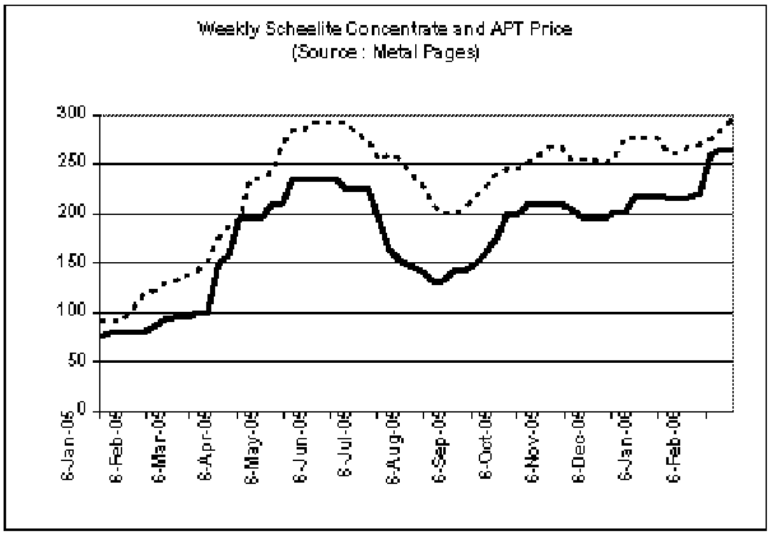
The following reports were received and incorporated into the DPEMP:

- Noise modelling.
- Mining heritage.
- Flora and fauna report.
- Valuation report.
- Coastal processes.
- Marine survey.

Marketing

Discussions have been held with companies identified as being potentially interested in the purchase of WO_3 concentrates.

Scheelite ore prices, as quoted on Metal Pages, rose US$20 per mtu during December to US$215 per mtu.



Government and Community

Dialogue continued with key Government departments with jurisdiction over elements of the mine redevelopment project. Constructive discussions have also been held with the King Island Council.

The Company has been engaging with the community, particularly through the Community Consultative Committee established for this purpose, but also through discussions with individual King Island community members.

Lead auditor's independence declaration

The lead auditor's independence declaration made under Section 307C of the Corporations Act is set out below and forms part of this Directors' Report.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

RJ Soper
Director

Sydney 15 March 2006

KPMG

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

To: the directors of King Island Scheelite Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 31 December 2005 there have been:

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

KPMG

KPMG

Anthony Jones
Partner

Sydney

15 March 2006

Income statement

For the six months ended 31 December 2005

	Note	31 Dec 2005 $000	31 Dec 2004 $000
Revenue	3	–	–
Administrative expenses	4	(312)	(72)
Operating loss before financing costs		(312)	(72)
Financial income		42	58
Financial expenses		–	–
Net financing income		42	58
Share of profit of associates accounted for using the equity method	5	–	–
Loss before tax		(270)	(14)
Income tax expense/benefit		–	–
Net (loss)/profit after tax but before profit from discontinued operations		(270)	(14)
(Loss)/profit from discontinued operations[1]		(214)	15
Net (loss)/profit for the period		(484)	1
Basic and diluted loss per share attributable to ordinary equity holders – continuing operations (cents)	6	(0.87)	(0.07)

The income statement is to be read in conjunction with the notes to the half year report set out on pages 10 to 29.

[1] On 27 June 2005 King Island Scheelite Limited disposed of its Sapphire Division.

Statement of recognised income and expense

For the six months ended 31 December 2005

	Note	31 Dec 2005 $000	31 Dec 2004 $000
Net (loss)/profit for the period		(484)	1
Total recognised income and expense for the period		(484)	1

The statement of recognised income and expense is to be read in conjunction with the notes to the half year report set out on pages 10 to 29.

Balance sheet

As at 31 December 2005

	Note	31 Dec 2005 $000	30 Jun 2005 $000
Current assets			
Cash and cash equivalents		5,019	2,264
Trade and other receivables		124	154
Inventories		28	28
Total current assets		5,171	2,446
Non-current assets			
Investments accounted for using the equity method	5	100	100
Receivables		24	24
Property, plant and equipment		-	4
Intangible assets - Exploration and evaluation expenditure		2,162	522
Intangible assets - Tungsten tenements		9,027	9,027
Other assets		1	-
Total non-current assets		11,314	9,677
Total assets		16,485	12,213
Current liabilities			
Trade and other payables		395	356
Provisions		277	47
Total current liabilities		672	403
Non-current liabilities			
Deferred tax liabilities		2,158	2,158
Total non-current liabilities		2,158	2,158
Total liabilities		2,830	2,561
Net assets		13,655	9,562

Equity			
Issued capital	7	24,349	19,942
Reserves	8	170	-
Accumulated losses	8	(10,864)	(10,380)
Total equity		13,655	9,562

The balance sheet is to be read in conjunction with the notes to the half year report set out on pages 10 to 29.

Statement of cash flows

For the six months ended 31 December 2005

	Note	31 Dec 2005 $000	31 Dec 2004 $000
Cash flows from operating activities			
Cash receipts from customers - discontinued operations		20	126
Cash paid to suppliers and employees		(262)	(323)
Interest received		42	58
Net cash from operating activities		(200)	(139)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipmen		4	-
Proceeds from sale of investments		75	-
Exploration and evaluation expenditure		(1,512)	(97)
Net cash from investing activities		(1,433)	(97)
Cash flows from financing activities			
Proceeds from the issue of share capital (net of capital raising costs)		4,388	-
Net cash from financing activities		4,388	-
Net (decrease)/increase in cash and cash equivalent		2,755	(236)
Cash and cash equivalents at 1 July		2,264	2,419
Cash and cash equivalents at 31 December		5,019	2,183

The statement of cash flows is to be read in conjunction with the notes to the half year report set out on pages 10 to 29.

Notes to the half year report

1. Significant accounting policies

King Island Scheelite Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates.

The condensed consolidated interim financial report (half year report) was authorised for issue by the directors on 10 March 2006.

(a) Statement of compliance

The half year report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

This is the consolidated entity's first AIFRS half year report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. The half year report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRS. This report must also be read in conjunction with any public announcements made by King Island Scheelite Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 12. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRS.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as available for sale are stated at their fair value.

Notes to the half year report

1. Significant accounting policies (continued)

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, 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.

This half year report has been prepared on the basis of those AIFRS that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRS, the Board has made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ended 30 June 2006.

Notes to the half year report

1. Significant accounting policies (continued)

The entity has elected early adoption of the following accounting standards:-

- AASB 132 Financial Instruments: Disclosure and Presentation;
- AASB 139 Financial Instruments: Recognition and Measurement;
- AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements, AASB 124 Related Party Disclosures;
- AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement;
- AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments : Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004);
- AASB 2005-5 Amendments to Australia Accounting Standards (June 2005) amending AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004) and AASB 139 Financial Instruments: Recognition and Measurement;
- AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB 3 Business Combinations;
- AASB 2005-7 Amendments to Australian Accounting Standards (June 2005) amending AASB 134 Interim Financial Reporting;
- AASB 2005-8 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004);
- AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) amending AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement; and
- AASB 2005-11 Amendments to Australian Accounting Standards (September 2005) amending AASB 101 Presentation of Financial Statements, AASB 112 Income Taxes, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, and AASB 141 Agriculture.

Notes to the half year report

1. Significant accounting policies (continued)

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the half year report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in this half year report. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards - AIFRS, as required by AASB 1. The impact of the transition from previous GAAP to AIFRS is explained in note 12. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy. The accounting policies have been applied consistently throughout the consolidated entity for purposes of this half year report.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the half year report from the date that control commences until the date that control ceases.

Associates

Associates are those entities for which the consolidated entity has significant influence, but not control, over the financial and operating policies. The half year report includes the consolidated entity'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 consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Joint venture operations

The interest of the consolidated entity 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

Notes to the half year report

1. Significant accounting policies (continued)

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

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the half year report.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity'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 consolidated entity's interest in such entities is disposed of.

(d) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy j).

Property, plant and equipment

Subsequent costs

The consolidated entity 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 consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement 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 and comparative periods are as follows:

The residual value, if not insignificant, is reassessed annually.

Notes to the half year report

1. Significant accounting policies (continued)

(e) Intangible assets

Exploration, and evaluation expenditure
Pre licence costs are recognised in the income statement as incurred.

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised as exploration and evaluation assets pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as intangible exploration and evaluation assets. When a licence is relinquished or a project abandoned, the related costs are recognised in profit or loss.

Exploration and evaluation assets that have reached the development and production phase are categorised as property, plant and equipment and are depreciated (amortised) on a units of production basis over the life of the economically recoverable reserve.

Tungsten tenements
Tungsten tenements are stated at cost less impairment losses (see Accounting Policy (i)). The carrying value is assessed annually for impairment.

When production commences, carried forward exploration, evaluation and mining rights will be amortised to the income statement on a units of production basis over the life of the economically recoverable reserves.

(f) Investments

Investments in debt and equity securities
Controlled entities
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Associates
In the Company's financial statements, investments in associated entities are carried at the lower of cost and recoverable amount.

(g) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy j).

(h) Cash and cash equivalents

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

Notes to the half year report

1. Significant accounting policies (continued)

(i) Impairment

The carrying amounts of the consolidated entity's assets other than deferred tax assets (see accounting policy y), 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.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has been revalued 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 income statement.

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.

(j) Earnings per share

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 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.

Notes to the half year report

1. Significant accounting policies (continued)

(k) Employee benefits

Wages, salaries, annual leave, sick leave and non monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave 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 consolidated entity expects to pay as at reporting date including related on costs, such as, workers compensation insurance and payroll tax.

Share-based payment transactions
At a general meeting on 24 May 2005, the Company agreed to issue options to nominated Directors and Executives for the considerable effort, enterprise and commitment to identifying, securing and expeditiously progressing the King Island Project. These options were issued on 4 July 2005 and may only be exercised upon the achievement of the arrangements to provide funding sufficient to develop the King Island Project, which may include but, are not limited to, equity funding, senior project debt, corporate debt, mezzanine debt, lease funding, project efficacy insurance, overrun insurance and equity reserves ("Financial Close").

Share-based payment transactions
The fair value of these options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date when the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest adjusted for the market risk of not achieving Financial Close.

(l) Provisions

A provision is recognised in the balance sheet when the consolidated entity 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.

Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) at the end of the mine life in the accounting period when the obligation arises, based on the estimated future costs discounted to present value. At the time of establishing the provision, a corresponding asset is recognised (where it gives rise to a future benefit) and is depreciated in

Notes to the half year report

1. Significant accounting policies (continued)

accordance with the policy set out in note g. The provision does not include allowances for unexpected events and is reviewed on an annual basis for changes in cost estimates and life of operations.

(m) Trade and other payables

Trade and other payable are stated at amortised cost.

(n) Revenue

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

(o) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for 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 balance sheet 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 are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the half year report

2. Segment reporting

Business and geographical segments

The consolidated entity operates predominantly within the tungsten industry in Australia.

3. Revenue

	31 Dec 2005 $000	30 Dec 2004 $000
Other revenue	-	-
Total other revenue	-	-
Total revenue	-	-

4. Administrative expenses

Administrative expenses recognised in the consolidated income statement include wages and share based payments.

For the six months ended 31 December 2005, the consolidated entity recognised an expense of $188,000 (2004 $Nil.)

At a general meeting on 24 May 2005, the Company agreed to issue options to nominated Directors and Executives for the considerable effort, enterprise and commitment to identifying, securing and expeditiously progressing the King Island Project.

These options were issued on 4 July 2005 and may only be exercised upon the achievement of the arrangements to provide funding sufficient to develop the King Island Project, which may include but, are not limited to, equity funding, senior project debt, corporate debt, mezzanine debt, lease funding, project efficacy insurance, overrun insurance and equity reserves ("Financial Close").

The fair value of these options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date when the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest adjusted for the market risk of not achieving Financial Close.

All options are not transferable or assignable and may only be settled by physical delivery of shares. The terms and conditions of options issued during the six months ended 31 December 2005 are as follows:

Notes to the half year report

4. Employee Benefits (continued)

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
First tranche options Issued 4 July 2005 to Directors and Executives	437,500	Right to convert only upon Financial Close.	5 years
Second tranche options Issued 4 July 2005 to Directors and Executives	562,500	Right to convert only upon the later of 2 years from issue date or Financial Close.	5 years

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial lattice model. The contractual life of the option (5 years) is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

	2005	2004
Fair value at measurement date	17 cents	-
Share price	70 cents	-
Exercise price	0.001 cents	-
Expected volatility	20.0%	-
Option life	5 years	-
Expected dividends	-	-
Risk free interest rate (based upon 10 year Commonwealth Government Bond rate)	5.2%	-
Market risk	10.0%	-

The expected volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information.

Notes to the half year report

5. Associates

The consolidated entity has the following investments in associates:

Name	Ownership (%)		Share of net profit ($000) 6 months ended	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
GTN Copper Technology Pty Ltd	36.3	36.3	-	-

6. (Loss)/earnings per share

Basic (Loss)/earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2005 is calculated as follows:

	31 Dec 2005 $000	31 Dec 2004 $000
(Loss)/profit attributable to ordinary shareholders	(484)	1

	Number of shares (000)	
	31 Dec 2005	31 Dec 2004
Issued ordinary shares at 1 July	30,690	19,690
Effect of shares issued to 31 December 2005	375	-
Weighted average number of ordinary shares at 31 December	31,065	19,690

Basic and diluted loss per share attributable to ordinary equity holders - continuing operations (cents)	(0.87)	(0.07)
Basic and diluted (loss)/earnings per share attributable to ordinary equity holders - discontinued operations (cents)	(0.69)	0.07

Notes to the half year report

7. Issued Capital

Share Capital

The consolidated entity recorded the following amounts within equity as a result of the issuance of ordinary shares.

	Share capital	
	31 Dec 2005	30 Jun 2005
As of December 2005	$000	$000
Ordinary shares	24,349	19,942

Fully paid ordinary	Number of shares (000)
For the 6 months ended	31 Dec 2005
On issue at 1 July	30,690
Share issued - December 2005	4,600
On issue at 31 December	35,290

First Tranche Closing Performance Shares, fully paid	
On issue at 1 July	8,000
On issue at 31 December	8,000

Second Tranche Closing Performance Shares, fully paid	
On issue at 1 July	8,000
On issue at 31 December	8,000

Notes to the half year report

7. Issued Capital (continued)

Terms of Closing Performance Shares

The first tranche closing performance shares (CPS) issued to the vendors of Australian Tungsten Pty Ltd ACN 097 562 653 ("ATPL") are exercisable at any time during the period commencing with the achievement of the funding and financing arrangements for the King Island Scheelite project (Financial Close). The second tranche CPS issued to the vendors of ATPL are exercisable at any time during the period after Financial Close and a minimum of 2 years from the date of issue.

Holders of CPS have:

a). No right to any dividend prior to conversion into ordinary shares;
b). The right to be notified by KIS of Financial Close within 5 business days of Financial Close;
c). The right on redemption and the right on winding up or reduction of capital pari passu with any other closing performance shares and pari passu with ordinary shares of KIS to the repayment of the Initial subscription amount for the closing performance shares;
d). No right to participate in the surplus profits or assets of KIS;
e). The right to receive all notices, audited accounts and the reports which the holders of ordinary shares are entitled to receive;
f). The right to attend any general meeting of KIS, but not to vote or to move or second any resolution or speak at any meeting except in respect of a resolution which directly affects any of the rights, privileges or conditions attaching to the closing performance shares or the exercise and enjoyment of such rights, privileges or conditions, in the event of which each closing performance share shall confer on its holder one vote on a show of hands and one vote on a poll;
g). Ordinary shares issued on conversion of the closing performance shares will rank pari passu in all respects with other ordinary shares of KIS. KIS will apply for quotation on the ASX of all ordinary shares of KIS issued on conversion of closing performance shares;
h). If at any time the issued capital of KIS is reorganised within the meaning of Listing Rule 7.22, all rights of closing performance shares are to be changed in a manner consistent with the Corporations Act 2001 and the Listing Rules (including but not limited to Listing Rule 7.22) and to ensure the non-dilution of the ATPL shareholders;
i). There are no participating entitlements inherent to participate in new issues of capital which may be offered to existing ordinary shareholders of KIS. Prior to any new pro rata issue of securities to existing ordinary shareholders, holders of closing performance shares will be notified by KIS;
j). If KIS makes a bonus issue of ordinary shares pro rata to existing shareholders during the currency of closing performance shares, the number of ordinary share to be issued on conversion of closing performance shares will be adjusted in accordance with the Listing Rules;

Notes to the half year report

7. Issued Capital (continued)

k). Closing performance shares are not transferable;

l). If the closing performance shares have not been converted to ordinary shares within 5 years of the allotment of closing performance shares KIS must redeem the closing performance shares by paying to the shareholder an amount equal to the initial subscription amount; and

m). Except to the extent required by law and which cannot be excluded, closing performance shares have no rights other then those expressly provided by these terms.

8. Reconciliation of equity

Consolidated	Share capital $000	Retained earnings $000	Share option reserve $000	Total $000
Balance at 1 July 2005	19,942	(10,380)	–	9,562
Shares issued	4,407	–	–	4,407
Total recognised income and expenses	–	(484)	170	(314)
Balance at 31 December 2005	24,349	(10,864)	170	13,655

Consolidated	Share capital $000	Retained earnings $000	Total $000
Balance at 1 July 2004	13,121	(10,104)	3,017
Total recognised income and expenses	–	1	1
Balance at 31 December 2004	13,121	(10,103)	3,018

9. Dividends

No dividends were paid by the Company during the six months to 31 December 2005.

Notes to the half year report

10. Contingencies

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

Bonds

KIS expects that, as mining approvals are obtained, KIS will be required by Mineral Resources Tasmania to lodge bonds

Environmental

The consolidated entity provides for all known environmental liabilities. While the directors believe that, based upon current information its provisions for environmental rehabilitation are adequate there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

Rehabilitation

The consolidated entity has certain commitments imposed by the New South Wales Department of Mineral Resources (DMR) to perform minimum exploration work on tenements. These obligations may be varied from time to time, are subject to approval and are expected to be fulfilled in the normal course of operations.

The consolidated entity has provided bank guarantees totalling $24,000 (2004: $158,000) to the DMR as mining security deposits.

Purchase price and royalty

The consolidated entity has a commitment in respect of the acquisition of the King Island Scheelite tenements (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 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.

11. Subsequent events

There has not arisen in the interval between the end of the half- year and the date of this review report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Notes to the half year report

12. Explanation of transition to AIFRS

As stated in note 1(a), this is the consolidated entity's first half year report for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRS.

The accounting policies in note 1 have been applied in preparing the half year report for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the half year report

12. Explanation of transition to AIFRS (continued)

Reconciliation of the balance sheet

$000	Note	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP	Effect of transition to AIFRS	AIFRS
			1 July 2004			31 December 2004			30 June 2005	
Cash and cash equivalents		2,419	-	2,419	2,183	-	2,183	2,264	-	2,264
Trade and other receivables		22	-	22	28	-	28	154	-	154
Inventories		422	-	422	477	-	477	28	-	28
Other financial assets		-	-	-	23	-	23	-	-	-
Total current assets		2,863	-	2,863	2,711	-	2,711	2,446	-	2,446
Investments accounted for using the equity method		100	-	100	100	-	100	100	-	100
Receivables		158	-	158	161	-	161	24	-	24
Property, plant and equipment		36	-	36	21	-	21	4	-	4
Intangible assets - Exploration and evaluation	b	249	-	249	178	-	178	809	(287)	522
Intangible assets - Tungsten tenements	c	-	-	-	-	-	-	6,944	2,083	9,027
Other assets		2	-	2	106	-	106	-	-	-
Total non-current assets		545		545	566		566	7,881	1,796	9,677
Total assets		3,408		3,408	3,277		3,277	10,327	1,796	12,123
Trade and other payables		88	-	88	51	-	51	356	-	356
Provisions		229	-	229	133	-	133	47	-	47
Total current liabilities		317	-	317	184	-	184	403	-	403
Deferred tax liabilities	c	-	75	75	-	75	75	-	2,158	2,158
Total non-current liabilities		-	75	75	-	75	75	-	2,158	2,158
Total liabilities		317	75	392	184	75	259	403	2,158	2,561
Net assets		3,091	(75)	3,016	3,093	(75)	3,018	9,924	(362)	9,562
Issued capital		13,121	-	13,121	13,121	-	13,121	19,942	-	19,942
Accumulated Losses		(10,030)	(75)	(10,105)	(10,028)	(75)	(10,103)	(10,018)	(362)	(10,380)
Total equity		3,091	(75)	3,016	3,093	(75)	3,018	9,924	(362)	9,562

Notes to the half year report

12. Explanation of transition to AIFRS (continued)

Reconciliation of profit

$000	Note	Previous GAAP	Effects of transition to AIFRS	AIFRS	Previous GAAP	Effects of transition to AIFRS	AIFRS
		For the six months ended 31 Dec 2004			For the year ended 30 Jun 2005		
Revenue	d	131	(131)	-	546	(545)	1
Other income	d	59	(59)	-	404	(404)	-
Administrative expenses	d	(189)	117	(72)	(938)	728	(210)
Operating profit / (loss) before financing costs		1	(73)	(72)	12	(221)	(209)
Financial income		-	58	58	-	111	111
Net financing income		-	58	58	-	111	111
Share of profit of associates		-	-	-	-	-	-
Profit / (Loss) before tax		1	(15)	(14)	12	(110)	(98)
Income tax expense / benefit		-	-	-	-	-	-
Net profit / (loss) after tax but before profit/(loss) from discontinued operations		1	(15)	(14)	12	(110)	(98)
Profit / (Loss) attributable to discontinued operations		-	15	15	-	(224)	(224)
Profit on sale of discontinued operations		-	-	-	-	47	47
Net profit/(loss)		1	-	1	12	(287)	(275)
Basic and diluted loss per share from continuing operations (cents)		-		(0.07)	0.06		(0.47)
Basic and diluted earnings/(loss) per share from discontinued operations (cents)		-		0.07	-		(0.85)

Notes to the half year report

12. Explanation of transition to AIFRS (continued)

Reconciliation of profit

Analysis of retained earnings

	Note	1 Jul 2004 $000	31 Dec 2004 $000	30 Jun 2005 $000
Exploration costs - pre-licence	(b)	-	-	(287)
Deferred tax	(c)	(75)	(75)	(75)
Total decrease to equity		(75)	(75)	(362)

(a) *Business combinations*
The consolidated entity has applied AASB 3 to all business combinations that have occurred since 1 July 2004 (the date of transition to AIFRS). The consolidated entity elected not to apply AIFRS retrospectively to all business combinations that occurred prior to the date of transition to AIFRS.

(b) Exploration expenditure of $287,000 incurred prior to the grant of the exploration licence was capitalised under previous GAAP. This expenditure does not qualify for recognition as an asset under AIFRS and at the date of transition to AIFRS has been adjusted accordingly.

(c) The above changes increased/(decreased) the deferred tax liability as follows:

	1 Jul 2004 $000	31 Dec 2004 $000	30 Jun 2005 $000
Recognition of tungsten reserves	-	-	2,083
Exploration and evaluation expenditure	75	-	-
Increase/(decrease) in deferred tax liability	75	-	2,083

The above movements resulted in the consolidated entity recognising deferred tax liabilities of $75,000 at 1 July 2004, $75,000 at 31 December 2004 and $2,158,000 at 30 June 2005.

(d) On transition to AIFRS other revenue was reclassified as follows:

(1) Revenue from discontinued operations has been reclassified from revenue and shown (along with the associated costs) as a net profit or loss below the result from continuing operations;

(2) Interest income to financial income ($58,000 at 31 December 2004 and $111,000 at 30 June 2005); and

(3) Proceeds from sale of non current assets to the operating expenditure at 31 December 2005 was $Nil ($Nil at 31 December 2004 and $4,000 at 30 June 2005).

Directors' declaration

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

1. the financial statements and notes set out in pages 6 to 29, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the consolidated entity as at 31 December 2005 and if its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

   (b) complying with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 15th day of March 2006.

Signed in accordance with a resolution of the directors:

RJ Soper
Director

KPMG

Independent review report to the members of King Island Scheelite Limited

Scope

The financial report and directors' responsibility

The financial report comprises the consolidated condensed interim statement of income, balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes 1 to 12 to the financial statements, and the directors' declaration for the King Island Scheelite consolidated entity ("the consolidated entity") for the half year ended 31 December 2005. The consolidated entity comprises King Island Scheelite Limited ("the company") and the entities it controlled during that half year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standards AASB 1 *First Time Adoption of Australian equivalents to International Reporting Standards.*

Review Approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our view was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Statement

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

(a) the Corporations Act 2001 including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and
  (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

Anthony Jones
Partner

Sydney
15 March 2006