

King Island Scheelite Limited

ABN 40 004 681 734

Interim Financial Statements

Six Months Ended 31 December 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | Six months interim period ended 31 December 2020 | | |
|---|---|-----------|----------|
| | 2020 | Up / Down | Movement |
| | \$ | | % |
| Revenue from operating activities | - | - | - |
| Loss before interest and income tax | 1,099,772 | Down | 33.8 |
| Net financing loss | 190,479 | Up | 16.7 |
| Income tax benefit | - | - | - |
| Loss from ordinary activities after tax attributable to members of the parent | 1,290,251 | Down | 29.2 |
| Net loss for the period attributable to members | 1,290,251 | Down | 29.2 |

| | Cents | | |
|--------------------------|------------|------|------|
| Loss per share – basic | 0.5 | Down | 28.6 |
| Loss per share – diluted | 0.5 | Down | 28.6 |

| Dividends | Amount per security (cents) | Franked amount per security (cents) |
|---|--------------------------------|--|
| 2021 interim dividend | - | - |
| 2020 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 2020:

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

| | Current Period | Previous corresponding period |
|--|--------------------|----------------------------------|
| Net Tangible Assets Deficiency per ordinary share -- NTA Shortfall | (0.1) cents | (0.1) cents |

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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 2020 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

Dolphin Project

Key Points

- Significant advances at Dolphin Project resulting in revised feasibility study and updated mineral reserve estimate
- Successful metallurgical test-work completed resulting in a revised flowsheet
- Water quality management plan approved by Tasmanian EPA
- APT market prices improved by approximately 12%
- Offtake agreement with industrial metal specialist Kalon Resources secured
- Discussions of support are continuing with State and Federal authorities including the Critical Minerals Facilitation Office
- Capital raising oversubscribed, raising \$2.5 million from sophisticated investors
- \$1,766,267 cash on hand as at 31 December 2020 (June 2020 \$651,163).

On 16 December 2020, the Company released a Revised Feasibility Study ("Study") and updated Mineral Reserve Estimate on its Dolphin Tungsten Project.

Highlights included:

- An increase in the Net Present Value ("NPV") of 65%, from \$146 million to \$241 million, (pre-tax) at a discount rate of 8%)
- A pre-tax IRR of 43% with 2.25 years payback
- Increased Probable Ore Reserve to 4.43 Million tonnes at an average grade of 0.92% WO₃
- Operation life increased from 8 years to 14 years
- Average operating costs of A\$126 and A\$134 per mtu, respectively for open-cut and underground operations
- Start-up capital costs of A\$72.7 million

Discussions between the Company and the Critical Minerals Facilitation Office ("CMFO"), in addition to various other Federal, State and local authorities, progressed during the six months to 31 December 2020. These discussions are focused on obtaining support from the CMFO, Tasmanian and Federal Governments for the redevelopment of the Dolphin Mine, given its strategic and regional economic importance.

The discussions with Tasmanian State Government culminated in the Company announcing, on 2 February 2021, financial support in the form of a loan of \$10 million being granted by the State Government.

DIRECTORS' REPORT (continued)

Tungsten Market

Although tungsten has been recognized as a mineral of critical national and strategic significance, the COVID-19 pandemic has impacted global demand for the commodity. The largest global consumption of tungsten is in cutting tools used in the automotive and aircraft industries, both of which have been adversely impacted by the pandemic.

Despite reduced demand, the price of APT has increased during the six months to 31 December 2020 from a range between US\$212 and US\$215/mtu to a range of US\$240 to US\$245/mtu, an increase of approximately 12%.

Capital Raising

During the interim period to 31 December 2020, capital was raised by way of a share placement to a range of institutional and sophisticated investors, including Director Chris Ellis and other large shareholders including Elphinstone Holdings Pty Ltd.

The share placement raised \$2,568,000 cash (before issue costs) with the Company issuing 46,690,909 ordinary fully paid shares for \$0.055 each and 23,345,446 free attaching quoted options (exercise price \$0.10 each expiring 1 August 2021) based on one option for every two new shares, as follows:

1. On 2 November 2020, 39,327,271 new shares at \$0.055 each (Tranche 1); and
2. On 4 February 2021 Shares subscribed for by Chris Ellis, a director of the Company, and by selected existing large shareholders (who all agreed to be issued and allotted their Shares subject to shareholder approval) totaling 7,363,638 new shares at \$0.055 each and 23,345,446 free attaching quoted options (Tranche 2)

after shareholder approval obtained at the Company's Annual General Meeting held on 8 January 2021.

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

Loan Funding

During the interim period ended 31 December 2020, CJRE Maritime Pty Ltd, an entity associated with the Company's director and largest shareholder, Mr Christopher Ellis made a further advance of \$250,000 as permitted under the existing \$2,000,000 loan facility (**SECOND LOAN**). The purpose of the further advance was to allow the Group to complete the purchase of the Old Grassy School House in Grassy Tasmania.

Key terms of the SECOND LOAN agreement are:

| | |
|-------------------------|---|
| Facility | Interest only, cash advance facility of \$2,000,000. |
| Further Advance | Further cash advance of \$250,000 made in October 2020 as permitted by the loan agreement and on the same terms and conditions |
| 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 | 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; and |

DIRECTORS' REPORT (continued)

| | |
|----------------|--|
| | 2. Guarantee and indemnity given by the Company. |
| Purpose | The proceeds of the loan are being used to fund the Company's working capital. |

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. Secure Project Debt funding- a company has been mandated to source and secure this debt
2. Commence and finalise legal documentation on Tasmanian Government Loan
3. Continue discussions with the Federal Government, through the Critical Minerals Facilitation Office for support
4. Complete full-scale testing of a MGS to confirm throughput capacity
5. Commence and conclude equity raising to complete the funding package

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:

1. On 2 February 2021, the Company announced that it had secured an offer from the Tasmanian Government for a \$10 million finance facility to support the development and construction of the Dolphin Project. The key terms of the facility are;
 - Loan term of 10 years
 - Interest only on a monthly basis, then fixed principal plus interest payable monthly, commencing on the first day of the month following the second anniversary of the initial drawdown
 - No penalties for early repayment
 - Security and other terms, including conditions precedent are in line with facilities of this nature
 - All other capital raising necessary to deliver the project being successful
 - Formal loan and security documentation being agreed and executed
2. On 4 February 2021 the Company issued Shares subscribed for by Chris Ellis, a director of the Company, and by selected existing large shareholders (who all agreed to be issued and allotted their Shares subject to shareholder approval) totaling 7,363,638 new shares at \$0.055 each (\$405,000) and 23,345,446 free attaching quoted options (Tranche 2);
3. On 4 February 2021, 8,000,000 quoted options (exercise price \$0.10 each expiring 1 August 2021) were granted to Mac Equity as lead manager to the cash placement. The issue of quoted options is additional to a 6% capital raising fee paid to Mac Equity from the proceeds of the placement;
4. On 5 February 2021, 21,000,000 unquoted performance options were issued to the Company's three directors (7,000,000 unquoted options each) for no consideration as follows:
 - (a) Vesting subject to certain performance hurdles;

DIRECTORS' REPORT (continued)

- (b) An exercise period of five (5) years commencing from the vesting date;
- (c) Nil exercise price; and
- (d) otherwise on the terms and conditions set out in the AGM's explanatory memorandum.

after shareholder approval obtained was at the Company's Annual General Meeting held on 8 January 2021.

5. On 9 February 2021, 3,872,000 quoted options (exercise price \$0.10 each expiring 1 August 2021) were granted under a third-party corporate promoter agreement;
6. On 9 February 2021, the Company issued 1,272,880 shares (\$55,000) to a non-related party for a retainer to provide government liaison consultation;
7. On 10 February 2021, the Company issued 1,625,000 shares (\$110,000) to the Company's director Johann Jacobs upon the exercise of 1,625,000 options (1,000,000 options with an exercise price \$0.06 each expiring 31 December 2022 and 625,000 options with an exercise price \$0.08 each expiring 31 December 2022);
8. On 10 February 2021, the further advance of \$250,000 plus accrued interest of \$6,970 was repaid to CJRE Maritime Pty Ltd, an entity associated with the Company's director and largest shareholder, Mr Christopher Ellis;
9. On 16 February 2021, the Company issued 4,296,925 shares (\$429,693) with the exercise of 4,296,925 quoted options (exercise price \$0.10 each expiring 1 August 2021);
10. On 17 February 2021, the Company issued 1,700,017 shares (\$170,002) with the exercise of 1,700,017 quoted options (exercise price \$0.10 each expiring 1 August 2021); and
11. On 19 February 2021, the Company issued 843,000 shares (\$84,300) with the exercise of 84,300 quoted options (exercise price \$0.10 each expiring 1 August 2021).

DIRECTORS' REPORT (continued)

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

The lead auditor's independence declaration is set out on page 29 and forms part of the Directors' Report for the six months ended 31 December 2020.

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 Reserves, Resources and Exploration Results is extracted from reports lodged as market announcements and available to view on the Company's web-site www.kingislandscheelite.com.au.

The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements 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 announcements.

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



Johann Jacobs
Chairman
Sydney
22 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SIX MONTHS ENDED 31 DECEMBER 2020

| | Note | 2020 | 2019 |
|--|------|--------------------|--------------------|
| | | \$ | \$ |
| Other income | A11 | 55,102 | - |
| Employee expenses | | (300,125) | (297,180) |
| Non-cash employee expense from granting of options to a Director | A8 | - | (107,890) |
| Administration expenses | | (353,507) | (552,667) |
| Depreciation expense | A9 | (93,983) | (86,244) |
| Exploration & evaluation expenses | | (407,259) | (616,426) |
| Loss before interest and income tax | | (1,099,772) | (1,660,407) |
| Financial income - interest | | 340 | 2,901 |
| Financial expense - interest | | (190,819) | (166,064) |
| Net financing loss | | (190,479) | (163,163) |
| Loss before income tax | | (1,290,251) | (1,823,570) |
| Income tax benefit | | - | - |
| Net loss attributable to members of the parent | | (1,290,251) | (1,823,570) |
| Other comprehensive income for the interim period, net of income tax | | - | - |
| Total comprehensive income for the interim period | | (1,290,251) | (1,823,570) |
| | | Cents | Cents |
| Loss per share – basic | | (0.5) | (0.7) |
| Loss per share – diluted | | (0.5) | (0.7) |

The condensed notes on pages 13 to 27 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 31 DECEMBER 2020

| | Note | Ordinary fully paid shares \$ | Share option reserve \$ | Accumulated losses \$ | Total Equity \$ |
|---|------|--|-------------------------------|-----------------------------|-----------------------|
| 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) |
| Balance at 1 July 2020 | | 60,202,192 | 1,359,991 | (62,666,772) | (1,104,589) |
| Proceeds from capital raising | | 2,179,398 | - | - | 2,179,398 |
| Capital raising costs | A6 | (150,368) | - | - | (150,368) |
| Total comprehensive income for the interim period | | - | - | (1,290,251) | (1,290,251) |
| Balance at 31 December 2020 | | 62,231,222 | 1,359,991 | (63,957,023) | (365,810) |

The condensed notes on pages 13 to 27 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

| | Note | 31 December 2020 | 30 June 2020 |
|-----------------------------------|------|------------------|--------------|
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | | 1,766,267 | 651,163 |
| Prepayments and other receivables | | 203,111 | 171,538 |
| Deposit | | - | 50,000 |
| Total current assets | | 1,969,378 | 872,701 |
| Non-current assets | | | |
| Prepayments and other receivables | | 24,600 | 24,600 |
| Property, plant and equipment | A9 | 3,778,811 | 3,586,647 |
| Total non-current assets | | 3,803,411 | 3,611,247 |
| Total assets | | 5,772,789 | 4,483,948 |
| Current liabilities | | | |
| Trade and other payables | | 394,525 | 282,127 |
| Interest payable | A10 | 294,074 | 106,410 |
| Secured loan payable | A10 | 2,250,000 | - |
| Total current liabilities | | 2,938,599 | 388,537 |
| Non-current liabilities | | | |
| Secured loan payable | A10 | 2,700,000 | 4,700,000 |
| Unsecured loan payable | A10 | 500,000 | 500,000 |
| Total non-current liabilities | | 3,200,000 | 5,200,000 |
| Total liabilities | | 6,138,599 | 5,588,537 |
| Net assets (deficiency) | | (365,810) | (1,104,589) |
| Equity | | | |
| Issued capital | A5 | 62,231,222 | 60,202,192 |
| Reserve | A8 | 1,359,991 | 1,359,991 |
| Accumulated losses | | (63,957,023) | (62,666,772) |
| (Negative Equity) | | (365,810) | (1,104,589) |

The condensed notes on pages 13 to 27 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 31 DECEMBER 2020

| | Note | 2020 | 2019 |
|--|------|-----------|-------------|
| | | \$ | \$ |
| Cash flows used in operating activities | | | |
| Cash paid to suppliers and employees | | (990,661) | (1,641,172) |
| Interest received | | 340 | 2,901 |
| Interest paid on borrowings | | (3,155) | (153,737) |
| Net cash used in operating activities | | (993,476) | (1,792,008) |
| Cash flows used in investing activities | | | |
| Payments for property, plant and equipment | | (209,147) | - |
| Net cash used in investing activities | | (209,147) | - |
| Cash flows from financing activities | | | |
| Proceeds from capital raisings | A6 | 2,162,993 | 200,000 |
| Payments for capital raising costs | A6 | (150,368) | (2,471) |
| Proceeds from borrowings | A10 | 250,000 | 2,000,000 |
| Receipt of government grant | | 55,102 | (153,737) |
| Net cash generated from financing activities | | 2,317,727 | 2,197,529 |
| Net increase in cash and cash equivalents | | 1,115,104 | 405,521 |
| Cash and cash equivalents at 1 July | | 651,163 | 454,045 |
| Cash and cash equivalents at 31 December | | 1,766,267 | 859,566 |

The condensed notes on pages 13 to 27 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 2020 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 2020 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 2020.

These interim financial statements were approved by the Board of Directors on 22 February 2021.

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 2020.

A4 GOING CONCERN

During the half year period to 31 December 2020, the Company incurred a loss of \$1,290,251 and net cash outflows from operating activities of \$938,374. At 31 December 2020, cash and cash equivalents were \$1,766,267 and there was a net asset deficiency of \$365,810. 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.

Despite the ability of the Company to historically raise additional funds and restructure debt, as anticipated, further funding will be required to develop the Dolphin Project.

On 2 February 2021, the Company announced that it had secured an offer from the Tasmanian Government for a \$10 million finance facility to support the development and construction of the Dolphin Project. The drawdown of the facility is subject to certain conditions precedent which, include securing and expending all other capital required to deliver the project.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

The Company is currently in discussions with interested parties to finance the other \$62.7 million in capital required to deliver the project.

Management believes that forecast cash levels are sufficient to fund ongoing administration and budgeted exploration whilst the Company negotiates finance for the Dolphin Project. 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 exercise a minimum of 50% of the 46,926,192 quoted options on issue (exercise price \$0.10 each expiring 1 August 2021);
- the ability of the Group to raise additional funds in the form of debt or equity;
- the continued support of current shareholders; and
- the ability to successfully develop and extract value from its projects that are under development.

Since 31 December 2020 and to the date of this report, the Company has received \$683,995 upon the exercise of quoted options. Refer Note A16 for more details.

The Company has received an undertaking from CJRE Maritime Pty Ltd, an entity associated with Director Chris Ellis, that the \$2.0 million loan due for repayment on 5 August 2021 will not be called for repayment unless there are sufficient funds in the business at the repayment date.

Based on successful historical fund raisings and taking into account budgeted expenditure commitments, the Board has prepared these Financial Statements on a going concern basis.

In the event that future funds cannot be raised, 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 be required to realise its assets and discharge its liabilities other than in the normal course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

Judgement about the future is based on information available at the date of this report. Subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made.

A5 ISSUED CAPITAL

| | Note | 31 December 2020 | 30 June 2020 |
|----------------------------|------|---------------------|-------------------|
| | | \$ | \$ |
| Ordinary fully paid shares | A6 | <u>62,231,222</u> | <u>60,202,192</u> |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A6 ORDINARY FULLY PAID SHARES

| | Note | Number | \$ |
|--|------|--------------------|-------------------|
| 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 | | 264,381,303 | 60,202,192 |
| Balance 1 July 2020 | | 264,381,303 | 60,202,192 |
| Share issue (consultants)- 15 October 2020 | | 328,100 | 16,405 |
| Capital raising – 2 November 2020 | | 39,327,271 | 2,162,993 |
| Capital raising costs | | - | (150,368) |
| Balance 31 December 2020 | A5 | 304,036,674 | 62,231,222 |

A7 OPTION MOVEMENTS

| | Exercise Price per share | Expiry Date | Opening 1 July Number | Issued Number | Expired Number | Closing 31 December Number |
|---|--------------------------|------------------|-----------------------|------------------|--------------------|----------------------------|
| 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 |
| Half year ended 31 December 2020 | | | | | | |
| 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 | - | - | 12,000,000 |
| Quoted | 10 cents | 1 August 2021 | 15,580,737 | - | - | 15,580,737 |
| | | | 31,580,737 | - | (4,000,000) | 27,580,737 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A8 RESERVE

| | 31 December 2020 | 30 June 2020 |
|--|-------------------------|------------------|
| | \$ | \$ |
| Share option reserve | <u>1,359,991</u> | <u>1,359,991</u> |
| Share option reserve movements | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Balance at 1 July | 1,359,991 | 1,252,101 |
| Equity settled share-based payments for the interim period | - | 107,890 |
| Balance at 31 December | <u>1,359,991</u> | <u>1,359,991</u> |

Director's Options

No new options were granted to Directors during the six months to 31 December 2020.

The options in the previous period 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 2020 totals \$Nil (2019 \$107,890).

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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 2020 | | | | | | |
| 28 cents | 1 Jan 2016 | 31 December 2020 | 2,000,000 | - | - | 2,000,000 |
| 6 cents | 21 Dec 2017 | 31 Dec 2022 | 1,000,000 | 1,000,000 | - | 2,000,000 |
| 8 cents | 21 Dec 2017 | 31 Dec 2022 | 1,000,000 | 1,000,000 | - | 2,000,000 |
| 10 cents | 21 Dec 2017 | 31 Dec 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 |
| 31 December 2020 | | | | | | |
| 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 |
| | | | 3,000,000 | 3,000,000 | 3,000,000 | 9,000,000 |

On 5 February 2021, 21,000,000 unquoted performance options were issued to the Company's three directors (7,000,000 unquoted options each) for no consideration as follows:

- Vesting subject to certain performance hurdles;
- An exercise period of five (5) years commencing from the vesting date;
- Nil exercise price; and
- otherwise on the terms and conditions set out in the AGM's explanatory memorandum.

after shareholder approval was obtained at the Company's Annual General Meeting held on 8 January 2021.

On 10 February 2021, the Company issued 1,625,000 shares (\$110,000) to the Company's director Johann Jacobs upon the exercise of 1,625,000 options (1,000,000 options with an exercise price \$0.06 each expiring 31 December 2022 and 625,000 options with an exercise price \$0.08 each expiring 31 December 2022);

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A9 PROPERTY, PLANT AND EQUIPMENT

| | Land & Buildings | | Plant & equipment | | Total | |
|---|------------------|-----------|-------------------|---------|------------------|-----------|
| | 31 | 30 | 31 | 30 | 31 | 30 |
| | December | June | December | June | December | June |
| | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Property, Plant and Equipment carrying amounts | 3,596,100 | 3,425,748 | 182,711 | 160,899 | 3,778,811 | 3,586,647 |

| | Land & Buildings | | Plant & equipment | | Total | |
|--|------------------|-----------|-------------------|-----------|------------------|-----------|
| | 31 | 31 | 31 | 31 | 31 | 31 |
| | December | December | December | December | 31 December | December |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Property, Plant and Equipment movements | | | | | | |
| Cost | | | | | | |
| Balance at 1 July | 3,687,973 | 3,687,973 | 293,856 | 293,856 | 3,981,829 | 3,981,829 |
| Additions | 259,147 | - | 27,000 | - | 286,147 | - |
| Balance at 31 December | 3,947,120 | 3,687,973 | 320,856 | 293,856 | 4,267,976 | 3,981,829 |
| Depreciation | | | | | | |
| Balance at 1 July | (262,226) | (99,725) | (132,956) | (122,969) | (395,182) | (222,694) |
| Depreciation change for the half year | (88,794) | (81,250) | (5,189) | (4,994) | (93,983) | (86,244) |
| Balance at 31 December | (351,020) | (180,975) | (138,145) | (127,963) | (489,165) | (308,938) |
| Carrying amounts | | | | | | |
| 1 July | 3,425,748 | 3,588,248 | 160,899 | 170,887 | 3,586,647 | 3,759,135 |
| 31 December | 3,596,100 | 3,506,998 | 182,711 | 165,893 | 3,778,811 | 3,672,891 |

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 2020 to the extent of the total amount payable to CJRE Maritime Pty Ltd (**CJRE**) (31 December 2020 \$5,227,133).

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

The balance of the loan together with interest payable as at 31 December 2020 are detailed below.

| | 31 December 2020 | 30 June 2020 |
|---|---------------------|-----------------|
| Secured loan by CJRE Maritime Pty Ltd (CJRE) | | |
| Current Liability – Interest payable | 277,133 | 102,109 |
| Current Liability – Loan balance | 2,250,000 | - |
| Non-Current Liability – Loan balance | 2,700,000 | 4,700,000 |
| | 5,227,133 | 4,802,109 |
| Unsecured loan by Abex Resource Holdings Pty Ltd (Abex) | | |
| Current Liability – Interest payable | 16,941 | 3,913 |
| Non-Current Liability – Loan balance | 500,000 | 500,000 |
| | 516,941 | 503,913 |
| Danaquil Pty Ltd | | |
| Current Liability – Interest payable | - | 388 |
| | - | 388 |
| Total Current Liability – Interest Payable | | |
| Related Party | 277,133 | 102,109 |
| Third Parties | 16,941 | 4,301 |
| | 294,074 | 106,410 |
| Total Current Liability – Loan principal (Related Parties) | | |
| Related Party | 2,250,000 | - |
| Third Parties | - | - |
| | 2,250,000 | - |
| Total Non-Current Liability – Loan principal (Related Parties) | | |
| Related Party | 2,700,000 | 4,700,000 |
| Third Parties | 500,000 | 500,000 |
| | 3,200,000 | 5,200,000 |
| | 5,744,074 | 5,306,410 |

During the year ended 30 June 2019, secured loan funding of \$2,700,000 cash was provided to the Group by CJRE Maritime Pty Ltd (**CJRE**) (**FIRST LOAN**), 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 (**SECOND LOAN**). The purpose of the loan was providing the Group with working capital funds.

During the interim period ended 31 December 2020, CJRE made a further advance of \$250,000 as permitted under the provisions of the SECOND LOAN Agreement. The purpose of the loan was to allow the Group to complete the purchase of the Old Grassy School House.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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. Further cash advance of \$250,000 made on 7 October 2020 as permitted by the second loan agreement and on the same terms and conditions |
| 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. |

The Company has received an undertaking from CJRE Maritime Pty Ltd, an entity associated with Director Chris Ellis, that the \$2.0 million loan due for repayment on 5 August 2021 will not be called for repayment unless there are sufficient funds in the business at the repayment date

¹ Together referred to as the "Grassy Properties".

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

During the year ending 30 June 2020, unsecured loan funding of \$500,000 cash was provided to the Group by Abex Resource Holdings Pty Ltd (Abex), an entity associated with the Company's substantial shareholders, Mr Richard and Mrs Gwenda Chadwick. The purpose of the loan was to provide the Group with working capital funds.

The term of the loan is for two years, with termination on 6 May 2022. Interest accrues monthly in arrears at Bank Bill Swap Rate (BBSW) plus 5% per annum and is capitalised.

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 and Abex Resource Holdings 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 \$5,450,000 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 there are 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 2020 at carrying value (\$5,450,000 plus unpaid interest) with no fair value gain or loss.

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 \$5,450,000 million plus unpaid interest. The loan's interest rates are considered reasonable approximations of risk-adjusted discount rates.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

The carrying amount of the secured loans, which are 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 OTHER INCOME

| | 31 December 2020 | 31 December 2019 |
|----------------------------------|---------------------|---------------------|
| | \$ | \$ |
| ATO cash boost stimulus received | 55,102 | - |
| Other income | 55,102 | - |

A12 DIVIDENDS

No dividends were paid by the Company during the six months to 31 December 2020 (2019 \$Nil).

A13 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 2020 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 24 Dec 2022 |
| CML 2080P/M Mining Lease | Mining operation approved over 566ha of combined Mining Lease ML 1M/ 2006 and ML 2060 P/M | 5 June 2029 | Grassy, King Island, Tasmania | 100 | - |

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

A14 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

Products and services

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

Geographical Areas

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

A15 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.

A16 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:

1. On 2 February 2021, the Company announced that it had secured an offer from the Tasmanian Government for a \$10 million finance facility to support the development and construction of the Dolphin Project. The key terms of the facility are;
 - Loan term of 10 years

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

- Interest only on a monthly basis, then fixed principal plus interest payable monthly, commencing on the first day of the month following the second anniversary of the initial drawdown
 - No penalties for early repayment
 - Security and other terms, including conditions precedent are in line with facilities of this nature
 - All other capital raising necessary to deliver the project being successful
 - Formal loan and security documentation being agreed and executed
2. On 4 February 2021 the Company issued Shares subscribed for by Chris Ellis, a director of the Company, and by selected existing large shareholders (who all agreed to be issued and allotted their Shares subject to shareholder approval) totaling 7,363,638 new shares at \$0.055 each (\$405,000) and 23,345,446 free attaching quoted options (Tranche 2);
 3. On 4 February 2021, 8,000,000 quoted options (exercise price \$0.10 each expiring 1 August 2021) were granted to Mac Equity as lead manager to the cash placement. The issue of quoted options are additional to a 6% capital raising fee paid to Mac Equity from the proceeds of the placement; and
 4. On 5 February 2021, 21,000,000 unquoted performance options were issued to the Company's three directors (7,000,000 unquoted options each) for no consideration as follows:
 - (a) Vesting subject to certain performance hurdles;
 - (b) An exercise period of five (5) years commencing from the vesting date;
 - (c) Nil exercise price; and
 - (d) otherwise on the terms and conditions set out in the AGM's explanatory memorandum.after shareholder approval obtained was at the Company's Annual General Meeting held on 8 January 2021.
 5. On 9 February 2021, 3,872,000 quoted options (exercise price \$0.10 each expiring 1 August 2021) were granted under a third-party corporate promoter agreement;
 6. On 9 February 2021, the Company issued 1,272,880 shares (\$55,000) to a non-related party for a retainer to provide government liaison consultation;
 7. On 10 February 2021, the Company issued 1,625,000 shares (\$110,000) to the Company's director Johann Jacobs upon the exercise of 1,625,000 options (1,000,000 options with an exercise price \$0.06 each expiring 31 December 2022 and 625,000 options with an exercise price \$0.08 each expiring 31 December 2022);
 8. On 10 February 2021, the further advance of \$250,000 plus accrued interest of \$6,970 was repaid to CJRE Maritime Pty Ltd, an entity associated with the Company's director and largest shareholder, Mr Christopher Ellis;
 9. On 16 February 2021, the Company issued 4,296,925 shares (\$429,693) upon the exercise of 4,296,925 quoted options (exercise price \$0.10 each expiring 1 August 2021);
 10. On 17 February 2021, the Company issued 1,700,017 shares (\$170,002) with the exercise of 1,700,017 quoted options (exercise price \$0.10 each expiring 1 August 2021); and
 11. On 19 February 2021, the Company issued 843,000 shares (\$84,300) with the exercise of 84,300 quoted options (exercise price \$0.10 each expiring 1 August 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 2020 total \$82,234 (2019 \$90,869).
- (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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

- (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. Consulting fees charged by the company related to Mr Hancock for the six months ending 31 December 2020 total \$6,400 (2019 \$0).
- (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 2020, the Group borrowed an additional \$250,000 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 2020 was \$4,950,000 plus unpaid interest of \$277,133.

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

This is in addition to Mr Ellis' Director fees payable at \$26,400 per annum, plus statutory superannuation.

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 2020 | 31 Dec 2019 | 31 Dec 2020 | 30 June 2020 | |
| | \$ | \$ | \$ | \$ | |
| Directors' Fees | 45,874 | 45,874 | 25,346 | 16,914 | Payable at call |
| Consulting Fees | 88,634 | 90,869 | 42,717 | 34,717 | Payable at call |
| Underwriting Fees | - | - | - | 10,674 | Payable at call |
| | 134,508 | 136,743 | 68,063 | 62,305 | |
| Non-cash Remuneration | | | | | |
| Share based payments | - | 107,890 | - | - | Refer Note A8 |
| | - | 107,890 | - | - | |
| Loan funding | | | | | |
| Principal | 250,000 | 2,000,000 | 4,950,000 | 4,700,000 | Refer Note A10 |
| Interest | 175,024 | 166,064 | 277,133 | 102,109 | Refer Note A10 |
| | 425,024 | 2,166,064 | 5,227,133 | 4,802,109 | |

On 5 February 2021, 21,000,000 unquoted performance options were issued to the Company's three directors (7,000,000 unquoted options each) for no consideration as follows:

- (a) Vesting subject to certain performance hurdles;
- (b) An exercise period of five (5) years commencing from the vesting date;
- (c) Nil exercise price; and
- (d) otherwise on the terms and conditions set out in the AGM's explanatory memorandum.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

after shareholder approval was obtained at the Company's Annual General Meeting held on 8 January 2021.

On 10 February 2021, the further advance of \$250,000 plus accrued interest of \$6,970.07 was repaid to CJRE Maritime Pty Ltd, an entity associated with the Company's director and largest shareholder, Mr Christopher Ellis.

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 2020.

DIRECTORS' DECLARATION

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

- (a) the condensed consolidated financial statements and notes set out on pages 9 to 27 , 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 2020 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
22 February 2021



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 2020 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

Shane O'Connor

Partner

Sydney

22 February 2021



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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2020;
- 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; and
- 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.

The **Interim Period** is the 6 months ended on 31 December 2020.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Material uncertainty related to going concern

We draw attention to Note A4, "Going Concern" in the Interim Financial Report. The events or 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

A review of an Interim Period 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.

KPMG

Shane O'Connor

Partner

Sydney

22 February 2021

SECURITY HOLDER INFORMATION

At 29 January 2021 issued capital was 304,036,674 ordinary fully paid shares held by 1,035 holders, 15,580,737 quoted options (exercise price 10 cents each share, expiring 1 August 2021) and 12,000,000 unquoted options (with various exercise prices and expiry dates – refer SECTION C below).

SECTION A Quoted Shares

The 20 largest shareholders at 29 January 2021 were:

| Rank | Beneficial Shareholder | Number of Shares | % of Issued Capital |
|--|--|--------------------|---------------------|
| 1 | Mr Chris Ellis | 58,813,278 | 19.34% |
| 2 | Mr Richard Willmot Chadwick & Mrs Gwenda Ann Chadwick | 58,571,359 | 19.26% |
| 3 | Mrs Catherine Morritt | 15,920,599 | 5.24% |
| 4 | Mr Anthony Haggarty and HFTT Pty Ltd <Haggarty Family A/C> | 14,998,952 | 4.93% |
| 5 | BNP Paribas Nominees Pty Ltd <LG Bank AG DRP> | 8,922,861 | 2.93% |
| 6 | Mr Giuseppe Coronica and Mrs Yvonne Coronica | 8,270,000 | 2.72% |
| 7 | Mr Andrew Plummer | 5,170,590 | 1.70% |
| 8 | Hunan Nonferrous Metals Corporation Limited | 4,450,000 | 1.46% |
| 9 | Finmin Solutions Pty Ltd <Jacobs Family Super Fund & The JADS A/C> | 3,989,764 | 1.31% |
| 10 | Mr Allan J Davies & Mrs LM Davies | 3,986,536 | 1.31% |
| 11 | Tyson Resources Pty Ltd | 3,562,500 | 1.17% |
| 12 | Elphinstone Holdings Pty Ltd | 3,125,000 | 1.03% |
| 13 | Serlett Pty Ltd | 2,765,787 | 0.91% |
| 14 | Mr Bryant James McLarty | 2,636,862 | 0.87% |
| 15 | Citicorp Nominees Pty Limited | 2,602,305 | 0.86% |
| 16 | BNP Paribas Nominees Pty Ltd <IB AU NOMS Retailclient DRP> | 2,441,303 | 0.80% |
| 17 | Gekko Systems Pty Ltd | 2,439,024 | 0.80% |
| 18 | Kesli Chemicals Pty Ltd | 2,326,136 | 0.77% |
| 19 | Mr Scott Gilchrist | 2,268,755 | 0.75% |
| 20 | Mr Donald Boyd | 2,044,337 | 0.67% |
| Totals: Top 20 holders of ORDINARY SHARES (TOTAL) | | 209,305,948 | 68.8% |

Distribution of shareholders and holdings at 29 January 2021:

| Range | Total holders | Number of Shares | % of total Issued Capital |
|------------------|---------------|--------------------|---------------------------|
| 1 - 1,000 | 43 | 4,488 | 0.00 |
| 1,001 - 5,000 | 117 | 431,343 | 0.14 |
| 5,001 - 10,000 | 144 | 1,141,517 | 0.38 |
| 10,001 - 100,000 | 496 | 20,634,769 | 6.79 |
| 100,001 Over | 235 | 281,824,557 | 92.69 |
| Rounding | - | - | 0.00 |
| Total | 1035 | 304,036,674 | 100.00 |

| Unmarketable Parcels | Minimum Parcel Size | Holders | Number of Shares |
|--|---------------------|---------|------------------|
| Minimum \$500.00 parcel at \$0.13 per Share | 3,847 | 103 | 168,066 |

SECURITY HOLDER INFORMATION (continued)

SECTION B Quoted Options

The 20 largest quoted option holders at 29 January 2021 were:

| Rank | Beneficial Option holder | Number of Options | % of total Options |
|--|--|-------------------|--------------------|
| 1 | Mr Richard Willmot Chadwick & Mrs Gwenda Ann Chadwick | 3,248,410 | 20.85% |
| 2 | Mr Christopher Ellis | 3,245,721 | 20.83% |
| 3 | Tyson Resources Pty Ltd | 1,068,182 | 6.86% |
| 4 | Mrs Catherine Jeane Morritt | 881,700 | 5.66% |
| 5 | Mr Bryant James McLarty <The McLarty Family A/C> | 875,033 | 5.62% |
| 6 | Mr Michael Damian | 787,835 | 5.06% |
| 7 | Mr Johann Jacobs | 700,948 | 4.50% |
| 8 | Kesli Chemicals Pty Ltd <Ruana S/F A/C> | 500,000 | 3.21% |
| 9 | Paradisium Pty Ltd | 491,523 | 3.15% |
| 10 | Mr Joshua M Chadwick <JMC Family A/C> | 467,614 | 3.00% |
| 11 | Invia Custodian Pty Limited <Pacific Road Provident A/C> | 260,411 | 1.67% |
| 12 | Invia Custodian Pty Limited <AJ & LM Davies Family A/C> | 221,475 | 1.42% |
| 13 | Mr Mohamed Imran Jumar | 200,000 | 1.28% |
| 14 | BNP Paribas Nominees Pty Ltd <LGT Bank AG DRP> | 150,835 | 0.97% |
| 15 | Finsbury Capital Pty Ltd <Emma Waldon Super Fund A/C> | 136,364 | 0.88% |
| 16 | Dow Dow Limited | 132,225 | 0.85% |
| 17 | Oofy Prosser Pty Ltd <Drones Family A/C> | 129,546 | 0.83% |
| 18 | Mr Donald Boyd | 113,575 | 0.73% |
| 19 | Mr Colin Mackay | 100,000 | 0.64% |
| 20 | Mr Gary Jon Booth | 100,000 | 0.64% |
| 20 | Mr Graeme Drew & Mrs Barbara Jane Drew <The Drew Family S/F A/C> | 100,000 | 0.64% |
| 20 | Mr Mark Frederick Harris & Mrs Amanda Jane Harris <Harris Fam Future Fund A/C> | 100,000 | 0.64% |
| 20 | Mr Peter Russell King | 100,000 | 0.64% |
| Totals: Top 20 holders of OPTIONS (TOTAL) | | 14,111,397 | 90.57% |

Distribution of option holders and holdings at 29 January 2021:

| 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 | 42 | 1,856,975 | 11.92 |
| 100,001 Over | 20 | 13,561,787 | 87.04 |
| Rounding | | | 0.00 |
| Total | 130 | 15,580,737 | 100.00 |

| Unmarketable Parcels | Minimum Parcel Size | Holders | Number of Options |
|---|---------------------|---------|-------------------|
| Minimum \$ 500.00 parcel at \$0.05 per unit | 10,000 | 67 | 151,975 |

SECURITY HOLDER INFORMATION (continued)

SECTION C Unquoted Options

Unquoted option holders at 29 January 2021 were:

| | | | Johann Jacobs | Chris Ellis | Gregory Hancock | Allan Davies | Total |
|---|---------------------|--------------------|--------------------------|------------------------|----------------------------|-------------------------|-------------------|
| Exercise Price per share | Vesting Date | Expiry Date | Number | Number | Number | Number | Number |
| 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 |
| | | | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 12,000,000 |