

King Island Scheelite Limited

ABN 40 004 681 734

Interim Financial Statements

Six Months Ended 31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Six months interim period ended 31 December 2019		
	2019 \$	Up / Down	Movement %
Revenue from operating activities	-	-	-
Loss before interest and income tax	1,660,407	Up	10.0
Net financing loss	163,163	Up	662.6
Income tax benefit	-	-	-
Loss from ordinary activities after tax attributable to members of the parent	1,823,570	Up	19.1
Net loss for the period attributable to members	1,823,570	Up	19.1

	Cents		
Loss per share – basic	0.7	Up	16.7
Loss per share – diluted	0.7	Up	16.7

Dividends	Amount per security (cents)	Franked amount per security (cents)
2020 interim dividend	-	-
2019 final dividend paid	-	-
Record date for determining entitlements to the interim dividend:	-	-

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

Refer to the Directors' Report included in the interim financial statements for explanations.

Discussion and Analysis of the results for the six months ended 31 December 2019:

Refer to the Directors' Report included in the interim period financial report for commentary.

	Current Period	Previous corresponding period
Net Tangible Assets (Deficiency) / Surplus per ordinary share - - NTA (Shortfall) / Backing	(0.1) cents	1.0 cents

TABLE OF CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET	1
DIRECTORS' REPORT	4
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE INTERIM FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	22
AUDITOR'S INDEPENDENCE DECLARATION	23
INDEPENDENT AUDITOR'S REVIEW REPORT	24
SECURITY HOLDER INFORMATION.....	26

DIRECTORS' REPORT

The directors of King Island Scheelite Limited (**Company**) and its subsidiaries (together referred to as the **Group**) present their report together with the consolidated financial report for the six months ended 31 December 2019 and the auditor's review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Johann JOOSTE-JACOBS	(Executive Chairman)	Appointed 30 November 2012
Christopher ELLIS	(Executive Director)	Appointed 8 November 2012
Gregory HANCOCK	(Non-Executive Director)	Appointed 26 February 2019

REVIEW OF OPERATIONS

Key Points

- Significant 18% increase in KIS' Mineral Resource Estimate with Bold Head addition.
- Minelife at Dolphin mine likely to extend beyond the 8 years proposed in the Feasibility Study.
- Tungsten identified as a critical mineral by the Australian Federal Government.
- Successful third-party share placement providing cash funds of \$200,000 with the issue of 2,439,024 new shares.
- Secured, related party, loan funding of \$2,000,000 to provide the Company working capital funds.
- \$859,566 cash on hand as at 31 December 2019 (June 2019 \$454,045).

Dolphin Project

On 26 September 2019, the Company announced the results of the Bold Head Scheelite Resource Estimation carried out by external consultants, Resource and Exploration Geology. The Bold Head Scheelite Deposit is a satellite deposit to the world class Dolphin deposit located at Grassy on King Island, Tasmania, with the resources being additional to the existing Dolphin Scheelite Resource that underpins the 100% owned Dolphin Tungsten Project. Indicated and inferred JORC Resources at Bold Head are estimated to be 1.76 million tonnes at a grade of 0.91% WO₃ (at a cut-off of 0.5%).

The Company continued with laboratory testing at ALS, Burnie, to optimise the flotation flowsheet. This test work included trialing a new Multi Gravity Separator to increase the grade of the flotation concentrate to optimal specifications. Preliminary results were very encouraging, whilst the test work is on-going.

Detailed equipment selection for the gravity section of the plant is complete. It is envisaged that the flotation circuit will lag the gravity circuit by approximately six months following production scale testing to optimise this circuit.

During the period under review the Company embarked on a number of investor road shows to promote the Dolphin project, the Company and the tungsten industry. In addition, it engaged a number of international consultants to assist in financing the Project. Discussions continue with a number of parties introduced during this process.

The Australia Federal Government recently announced its strategy to provide financial and operational assistance for the development of critical minerals in Australia, with tungsten specifically named as one such critical mineral. The Company is currently investigating opportunities whereby Government assistance can be obtained.

Tungsten Market

Global tungsten prices staged a recovery in the December quarter, improving by 17% from a low during the September quarter to close the December quarter at US\$235-245/metric tonne unit (by reference to price quotations for Europe ammonium paratungstate – APT). Prices have remained stable in January as trade tensions eased with the signing of a

DIRECTORS' REPORT (continued)

US/China trade deal. The current APT price is approximately USD 240 (AUD 356) per mtu, with WO₃ concentrate typically trading at a discount of 20% to APT.

Capital Raising

During the interim period to 31 December 2019, capital was raised by way of a share placement to independent process engineering company, Gekko Systems Pty Ltd.

The share placement raised \$200,000 cash (before issue costs) upon the Company issuing, on 29 July 2019, 2,439,024 new shares at \$0.082 each.

Further details of capital raisings are set out in Note A6.

Loan Funding

During the interim period ended 31 December 2019, secured loan funding of \$2,000,000 was provided to the Group by CJRE Maritime Pty Ltd, an entity associated with the Company's director and largest shareholder, Mr Christopher Ellis. The purpose of the loan was providing the Group with working capital funds.

Key terms of the loan agreement are:

Facility	Interest only, cash advance facility of \$2,000,000.
Term	Two years.
Termination Date	5 August 2021.
Repayment	On Termination Date. Early repayment of the facility is permitted at any time.
Interest rate	Interest is calculated monthly in arrears for the period from financial close of the loan transaction until the termination date, Bank Bill Swap Rate (BBSW) plus 8% per annum.
Security	<ol style="list-style-type: none">1. Mortgage over the King Island property owned by Australian Tungsten Pty Limited (the Company's wholly owned subsidiary) being: Lot 1 on Plan 163390 located at Grassy Harbour Road, King Island, Tasmania; and2. Guarantee and indemnity given by the Company.
Purpose	The proceeds of the loan are being used to fund the Company's working capital.

At the Company's general meeting held 8 October 2019, the Company's shareholders approved Australian Tungsten Pty Limited granting the Security to CJRE Maritime Pty Ltd.

Further details regarding these loan funds are set out in Note A10.

OUTLOOK

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

Next steps are:

1. Finalise long term offtake arrangements.
2. Finalise financing package, including debt and equity.

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the interim period and the date of this Financial Report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, except for the following.

In January 2020, the Company agreed variations to the milestones contained in the tungsten offtake contract agreed with Wolfram Bergbau und Hutten AG (Wolfram) in April 2019. The offtake contract remains subject to certain financial and operational milestones being achieved prior to final steady-state production. With the lead time between financial close and production of concentrate being fifteen months, the Company is targeting production to commence in the second half of 2021.

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

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the six months ended 31 December 2019.

ROUNDING OFF

The Company is not of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 and as such, amounts in the interim financial statements and directors' report have been reported to the nearest dollar, unless otherwise stated.

COMPETENT PERSON'S STATEMENT

The Information in this report relating to Mineral Resources and Exploration Results is extracted from the following reports lodged as market announcements and available to view on the Company's web-site www.kingislandscheelite.com.au:

- "Updated Reserve Statement" released 21st September 2015
- "KIS ASX Announcement – Completion of Feasibility Study" released 3rd June 2019
- "KIS Investor Presentation Dolphin Project September 2019" released 12th September 2019
- "18% Increase in Tungsten Resources" released 26th September 2019

The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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



Johann Jacobs
Chairman
Sydney
19 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SIX MONTHS ENDED 31 DECEMBER 2019

	Note	2019	2018
		\$	\$
Other income		-	1,000
Employee expenses		(297,180)	(154,959)
Non-cash employee expense from granting of options to a Director	A8	(107,890)	-
Administration expenses		(552,667)	(290,416)
Depreciation expense	A9	(86,244)	(5,106)
Exploration & evaluation expenses		(616,426)	(1,059,650)
Loss before interest and income tax		(1,660,407)	(1,509,131)
Financial income - interest		2,901	4,711
Financial expense - interest	C1	(166,064)	(26,106)
Net financing loss		(163,163)	(21,395)
Loss before income tax		(1,823,570)	(1,530,526)
Income tax benefit		-	-
Net loss attributable to members of the parent		(1,823,570)	(1,530,526)
Other comprehensive income for the interim period, net of income tax		-	-
Total comprehensive income for the interim period		(1,823,570)	(1,530,526)
		Cents	Cents
Loss per share – basic		(0.7)	(0.6)
Loss per share – diluted		(0.7)	(0.6)

The condensed notes on pages 11 to 21 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 31 DECEMBER 2019

	Note	Ordinary fully paid shares \$	Share option reserve \$	Accumulated losses \$	Total Equity \$
Balance at 1 July 2018		57,331,166	1,206,101	(57,045,925)	1,491,342
Proceeds from capital raising	A6	2,868,878	-	-	2,868,878
Capital raising costs	A6	(216,618)	46,000	-	(170,618)
Total comprehensive income for the interim period		-	-	(1,530,526)	(1,530,526)
Balance at 31 December 2018		59,983,426	1,252,101	(58,576,451)	2,659,076
Balance at 1 July 2019		60,004,663	1,252,101	(59,920,288)	1,336,476
Proceeds from capital raising	A6	200,000	-	-	200,000
Capital raising costs	A6	(2,471)	-	-	(2,471)
Total comprehensive income for the interim period		-	107,890	(1,823,570)	(1,715,680)
Balance at 31 December 2019		60,202,192	1,359,991	(61,743,858)	(181,675)

The condensed notes on pages 11 to 21 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	31 December 2019	30 June 2019
		\$	\$
Current assets			
Cash and cash equivalents		859,566	454,045
Prepayments and other receivables		213,824	139,609
Total current assets		1,073,390	593,654
Non-current assets			
Trade and other receivables		24,600	24,600
Property, plant and equipment	A9	3,672,891	3,759,135
Total non-current assets		3,697,491	3,783,735
Total assets		4,770,881	4,377,389
Current liabilities			
Trade and other payables		232,772	333,456
Interest payable to a related party	A10	19,784	7,457
Total current liabilities		252,556	340,913
Non-current liabilities			
Secured loan payable to a related party	A10	4,700,000	2,700,000
Total non-current liabilities		4,700,000	2,700,000
Total liabilities		4,952,556	3,040,913
Net assets (deficiency) / surplus		(181,675)	1,336,476
Equity			
Issued capital	A5	60,202,192	60,004,663
Reserve	A8	1,359,991	1,252,101
Accumulated losses		(61,743,858)	(59,920,288)
(Negative Equity) / Equity		(181,675)	1,336,476

The condensed notes on pages 11 to 21 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 31 DECEMBER 2019

	Note	2019	2018
		\$	\$
Cash flows used in operating activities			
Cash paid to suppliers and employees		(1,641,172)	(1,582,584)
Interest received		2,901	4,711
Other income		-	1,000
Net cash used in operating activities		(1,638,271)	(1,576,873)
Cash flows used in investing activities			
Payments for property, plant and equipment	A9	-	(2,747,713)
Net cash used in investing activities		-	(2,747,713)
Cash flows from financing activities			
Proceeds from capital raisings	A6	200,000	2,868,878
Payments for capital raising costs	A6	(2,471)	(186,053)
Proceeds from borrowings	A10	2,000,000	2,700,000
Interest paid on borrowings		(153,737)	-
Net cash generated from financing activities		2,043,792	5,382,825
Net increase in cash and cash equivalents		405,521	1,058,239
Cash and cash equivalents at 1 July		454,045	494,360
Cash and cash equivalents at 31 December		859,566	1,552,599

The condensed notes on pages 11 to 21 are an integral part of these interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

SECTION A KEY FINANCIAL INFORMATION AND PREPARATION BASIS

A1 REPORTING ENTITY

King Island Scheelite Limited (**Company**) is a company domiciled in Australia. These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily focused on redeveloping the well-understood and high-grade tungsten deposit on King Island.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 is available upon request from the Company’s registered office at Level 26, 259 George Street, Sydney NSW 2000, or the Company’s website at www.kingislandscheelite.com.au.

A2 BASIS OF PREPARATION

These interim financial statements are general purpose financial statements prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*, and with *IAS 34 Interim Financial Reporting*.

They do not include all of the information required for a full annual financial report. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated annual financial report of the Group as at and for the year ended 30 June 2019.

These interim financial statements were approved by the Board of Directors on 19 February 2020.

The Company is not of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 and, in accordance with the Class Order, amounts in these interim financial statements and directors’ report have been rounded to the nearest dollar, unless otherwise stated.

A3 USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, the Company’s management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

The significant judgements made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the last annual consolidated annual financial report of the Group as at and for the year ended 30 June 2019.

A4 GOING CONCERN

During the half year period to 31 December 2019, the Company incurred a loss of \$1,823,570 and net cash outflows from operating activities of \$1,638,271. At 31 December 2019, cash and cash equivalents were \$859,566 and there was a net asset deficiency of \$181,675. Notwithstanding this, the financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

Management believes that forecast cash levels are sufficient to fund ongoing administration and budgeted exploration. The forecast includes a requirement to raise additional funding. The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Group to raise additional capital in the form of equity;
- the continued support of current shareholders; and
- the ability to successfully develop and extract value from its projects that are under development.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To-date, the Group has funded its activities through loans by a related party and issuance of equity securities;
- It is expected that the Group will be able to fund its future activities through further issuances of equity securities; and
- Directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities within the forecast period.

A material uncertainty exists surrounding the Group's ability to raise capital in the form of equity. If the Group is unable to raise an adequate amount within the necessary timeframe, significant doubt would be cast on the validity of the going concern assumption. If the going concern assumption is not valid, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that may need to be made should the Group no longer continue to be a going concern.

A5 ISSUED CAPITAL

	Note	31 December 2019	30 June 2019
		\$	\$
Ordinary fully paid shares	A6	60,202,192	60,004,663

A6 ORDINARY FULLY PAID SHARES

	Note	Number	\$
Balance 1 July 2018		217,289,975	57,331,166
Capital raising – 1 August 2018		27,161,418	1,493,878
Capital raising – 21 November 2018		17,187,500	1,375,000
Capital raising costs		-	(216,618)
Balance 31 December 2018		261,638,893	59,983,426
Balance 1 July 2019		261,942,279	60,004,663
Capital raising – 29 July 2019		2,439,024	200,000
Capital raising costs		-	(2,471)
Balance 31 December 2019	A5	264,381,303	60,202,192

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A7 OPTIONS MOVEMENTS

	Exercise Price per share	Expiry Date	Opening 1 July Number	Issued Number	Expired Number	Closing 31 December Number
Half year ended 31 December 2018						
Unquoted	15 cents	31 December 2018	2,000,000	-	(2,000,000)	-
Unquoted	22 cents	31 December 2019	3,000,000	-	-	3,000,000
Unquoted	28 cents	31 December 2020	4,000,000	-	-	4,000,000
Unquoted	6 cents	31 December 2022	3,000,000	-	-	3,000,000
Unquoted	8 cents	31 December 2022	3,000,000	-	-	3,000,000
Unquoted	10 cents	31 December 2022	3,000,000	-	-	3,000,000
			18,000,000	-	(2,000,000)	16,000,000
Quoted	10 cents	1 August 2021	-	15,580,737	-	15,580,737
			18,000,000	15,580,737	(2,000,000)	31,580,737
Half year ended 31 December 2019						
Unquoted	22 cents	31 December 2019	3,000,000	-	(3,000,000)	-
Unquoted	28 cents	31 December 2020	4,000,000	-	-	4,000,000
Unquoted	6 cents	31 December 2022	3,000,000	-	-	3,000,000
Unquoted	8 cents	31 December 2022	3,000,000	-	-	3,000,000
Unquoted	10 cents	31 December 2022	3,000,000	-	-	3,000,000
Unquoted	11 cents	15 October 2024	-	1,000,000	-	1,000,000
Unquoted	13 cents	15 October 2024	-	1,000,000	-	1,000,000
Unquoted	15 cents	15 October 2024	-	1,000,000	-	1,000,000
			16,000,000	3,000,000	(3,000,000)	16,000,000
Quoted	10 cents	1 August 2021	15,580,737	-	-	15,580,737
			31,580,737	3,000,000	(3,000,000)	31,580,737

A8 RESERVE

	31 December 2019	30 June 2019
	\$	\$
Share option reserve	1,359,991	1,252,101
Share option reserve movements	31 December 2019	31 December 2018
	\$	\$
Balance at 1 July	1,252,101	1,206,101
Equity settled share-based payments for the interim period	107,890	46,000
Balance at 31 December	1,359,991	1,252,101

Director's Options

On 15 October 2019, 3,000,000 new options were granted to nominees of Mr Gregory Hancock. Details relating to the Options are below.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

The options were granted at no cost to the recipient. The fair value of the options at the Grant Date is determined using the binomial model. The options expense for the interim period to 31 December 2019 totals \$107,890 (2018 \$Nil).

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 other arrangements that limit their exposure to losses that would result from share price decreases. Entering such arrangement is prohibited by law.

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

King Island Scheelite Limited Unquoted Options

Exercise Price per share	Vesting Date	Expiry Date	Johann Jacobs	Chris Ellis	Gregory Hancock	Total
			Number	Number	Number	Number
30 June 2019						
22 cents	1 Jan 2015	31 Dec 2019	1,500,000	-	-	1,500,000
28 cents	1 Jan 2016	31 Dec 2020	2,000,000	-	-	2,000,000
6 cents	31 Dec 2017	31 Dec 2022	1,000,000	1,000,000	-	2,000,000
8 cents	31 Dec 2017	31 Dec 2022	1,000,000	1,000,000	-	2,000,000
10 cents	31 Dec 2017	31 Dec 2022	1,000,000	1,000,000	-	2,000,000
			6,500,000	3,000,000	-	9,500,000
31 December 2019						
28 cents	1 Jan 2016	31 December 2020	2,000,000	-	-	2,000,000
6 cents	31 Dec 2017	31 December 2022	1,000,000	1,000,000	-	2,000,000
8 cents	31 Dec 2017	31 December 2022	1,000,000	1,000,000	-	2,000,000
10 cents	31 Dec 2017	31 December 2022	1,000,000	1,000,000	-	2,000,000
11 cents	15 Oct 2019	15 Oct 2024	-	-	1,000,000	1,000,000
13 cents	15 Oct 2019	15 Oct 2024	-	-	1,000,000	1,000,000
15 cents	15 Oct 2019	15 Oct 2024	-	-	1,000,000	1,000,000
			5,000,000	3,000,000	3,000,000	11,000,000

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A9 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings		Plant & equipment		Total	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	\$	\$	\$	\$	\$	\$
Property, Plant and Equipment carrying amounts	3,506,998	3,588,248	165,893	170,887	3,672,891	3,759,135
	<hr/>					
	Land & Buildings		Plant & equipment		Total	
Property, Plant and Equipment movements	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$	\$	\$
Cost						
Balance at 1 July	3,687,973	943,410	293,856	291,234	3,981,829	1,234,644
Additions	-	2,747,713	-	-	-	2,747,713
Balance at 31 December	3,687,973	3,691,123	293,856	291,234	3,981,829	3,982,357
Depreciation						
Balance at 1 July	(99,725)	-	(122,969)	(110,160)	(222,694)	(110,160)
Depreciation change for the half year	(81,250)	-	(4,994)	(5,106)	(86,244)	(5,106)
Balance at 31 December	(180,975)	-	(127,963)	(115,266)	(308,938)	(115,266)
Carrying amounts						
1 July	3,588,248	943,410	170,887	181,074	3,759,135	1,124,484
31 December	3,506,998	3,691,123	165,893	175,968	3,672,891	3,867,091

The carrying values of Group's properties in Grassy, Tasmania (Portside Links, 20 Waratah Street and Grassy Harbour Road, Grassy) are secured at 31 December 2019 to the extent of the total amount payable to CJRE Maritime Pty Ltd (**CJRE**) (31 December 2019 \$4,719,784).

CJRE is an entity associated with the Company's director and largest shareholder, Mr Christopher Ellis. Should the value of the proceeds from a sale of Portside Links, 20 Waratah Street and Grassy Harbour Road be greater than the amount owing to CJRE, CJRE's entitlement to the sales proceeds would be limited to the value of the amount owing.

Refer to Note A10 for further details of the Company's secured borrowing from CJRE.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A10 NON-CURRENT LIABILITIES

Borrowings

During the year ending 30 June 2019, secured loan funding of \$2,700,000 cash was provided to the Group by CJRE Maritime Pty Ltd (**CJRE**), an entity associated with Mr Christopher Ellis - the Company's director and substantial shareholder. The purpose of the loan was to allow the Group to purchase the Portside Links property adjoining the Dolphin mine at Grassy on King Island.

During the interim period ended 31 December 2019, further secured loan funding of \$2,000,000 was provided to the Group by CJRE. The purpose of the loan was providing the Group with working capital funds.

Key terms of the CJRE loan agreements are:

	First Loan (year ending 30 June 2019)	Second Loan (half year ending 31 December 2019)
Facility	Interest only, cash advance facility of \$2,700,000.	Interest only, cash advance facility of \$2,000,000.
Term	Five years.	Two years.
Termination Date	29 November 2023.	5 August 2021.
Repayment	On Termination Date. Early repayment of the facility is permitted at any time.	On Termination Date. Early repayment of the facility is permitted at any time.
Interest rate	Interest is calculated monthly in arrears: 1. For the period from financial close of the loan transaction until the date two years after commencement of production at the Group's Dolphin Project, Bank Bill Swap Rate (BBSW) plus 6% per annum; and 2. BBSW plus 11% per annum thereafter.	Interest is calculated monthly in arrears for the period from financial close of the loan transaction until the termination date, Bank Bill Swap Rate (BBSW) plus 8% per annum.
Security	First registered mortgage over two King Island properties owned by Australian Tungsten Pty Limited (the Company's wholly owned subsidiary), being: 1. Portside Links; and 2. 20 Waratah Street, Grassy. ¹	1. Mortgage over the King Island property owned by Australian Tungsten Pty Limited (the Company's wholly owned subsidiary) being: Lot 1 on Plan 163390 located at Grassy Harbour Road, King Island, Tasmania; ¹ and 2. Guarantee and indemnity given by the Company.
Purpose	The proceeds of the loan were used to fund the Group's acquisition of Portside Links.	The proceeds of the loan are being used to fund the Company's working capital.

¹ Together referred to as the "Grassy Properties".

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

The balance of the loan together with interest payable as at 31 December 2019 are detailed below.

	31 December 2019	30 June 2019
	\$	\$
Current Liability – Interest payable	19,784	7,457
Non-Current Liability – Loan balance	4,700,000	2,700,000
Total outstanding at period end	4,719,784	2,707,457

Further details regarding the loan from CJRE Maritime Pty Ltd can be found at Note C1.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

Fair Value

There is no observable market data applicable to the secured loans by CJRE to the Group.

The secured loans were for the Group to acquire the Grassy Properties, a strategic acquisition providing the Group with access to the Grassy Port and to secure all land requirements necessary for the redevelopment of the mine together with working capital funds.

Further details regarding the Grassy Properties acquisitions can be found at Note A9.

The Group had no alternative funding offers from third party lenders and was not able to secure funds on equivalent terms and conditions from an alternative financier. If sourced, an alternative financier would probably have required a higher interest rate or additional security.

It is unlikely that the Group would be able to repay the loan capital and fund the interest over an extended period whilst the Dolphin Mine is not operational. In isolation, the loan would further pressurise the Group's cashflows and negatively impact the balance sheet through the recognition of a \$4,700,000 liability and encumbering of a significant portion of the Group's assets.

The King Island property market has limited activity with low sales volumes, especially for higher value properties like the Grassy Properties. The Group is a strategic purchaser of the Grassy Properties. Should the Group wish to sell the Grassy Properties, uncertainty would exist over the availability of potential buyers and the realisable value (particularly if no strategic buyers).

The Group will require additional funding to commence mining operations at the Dolphin Mine. Further capital management initiatives (including a rights issue or a convertible note issue) are likely to be required.

As there is no observable market data applicable to the secured loans, the Company's management decided to value the loans at 31 December 2019 at carrying value (\$4,700,000 plus unpaid interest) with no fair value gain or loss.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

Discounting expected future cash flows of the secured loans over the loan term, using a risk-adjusted discount rate, results in a present value of \$4,700,000 million plus unpaid interest. The loan's interest rates are considered reasonable approximations of risk-adjusted discount rates.

The carrying amount of the secured loan, which is a Level 3 instrument, is a reasonable approximation of its fair value.

Refer to Note B1 for further details of how the Company measures fair values.

A11 DIVIDENDS

No dividends were paid by the Company during the six months to 31 December 2019 (2018 \$Nil).

A12 COMMITMENTS

Office Lease

The Group continues to occupy office space at Level 26, 259 George Street, Sydney with no fixed lease term and no other lease commitments.

Exploration

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian Government.

Details of mining tenements held at 31 December 2019 and their location are:

Tenement Reference	Details	Expiry Date	Location	Interest Held	Expenditure Commitments
				%	\$
EL 19/2001 Exploration Licence	Exploration for minerals over 67 square kilometres	14 December 2029	Grassy, King Island, Tasmania	100	\$200,000 by 14 Dec 2020
1M/2006 Mining Lease	Mining operation approved over 532 hectares Property Title CT163390/1	5 June 2029	Grassy, King Island, Tasmania	100	-
2060P/M	Mining operations approved over 35 hectares of property known as Portside Links. Property Title CT155074/1	30 June 2029 (awaiting Minister's signature)	Grassy, King Island, Tasmania	100	-

All Dolphin Project licences are in good standing at the date of this report.

A13 SEGMENT REPORTING

Business and geographical segments

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

Products and services

The Group currently explores for tungsten and is in the exploration and evaluation phase of bringing into development the King Island tungsten deposit and, as such, currently provides no products for sale.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

Geographical Areas

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

A14 CONTINGENCIES

Purchase price and royalty

The Dolphin Project has a liability to a third-party in respect of the acquisition of the tenements. If the decision to mine is taken and there is receipt of sufficient finance (at least \$1,000,000), the amount payable to the third party is \$250,000 plus an additional royalty of 1.5% on tungsten sale amounts received, after selling costs, transport costs for delivery to the buyer, and any taxes (other than income tax).

Adjoining land

On 12 July 2005 the Company entered into an agreement with a third-party vendor to acquire a 5-hectare block of land immediately on the northern boundary of the mine lease to ensure that an appropriate buffer zone is in place between the planned mine and Grassy township. The terms of this purchase were an initial payment of \$700,000 plus an additional \$100,000 payable upon the Company obtaining a permit for planning and development approval to carry on an extractive industry, both of which have been paid in full. There is a further \$100,000 payable to the third-party vendor contingent upon the commencement of operations.

Hunan Nonferrous Metals Corporation Ltd

Under the agreed terms relating to termination of the Dolphin Joint Venture, effective 17 December 2010, the Company's wholly owned subsidiary Australian Tungsten Pty Ltd has a liability to Hunan Nonferrous Metals Corporation Ltd which is contingent on the successful extraction of tungsten ore or concentrate from the Dolphin Project on King Island. The amount payable is a 2% royalty on gross revenue and the maximum royalty amount payable is \$3,900,000.

King Island Council

On 1 July 2011, the Company entered into two agreements with King Island Council that have since been registered under Part 5 of the *Land Use Planning Approvals Act 1993 (TAS)*. These agreements provide that the Company pay, in each financial year, the amounts of \$50,000 inclusive of GST to the King Island Council for upgrading and improvement of Grassy infrastructure; and \$50,000 inclusive of GST to a Trust Fund, mainly for the purpose of upgrading and developing the community facilities in Grassy and surrounding areas.

The Company paid the first instalments of these in advance, a total of \$100,000 inclusive of GST, on 1 July 2011. These advances are to be deducted from future payments over five years at the rate of \$20,000 per annum inclusive of GST. Future payments will be made over the operational life of the mine.

A15 SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the interim period and the date of this Financial Report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, except for the following.

In January 2020, the Company agreed variations to the milestones contained in the tungsten offtake contract agreed with Wolfram Bergbau und Hutten AG (Wolfram) in April 2019. The offtake contract remains subject to certain financial and operational milestones being achieved prior to final steady-state production. With the lead time between financial close and production of concentrate being fifteen months, the Company is targeting production to commence in the second half of 2021.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SECTION B RISK AND JUDGEMENT

B1 FAIR VALUES

Certain of the Group's accounting policies and disclosures require the measurement of fair values for share based payment arrangements, and financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

SECTION C KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

C1 RELATED PARTY TRANSACTIONS

Johann Jacobs

The Group continues to utilise consulting services through a company related to Mr Jacobs, effective from 1 August 2013. The material terms of this agreement are:

- (a) Provision of executive services to the Group by Mr Jacobs.
- (b) Mr Jacobs' services are required to be requested by the Group.
- (c) Consulting fees are payable to the company related to Mr Jacobs at the rate of \$2,100 per day (excluding GST). Notwithstanding this agreement, Mr Jacobs is charging the Company at the rate of \$1,600 per day on the substantial amount of work currently being done toward obtaining development funding for the Dolphin Project. Consulting fees charged by the company related to Mr Jacobs for the six months ending 31 December 2019 total \$90,869 (2018 \$106,834).
- (d) These fees are in addition to Mr Jacobs' Chairman fees payable at \$30,987 per annum, plus statutory superannuation.

Gregory Hancock

The Group also utilises consulting services through a company related to Mr Hancock, effective from 11 July 2019. The material terms of this agreement are:

- (a) Provision of consulting services to the Group by Mr Hancock.
- (b) Mr Hancock's services are required to be requested by the Group.
- (c) Consulting fees are payable to the company related to Mr Hancock at the rate of \$1,600 per day (excluding GST) on an as-required basis.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

- (d) These fees are in addition to Mr Hancock's Director fees payable at \$26,400 per annum, plus statutory superannuation.

Christopher Ellis

During the half year ended 31 December 2019, the Group borrowed an additional \$2,000,000 from CJRE Maritime Pty Ltd a company related to Mr Ellis. The total amount lent to the Group by CJRE Maritime as at 31 December 2019 was \$4,700,000 plus unpaid interest of \$19,784.

The loan was negotiated on an arm's length basis and the terms of the agreement are detailed in Note A10.

The following related party transaction charges for Directors' fees, consulting fees, underwriting fee and loan advanced to the Group were made with the Group on normal terms and conditions and in the ordinary course of business:

	Transaction Value for six months ended		Balance Outstanding		Terms
	31 Dec 2019	31 Dec 2018	31 Dec 2019	30 June 2019	
	\$	\$	\$	\$	
Directors' Fees	45,874	45,874	10,892	10,892	Payable at call
Consulting Fees	90,869	106,834	42,717	137,600	Payable at call
Underwriting Fees	-	16,576	10,674	10,674	Payable at call
	136,743	169,284	64,283	159,166	
Non-cash Remuneration					
Share based payments	107,890	-	-	-	Refer Note A8
	107,890	-	-	-	
Loan funding					
Principal	2,000,000	2,700,000	4,700,000	2,700,000	Refer Note A10
Interest	166,064	26,106	19,784	7,457	Refer Note A10
	2,166,064	2,726,106	4,719,784	2,707,457	

Refer to Note A10 for further details about the loan funding.

SECTION D OTHER DISCLOSURES

D1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

The Group has adopted AASB 16 Leases from 1 July 2019. AASB 16 removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. Management has assessed the impact of AASB 16 and with no leases, has deemed the impact to be nil.

DIRECTORS' DECLARATION

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

- (a) the condensed consolidated financial statements and notes set out on pages 7 to 21 , are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six-month period ended on that date; and
 - ii. complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Johann Jacobs
Chairman

Sydney
19 February 2020



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

To the Directors of King Island Scheelite Limited

I declare that, to the best of my knowledge and belief, in relation to the review of King Island Scheelite Limited for the half-year ended 31 December 2019 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

Shane O'Connor

Partner

Sydney

19 February 2020



Independent Auditor's Review Report

To the shareholders of King Island Scheelite Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the **Half-year** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date
- Notes A1 to D1 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises King Island Scheelite Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note A4, "Going Concern" in the Interim Financial Report. The conditions disclosed in Note A4, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of King Island Scheelite Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Shane O'Connor

Partner

Sydney

19 February 2020

SECURITY HOLDER INFORMATION

At 31 January 2020 issued capital was 264,381,303 ordinary fully paid shares held by 689 holders, 15,580,737 quoted options (exercise price 10 cents each share, expiring 1 August 2021) and 16,000,000 unquoted options (with various exercise prices and expiry dates – refer SECTION C below).

SECTION A Quoted Shares

The 20 largest shareholders at 31 January 2020 were:

Rank	Beneficial Shareholder	Number of Shares	% of Issued Capital
1	Mr Chris Ellis	58,813,278	22.2%
2	Mr Richard Willmot Chadwick & Mrs Gwenda Ann Chadwick	58,571,359	22.2%
3	Mrs Catherine Morritt	15,920,599	6.0%
4	Mr Anthony Haggarty and HFTT Pty Ltd <Haggarty Family A/C>	15,028,193	5.7%
5	Mr Giuseppe Coronica and Mrs Yvonne Coronica	8,617,509	3.3%
6	Pacific Road Provident Pty Ltd	6,276,237	2.4%
7	Ranamok Pty Ltd <Ranamok Family A/C>	5,170,590	2.0%
8	Hunan Nonferrous Metals Corporation Limited	4,450,000	1.7%
9	Finmin Solutions Pty Ltd <Jacobs Family Super Fund & The JADS A/C>	3,989,764	1.5%
10	Mr Allan J Davies & Mrs LM Davies	3,986,536	1.5%
11	Citicorp Nominees Pty Limited	3,193,402	1.2%
12	Elphinstone Holdings Pty Ltd	3,125,000	1.2%
13	Tyson Resources Pty Ltd	2,873,864	1.1%
14	Serlett Pty Ltd	2,711,241	1.0%
15	Mr Bryant James McLarty	2,635,104	1.0%
16	Gekko Systems Pty Ltd	2,439,024	0.9%
17	Mr Scott Gilchrist	2,268,755	0.9%
18	Chelsea Securities Limited	2,161,818	0.8%
19	Kesli Chemicals Pty Ltd	2,112,500	0.8%
20	Mr Donald Boyd	2,044,337	0.8%
Totals: Top 20 holders of ORDINARY SHARES (TOTAL)		206,389,110	78.2%

Distribution of shareholders and holdings at 31 January 2020:

Range	Total holders	Number of Shares	% of total Issued Capital
1 - 1,000	37	3,394	0.00
1,001 - 5,000	87	294,729	0.11
5,001 - 10,000	92	724,338	0.27
10,001 - 100,000	314	11,868,455	4.49
100,001 Over	159	251,490,387	95.12
Rounding	-	-	0.01
Total	689	264,381,303	100.00

Unmarketable Parcels	Minimum Parcel Size	Holders	Number of Shares
Minimum \$500.00 parcel at \$0.059 per Share	8,475	177	645,450

SECURITY HOLDER INFORMATION (continued)

SECTION B Quoted Options

The 20 largest quoted option holders at 31 January 2020 were:

Rank	Beneficial Option holder	Number of Options	% of total Options
1	Mr Richard Willmot Chadwick & Mrs Gwenda Ann Chadwick	3,248,410	20.8%
2	Mr Chris Ellis	3,245,721	20.8%
3	Tyson Resources Pty Ltd	1,068,182	6.9%
4	Mrs Catherine Morritt	881,700	5.7%
5	Mr Bryant James McLarty	875,033	5.6%
6	Mr Michael Damianopoulos	800,000	5.1%
7	Finmin Solutions Pty Ltd <Jacobs Family Super Fund & The JADS A/C>	700,948	4.5%
8	Kesli Chemicals Pty Ltd	500,000	3.2%
9	Mr Joshua M Chadwick	467,614	3.0%
10	Pacific Road Provident Pty Ltd	360,411	2.3%
11	Super-Man Holdings Pty Ltd <Peter Garrod Super Fund A/C>	310,477	2.0%
12	Mr Paul G Sharbanee	250,000	1.6%
13	Mr Allan J Davies & Mrs LM Davies	221,475	1.4%
14	Yavern Creek Holdings Pty Ltd	200,000	1.3%
15	Saltini Pty Ltd <Sheldrick Family S/F A/C>	175,000	1.1%
16	Mr Peter Howells	163,637	1.1%
17	Finsbury Capital Pty Ltd <Emma Waldon Super Fund A/C>	136,364	0.9%
18	Oofy Prosser Pty Ltd <Drones Family A/C>	129,546	0.8%
19	Citicorp Nominees Pty Ltd	119,081	0.8%
20	Mr Donald Boyd	113,575	0.7%
Totals: Top 20 holders of OPTIONS (TOTAL)		13,967,174	89.6%

Distribution of option holders and holdings at 31 January 2020:

Range	Total holders	Number of Options	% of total Options
1 - 1,000	29	9,880	0.06
1,001 - 5,000	29	81,946	0.53
5,001 - 10,000	10	70,149	0.45
10,001 - 100,000	36	1,501,198	9.63
100,001 Over	21	13,917,564	89.33
Rounding			0.00
Total	125	15,580,737	100.00

Unmarketable Parcels	Minimum Parcel Size	Holders	Number of Options
Minimum \$ 500.00 parcel cannot be calculated due to no price	-	-	-

SECURITY HOLDER INFORMATION (continued)

SECTION C Unquoted Options

Unquoted option holders at 31 January 2020 were:

			Johann Jacobs	Chris Ellis	Gregory Hancock	Allan Davies	Total
Exercise Price per share	Vesting Date	Expiry Date	Number	Number	Number	Number	Number
28 cents	1 Jan 2016	31 December 2020	2,000,000	-	-	2,000,000	4,000,000
6 cents	31 Dec 2017	31 December 2022	1,000,000	1,000,000	-	1,000,000	3,000,000
8 cents	31 Dec 2017	31 December 2022	1,000,000	1,000,000	-	1,000,000	3,000,000
10 cents	31 Dec 2017	31 December 2022	1,000,000	1,000,000	-	1,000,000	3,000,000
11 cents	15 Oct 2019	15 Oct 2024	-	-	1,000,000	-	1,000,000
13 cents	15 Oct 2019	15 Oct 2024	-	-	1,000,000	-	1,000,000
15 cents	15 Oct 2019	15 Oct 2024	-	-	1,000,000	-	1,000,000
			5,000,000	3,000,000	3,000,000	5,000,000	16,000,000