



Prospectus

King Island Scheelite Limited ACN 004 681 734

Renounceable pro rata entitlement offer of 1 New Share for every 8 Existing Shares (and 1 New Option for every 2 New Shares issued) at an offer price of \$0.055 per New Share to raise approximately \$1.49 million (before the exercise of any New Options)

Last date for acceptance and payment: 5.00pm (Sydney time) on Friday, 13 July 2018

If you are an Eligible Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document, you have any questions about the securities being offered for issue under it or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

Legal Adviser

Lawyers | **McCullough
Robertson**

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IMPORTANT NOTICES

General

This Prospectus is dated 19 June 2018. A copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of any investment under this Prospectus. No Shares or Options will be allotted or transferred on the basis of this Prospectus after the expiry date. This Prospectus expires on 19 July 2019.

No person may give any information or make a representation about the Entitlement Offer, which is not in this Prospectus. Information or representations not in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the Entitlement Offer.

This Prospectus provides information for investors to decide if they wish to invest in KIS. Read this document in its entirety. Examine the assumptions underlying the risk factors that could affect the financial performance of KIS. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Entitlement Offer does not take into account the investment objectives, financial situation or needs of particular investors.

Australian and New Zealand residents only

The New Shares and New Options to be issued under this Prospectus are only offered to Eligible Shareholders, being Shareholders with a registered address in Australia or New Zealand at 7.00pm (Sydney time) on the Record Date.

The offer is available to Australian and New Zealand residents having a registered address in those jurisdictions. The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law. Seek advice on and observe any restrictions. This Prospectus is not an offer in any place where, or to any person to whom, it would not be lawful to make the offer.

Special notice to New Zealand Resident investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this offer is made under chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities for this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is Australian dollars. The value of the financial products will go up or down according to changes in the exchange rate between the Australian and New Zealand dollar. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Electronic prospectus

This Prospectus is available electronically at www.kingislandscheelite.com.au. Electronic versions of this Prospectus should be downloaded and read in their entirety. Obtain a paper copy of the Prospectus (free of charge) by telephoning +61 2 8622 1402. Applications for New Shares and New Options may only be made on the Entitlement and Acceptance Form accompanying this Prospectus or in its paper copy form downloaded in its entirety from www.kingislandscheelite.com.au.

Exposure period

No exposure period applies to this Prospectus by operation of the Corporations Act (in respect of the New Shares) and the ASIC Corporations (Exposure Period) Instrument 2016/74 (in respect of the New Options).

Privacy

The Company and the share registry collect, hold and use personal information received from you to communicate and provide services to you as a Shareholder. The Company may disclose information to its agents, service providers (such as the share registry) and government bodies. The Company's privacy policy sets out how you may access, correct and update the personal information that the Company holds about you (by contacting the share registry), how you can complain about privacy related matters and how the Company responds to complaints.

Defined terms

Capitalised terms used in this Prospectus are defined in the Glossary.

Currency

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Photographs and diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

Letter from the Chairman

19 June 2018

Dear Shareholder

On behalf of your Board, it gives me great pleasure to offer you this opportunity to increase your investment in KIS through participation in this 1 for 8 renounceable pro rata issue of new KIS shares (**New Shares**), and 1 option for every 2 New Shares issued (**New Options**) on the terms set out in the Annexure to this Prospectus.

The Offer Price represents an 18% discount to the closing price of KIS on 18 June 2018 and is open to Eligible Shareholders holding Shares on the Record Date of Tuesday, 26 June 2018.

KIS intends to raise approximately \$1.49 million (before direct offer costs) through the issue of approximately 27,161,246 Shares under the Entitlement Offer. In addition, if all of the available New Options are issued and exercised, KIS will raise an additional amount of approximately \$1.35 million.

All the Directors of the Company as well as an existing Shareholder, Mr Richard Chadwick and Mrs Gwenda Chadwick (either personally or through their associated entities) have committed to take up their full Entitlements under the Entitlement Offer. Chris Ellis (through his associated entities) and Mr Richard Chadwick and Mrs Gwenda Chadwick (either personally or through their associated entities) have also agreed to underwrite the balance of Entitlements not taken up under the Entitlement Offer. In addition, I (either personally or through my related entities), have agreed to sub-underwrite the Entitlement Offer up to an amount of \$120,000. For further details on the potential control effects of the offer and these underwriting arrangements, see sections 5 and 8.3.

The Board intends to use the proceeds of the Entitlement Offer primarily to fund the ongoing feasibility into the redevelopment of the Company's Dolphin Project, as detailed further in section 1.3 of this Prospectus.

The number of New Shares you are entitled to subscribe for under the Entitlement Offer (**Entitlement**) is set out in your personalised Entitlement and Acceptance Form accompanying this Prospectus.

If you take up your Entitlement, you can also apply for additional Shares under a 'top-up' facility (refer to section 3.2 of this Prospectus for more information).

The Entitlement Offer is renounceable. Therefore, if you do not wish to take up your Entitlement, you may sell all or part of your Entitlement on ASX between Monday, 25 June 2018 and Friday, 6 July 2018 or transfer all or part of your Entitlement directly to another person. A market will be established by KIS on ASX to facilitate the trading of Entitlements. The Entitlements will be quoted on the ASX under the ticker symbol '**KISO**'.

The Entitlement Offer closes at 5.00pm (Sydney time) on Friday, 13 July 2018.

Please read in full the details on how to submit your application, which are set out in this Prospectus. For further information about the Entitlement Offer, please call the Company's secretary, Ian Morgan, on +61 2 8622 1402, or visit the Company's website at www.kingislandscheelite.com.au.

You should also consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Entitlement Offer.

On behalf of the Board, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours faithfully

A handwritten signature in black ink, appearing to be 'J. Jacobs', written over a horizontal line.

Johann Jacobs
Chairman
King Island Scheelite Limited

1 Investment overview

1.1 Summary offer details

| Terms of offer | Details |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Offer Price per New Share | \$0.055 |
| Ratio | 1 New Share for every 8 Existing Shares |
| Total number of New Shares offered under this Prospectus | 27,161,246 |
| Total number of New Options offered under this Prospectus | 13,580,623 |
| Total number of Shares on issue following the Entitlement Offer (before the exercise of any New Options) | 244,451,221 |
| Total amount to be raised under the Entitlement Offer (before the exercise of any New Options) | \$1,493,868 |
| Amount to be raised if all available New Options are issued and exercised | \$1,358,062 |
| Market capitalisation at the Offer Price (before the exercise of any New Options) after the issue of the New Shares | \$13,444,817 |

1.2 Important dates

| Event | Date |
|--------------------------------------------------------------------------|-------------------------|
| Prospectus date | Tuesday, 19 June 2018 |
| Announcement of the Entitlement Offer | Tuesday, 19 June 2018 |
| Ex date and start of Entitlements trading on a deferred settlement basis | Monday, 25 June 2018 |
| Record Date for Entitlement Offer (7.00pm, Sydney time) | Tuesday, 26 June 2018 |
| Prospectus and Entitlement and Acceptance Form despatched | Friday, 29 June 2018 |
| Offer opens | Friday, 29 June 2018 |
| Entitlements trading ends (4.00pm Sydney time) | Friday, 6 July 2018 |
| Shares quoted on a deferred settlement basis | Monday, 9 July 2018 |
| Offer closes (5.00pm, Sydney time) | Friday, 13 July 2018 |
| Announcement of results of Entitlement Offer and under-subscriptions | Wednesday, 18 July 2018 |

| | |
|-------------------------------------------------------------------------------------------------------------------|----------------------|
| Allotment of New Shares and New Options issued under the Entitlement Offer and end of deferred settlement trading | Friday, 20 July 2018 |
| Despatch of holding statements for New Shares and New Options issued under the Entitlement Offer | Monday, 23 July 2018 |
| Normal ASX trading for New Shares and New Options issued under the Entitlement Offer commences | Monday, 23 July 2018 |

All dates and times are subject to change and are indicative only. All times are to Sydney time. The Company reserves the right to vary these dates and times without notice. The last day to extend the Entitlement Offer is Tuesday, 10 July 2018. KIS may close the Entitlement Offer early, withdraw the Entitlement Offer, or accept late applications. In that event, the relevant Application Money (without interest) will be returned in full to Applicants.

1.3 Purpose of the Entitlement Offer and use of funds

The purpose of the Entitlement Offer is to raise new funds for the following purposes:

| Use of proceeds | \$ raised |
|------------------------------------------|--------------------|
| Cost of Capital Raising | \$95,000 |
| Mine Planning | \$125,000 |
| Geotechnical drilling and assessment | \$200,000 |
| Laboratory Analysis to confirm Flowsheet | \$325,000 |
| Administration of Company | \$625,000 |
| Engineering for Plant Design | \$120,000 |
| Total | \$1,490,000 |

1.4 Shareholding structure

Subject to the rounding up of fractional Entitlements and depending on the number of Existing Options that are exercised before the Record Date, the following table shows the shareholding structure of KIS on completion of the Entitlement Offer:

| | |
|-------------------------------------------------------------------------------------|-------------|
| Existing Shares on issue as at 19 June 2018 (announcement of the Entitlement Offer) | 217,289,975 |
| Approximate New Shares to be issued under the Entitlement Offer | 27,161,246 |
| Approximate total number of Shares after the Entitlement Offer | 244,451,221 |

1.5 Potential questions and answers

| Question | Answer | Section |
|----------------------------------------------|------------------------------------------------|----------------|
| Who is the issuer of this Prospectus? | King Island Scheelite Limited ACN 004 681 734. | Not applicable |

| Question | Answer | Section |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| What is the Entitlement Offer? | The Entitlement Offer is a renounceable pro rata entitlement offer of 1 New Share in KIS for every 8 Existing Shares held by an Eligible Shareholder on the Record Date (and 1 New Option for every 2 New Shares issued). | section 3.1 |
| What is the Offer Price of the New Shares? | The New Shares are being issued at \$0.055 per New Share. | section 3.1 |
| What rights and liabilities attach to the New Shares? | The New Shares will rank equally in all respects with the Shares held by the Existing Shareholders. The rights and liabilities attaching to all Shares are set out in the Company's constitution. | sections 8.2 and 9.2 |
| What rights and liabilities attach to the New Options? | The New Options are issued on the terms set out in the Annexure to this Prospectus which includes: <ul style="list-style-type: none"> (a) issue price – nil; (b) exercise price - \$0.10 per New Option; (c) expiry date – the date that is three years from the date of issue of the New Options; and (d) the Company will apply to ASX for official quotation of the New Options. Quotation of the New Options is at the discretion of ASX and no guarantee can be given by the Company that the application for quotation of the New Options will be successful. | section 9.3 and Annexure |
| What is the Company's financial position? | The Company's financial position is set out in detail in section 6 of this Prospectus. | section 6 |
| What risks are involved with an investment in the Company? | An investment in KIS is subject to both general and specific risks which you should consider before making a decision to apply for New Shares or in exercising any New Options. Key specific risks include: <ul style="list-style-type: none"> (a) exploration and development of tungsten is a high-risk endeavour, the success of which depends on the exploration and development of a mineral resource and reserve. There can be no assurance that the Company's development activities will result in the successful exploitation of its mineral resource and reserve; (b) resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such estimates are inherently imprecise and rely to some extent on interpretations and assumptions; (c) tungsten quality is known to vary. As such, there is a risk that any tungsten identified by the Company may not be of sufficient | section 7 |

| Question | Answer | Section |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| | <p>quality to develop commercial mining operations, which could have an adverse impact on the Company;</p> <p>(d) the Company is required to rely on transport (including ships and planes) from third parties for the transit of its product, equipment and suppliers. Any deterioration in the availability of third party transportation providers, or significant increases in the costs or affordability of transportation providers may result in delays, additional costs and may therefore adversely affect the Company's operations;</p> <p>(e) the Company must obtain a number of permits issued by various governmental agencies and regulatory bodies to carry out its planned operations. The Company may be unable to obtain and renew permits and licences necessary for its development or mining of specific tungsten deposits;</p> <p>(f) the capital expenditure required to develop the Company's tungsten project may differ from the current expectations of the Company. In addition, actual operational costs may differ from current estimates. Increases in capital or operating expenditure will adversely affect the profitability of the projects;</p> <p>(g) the concentration of the ownership among existing Shareholders means that Shareholders may have limited ability to influence the management, operation and control of the Company and the ownership structure will likely limit control transaction to those sanctioned by those shareholders;</p> <p>(h) despite efforts to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, there is a risk of an adverse environmental event occurring which could delay the Company's tungsten project's development timetable and may subject the Company to substantial penalties including fines, damages, clean-up costs or other penalties;</p> <p>(i) new legislation and/or new regulations may be adopted that adversely affect the Company's current and proposed mining operations, cost structure and/or the ability of its customers to use tungsten; and</p> <p>(j) KIS depends on the talent and experience of its personnel as its primary asset. There may be a negative impact on KIS if any of</p> | |

| Question | Answer | Section |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| | its key personnel leave. | |
| Is the Entitlement Offer underwritten? | <p>The Entitlement Offer is underwritten.</p> <p>Two of the Company's existing Shareholders, being Chrysalis Investments Pty Ltd (an entity associated with Director, Chris Ellis) and Mr Richard Chadwick and Mrs Gwenda Chadwick (through their related entities) have each committed to take up their Entitlements under the Entitlement Offer and will also subscribe for, or procure subscriptions for, any shortfall to the extent that KIS does not raise the full amount of \$1.49 million under this Entitlement Offer. In addition, Chairman, Johann Jacobs, has agreed to sub-underwrite up to an amount of \$120,000.</p> <p>For further details on the potential control effects of the offer and these underwriting arrangements, see sections 5 and 8.3.</p> | sections 3.3, 5 and 8.3 |
| How do I participate in the Entitlement Offer? | To participate in the Entitlement Offer, please complete the Entitlement and Acceptance Form accompanying this Prospectus and return it to the Company with payment of the Application Money so that it is received before Friday, 13 July 2018. | section 4 and Entitlement and Acceptance Form |
| How do I calculate the Application Money payable if I wish to participate in the Entitlement Offer? | The Application Money is calculated by multiplying the number of New Shares you wish to apply for by the Offer Price of \$0.055 per New Share. | section 4 and Entitlement and Acceptance Form |
| Is commission payable to financial advisers or brokers? | No commission is payable to financial advisers or brokers under the Entitlement Offer. | Not applicable |
| Further questions | If you have questions about the Entitlement Offer, please contact Ian Morgan on +61 2 8622 1402. | section 3.12 |

1.6 Important notice

This section is not intended to provide full details of the investment opportunity. Shareholders must read this Prospectus in full to make an informed investment decision. The New Shares and New Options offered under this Prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the Shares.

2 KIS – the business

2.1 Company overview

KIS's only activity is the exploration, development and ultimately the production of tungsten from its deposits on King Island, Tasmania. The Dolphin Project is located at Grassy on the South East coast of King Island, Tasmania and focuses on the redevelopment of the tungsten mine. The Company completed and submitted to the Environmental Protection Agency ("EPA"), a Revised Environmental Assessment Report which proposed the redevelopment of the mine through an 8 year open cut mine. EPA granted the Company the necessary approvals in October 2017 for this to proceed subject to lodging the necessary management plans prior to operations commencing.

2.2 Board and management team

Mr Johann Jacobs

Executive Chairman
B.Acc, MBL, FCA, FAICD

Johann has over 35 years' experience in the resources industry in Australia, South Africa and Indonesia. He is currently a Non-Executive Director of ASX listed Magnis Resources Ltd (ASX: MNS) (formerly Uranex Limited). He is also a Director of a number of private resource related companies. Johann is a Fellow member of the Institute of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.

Mr Chris Ellis

Executive Director
B.Sc Hons

Chris has over 35 years' experience in the exploration and mining industry in Australia and overseas. He was a founding member and Executive Director of coal mining company Excel Coal Limited, which became Australia's largest independent coal mining company before being acquired by Peabody Energy Inc. in October 2006. Chris commenced his career in the UK coal industry, followed by positions within Shell's exploration group in Southern Africa and CRAE in Western Australia. He has also held senior positions for BP Coal (London and USA), Agipcoal Australia and for the Stratford Joint Venture. Chris has core skills in geology, mining engineering and minerals processing, mainly in the coal industry with some experience in tungsten, gold, base metals and diamonds. Chris is a Non-Executive Director of Ausquest Limited (ASX: AQD).

Mr Allan Davies

Non-Executive Director
B.E (Mining) Hons, GAICD

Allan is a mining engineer and has over 40 years' experience in the Australian and international coal and metalliferous mining industries. He is a registered mine manager in Australia and South Africa. Allan was a founding Director of Excel Coal Limited and as Executive Director – Operations for Excel Coal Limited, Allan had direct responsibility for operations and construction projects. From 2000 until early 2006, Allan worked for Patrick Corporation as Director, Operations. In addition, he was an Executive Director of Whitehaven Coal from February 2009 until November 2012 and a Non-Executive Director of QR Limited and QR National Limited (now called Aurizon Ltd) from October 2008 until December 2011. Previously a Non-Executive Director of Qube Holdings, he was appointed Chairman in June 2017 (ASX: QUB).

2.3 Announcement – Company update dated 19 June 2018

Corporate and Dolphin Project Update June 2018



ASX: KIS

Market Capitalisation \$14.56 million

Shares on Issue 217.3 million

52 Week High 7.0 cents

52 Week Low 2.5 cents

Share Price

18 June 2018 6.7 cents

Board of Directors

Johann Jacobs Chairman

Allan Davies Director

Chris Ellis Director

Tungsten APT Price

15 June 2018 USD 355.00/mtu

King Island Scheelite Limited (KIS) wholly owns the Dolphin Project on King Island, Tasmania, one of the world's richest tungsten deposits.

King Island Scheelite Limited

ABN 40 004 681 734

Level 26, 259 George Street

Sydney NSW 2000

GPO Box 5154

Sydney NSW 2001

P. +61 2 8622 1402

www.kingislandscheelite.com.au

Renounceable Rights Offer

- Company is undertaking a renounceable rights offer, based on 1 new share at 5.5 cents per share for every 8 existing shares currently held, to raise approximately \$1.49 million – underwritten for the balance not committed by major shareholders
- One free attaching option will be issued for every two new shares subscribed for, each exercisable at 10 cents within three years from the issue date of the options
- Refer to detailed market announcement also released today

Project Update

- Mine plan review utilising articulated dump trucks and smoothing production is currently being undertaken
- First of the three core samples is undergoing comprehensive metallurgical test work at a Burnie laboratory
- Analysis to date validates the test results previously achieved
- Innovative processing methodology has been incorporated into the flowsheet, which will lower capital and operating costs for the Dolphin Project
- Budget costing of a complete modular type processing plant is underway

Tungsten Market

- Discussions are continuing with reputable off-takers to secure the sale of all Dolphin's output
- Current APT price is US\$355 per mtu – an increase of 16% since beginning January 2018
- Analysts from leading international research company forecast global tungsten market to grow at a CAGR of 5.51% during the period 2018-2022

Web Site

- A revised web site has been launched at www.kingislandscheelite.com.au

19 June 2018

King Island Scheelite Limited – Corporate Update June 2018

King Island Scheelite Limited (ASX: KIS) (Company) is pleased to provide a Corporate and Dolphin Project update as the Company finalises the Project Feasibility Study.

Renounceable Rights Offer

Concurrently with this announcement, the Company has announced that it is to undertake a renounceable pro rata rights issue to raise approximately \$1.49 million, to finance the final stages of the redevelopment plan for the Dolphin Project and for general working capital purposes.

Full details of the capital raising can be found in the announced Capital Raising – attached.

Mining Review

As advised in the March quarter Activity Report, the Company has appointed Xenith Consulting to undertake a further iteration of its mine plan, with the objectives of better matching production schedules to the revised processing capacity, and examining the benefits of using ADTs (Articulated Dump Trucks) for the haulage of waste and ore in the early and late years of the mining operation. It is anticipated that this review will be completed by 30 June 2018.

Metallurgical Test work

Following the market release of the Dolphin Project Drilling Results on 23 April 2018, the Company reports that all three samples, of 100kg each, have undergone VSI comminution at the Gekko facility in Ballarat.

These samples have now been forwarded to the ALS laboratory at Burnie where the first is undergoing comprehensive metallurgical test work.

The results from the testing of the first sample validate the results achieved in previous test work.

Progressive liberation and recovery of scheelite is being used to optimise the proposed plant flowsheet.

This methodology allows scheelite to be retained in a coarser size range for longer, allowing recovery using more cost-effective gravity methods, rather than flotation. Flotation is only used later in the process to increase recovery and then only on the most susceptible size fractions.

This approach allows a smaller flotation plant footprint and saves significant reagent usage.

Another benefit of the methodology is that a minimum amount of grinding is done on the ore, saving more in operating costs.

A design and budget costing is currently being prepared by an experienced mineral processing equipment supplier, for a complete modular type processing plant for the project. This style of plant

King Island Scheelite Limited – Corporate Update June 2018

will allow rapid site development, with a minimum of personnel once the project is approved by the KIS board.

Tungsten Market

The Company is continuing discussions with international buyers of concentrate to acquire Dolphin's annual production over a minimum three year period at market related prices.

The price of APT (Ammonium Para Tungstate), regularly quoted in industry journals, is used as a benchmark price for the sale of WO_3 concentrate. Concentrate prices are normally traded at a discount of between 15% and 25% to the APT price, allowing for the conversion costs of the product.

Current European prices are between US\$345 and US\$355 per mtu (metric tonne unit). This is an increase of approximately 16% since the beginning of January 2018.

Furthermore, a leading international market research company estimates that the Compound Annual Growth Rate (CAGR) of tungsten will be around 5.51% for the period 2018 to 2022, which bodes very well for the development of the Dolphin project.

Web Site

The Company has recently completed a rewrite of its website, available at www.kingislandscheelite.com.au.



Johann Jacobs
Chairman
19 June 2018

King Island Scheelite Limited

Level 26, 259 George Street
Sydney NSW 2000
Phone (02) 8622 1402
Email info@kisltd.com.au

3 Details and effect of the Entitlement Offer

3.1 Overview

The Entitlement Offer is a renounceable offer of approximately 27,161,246 New Shares at \$0.055 per New Share to raise about \$1.49 million (before direct offer costs including fees paid to the Underwriters, advisers and to providers of specific services to cover share registry, printing and postage costs).

The Board intends to use the proceeds of the Entitlement Offer primarily to fund the ongoing feasibility into the redevelopment of the Company's Dolphin Project. Funds will also be applied for ongoing working capital and the costs of the Entitlement Offer.

Eligible Shareholders who are on KIS's share register on the Record Date are entitled to acquire 1 New Share for every 8 Existing Shares held on the Record Date (**Entitlement**).

Fractional Entitlements will be rounded up to the nearest whole number of New Shares.

The offer price of \$0.055 per New Share represents a discount of approximately 18% to the closing price of Shares on 18 June 2018 (being the last trading day before announcement of the Entitlement Offer).

An Entitlement and Acceptance Form setting out your Entitlement accompanies this Prospectus. Eligible Shareholders may subscribe for all or part of their Entitlement.

Eligible Shareholders who do not take up all of their Entitlements will have their percentage shareholding in KIS diluted.

Eligible Shareholders should be aware that an investment in KIS involves risks. The key risks identified by KIS are set out in section 7 of this Prospectus.

3.2 Issue of additional Shares under the Top Up Facility

Any New Shares not taken up by the Closing Date may be made available to those Eligible Shareholders who took up their full Entitlement and applied for additional New Shares under the Top Up Facility.

There is no guarantee that those Shareholders will receive the number of New Shares applied for under the Top Up Facility, or any. The number of New Shares available under the Top Up Facility will not exceed the shortfall from the Entitlement Offer. The Directors, after consultation with the Underwriter, reserve the right to allot and issue New Shares under the Top Up Facility at their discretion, but it is intended that all Eligible Shareholders who apply for Top Up Shares will receive their pro rata entitlement to any available Top Up Shares.

The Company may allocate all, or a lesser number, of Shares for which an application has been made under the Top Up Facility. If applications are scaled back, there may be a different application of the scale-back policy to each Applicant.

3.3 Underwriting

Two of the Company's existing Shareholders, being Chrysalis Investments Pty Ltd (an entity associated with Director, Chris Ellis) and Mr Richard Chadwick and Mrs Glenda Chadwick have each committed to take up their full Entitlements under the Offer. They will also subscribe for, or procure subscriptions for, any shortfall Shares to the extent that KIS does not raise the full amount of \$1.49 million under this Entitlement Offer. In addition, Chairman, Johann Jacobs, had

agreed to sub-underwrite up to an amount of \$120,000. For further details on the potential control effects of the offer and these underwriting arrangements, see sections 5 and 8.3.

Further details of the Underwriting Agreement, including the circumstances in which the Underwriters may terminate their obligations, are set out in section 8.3.

3.4 Eligible Shareholders

This Prospectus is being sent to Shareholders with registered addresses in Australia or New Zealand only. This Prospectus does not constitute an offer to issue the New Shares or the New Options in any place in which, or to any person to whom, it would not be lawful to make that offer.

The Company is of the view that it is unreasonable to make an offer to issue the New Shares and the New Options to Ineligible Shareholders having regard to:

- (a) the number of Ineligible Shareholders to whom offers to issue the New Shares and the New Options would otherwise be made;
- (b) the number and value of the New Shares and the New Options that would otherwise be offered for issue to Ineligible Shareholders; and
- (c) the cost of complying with the laws, and any requirements of any regulatory authority, of the places where the New Shares and the New Options would otherwise be offered for issue.

3.5 Nominee for Ineligible Shareholders

The Company has appointed Taylor Collison Limited ACN 008 172 450 (**Nominee**), on normal commercial terms, as nominee for the Ineligible Shareholders to arrange for the sale of the Entitlements which would have been offered to them. The Nominee will arrange for proceeds (if any), net of expenses, to be provided to the share registry, to then be sent proportionally to each Ineligible Shareholder. The Nominee will have the absolute and sole discretion to determine the timing and the price at which the Entitlements may be sold and the manner of any sale. Neither the Company nor the Nominee will be subject to any liability for the failure to sell the Entitlements or to sell them at a particular price.

3.6 Renounceable

The rights to the New Shares and the New Options are renounceable. Therefore, if you do not wish to take up your Entitlement, you may sell all or part of your Entitlement on ASX between Monday, 25 June 2018 and Friday, 6 July 2018 or transfer all or part of your Entitlement directly to another person.

A market will be established on ASX to facilitate this Entitlements trading. The Entitlements will be quoted on the ASX under the ticker code 'KISO'.

3.7 Shortfall facility

A shortfall may arise if applications received for New Shares under the Entitlement Offer (including after the completion of the Top Up Facility and the Entitlements of Ineligible Shareholders) are less than the number of New Shares offered and the Underwriters or sub-underwriters do not acquire that shortfall under the Underwriting Agreement.

The Directors reserve the right, subject to the requirements of the Listing Rules and the Corporations Act, to place Shortfall Shares within three months after the Closing Date to either

existing or new Shareholders at their discretion. If issued, Shortfall Shares will be issued at a price not less than the Offer Price of New Shares under the Entitlement Offer. Shareholders will not receive any payment or value for the Entitlements not taken up under the Entitlement Offer that are later taken up as Shortfall Shares.

3.8 Financial position

The effect of the Entitlement Offer on the financial position of the Company is set out in section 6.

3.9 Taxation considerations

The taxation consequences of an investment in the Company depend upon your particular circumstances. You should make your own enquiries about the taxation consequences of an investment in the Company. If you are in doubt about the course you should follow, you should consult your accountant, stockbroker, lawyer or other professional adviser.

3.10 Foreign selling restrictions

No action has been taken to register or qualify the New Shares, New Options, or the Entitlement Offer in any jurisdiction outside Australia and New Zealand, or otherwise to permit a public offering of the New Shares or New Options outside Australia and New Zealand.

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that they:

- (a) are an Australian or New Zealand citizen or resident in Australia or New Zealand;
- (b) are located in Australia or New Zealand at the time of the application and is not acting for the account or benefit of any person in the United States or any other foreign person; and
- (c) will not offer or sell the New Shares or New Options in the United States or in any other jurisdiction outside Australia or New Zealand, or to a United States person, except in transactions exempt from registration under the *US Securities Act 1933* as amended, and in compliance with all applicable laws in the jurisdiction in which the New Shares and New Options are offered and sold.

3.11 Withdrawal

The Company reserves the right to withdraw the Entitlement Offer, at any time before the allotment of New Shares. If the Entitlement Offer does not proceed, the Application Money is refunded. No interest is paid on any Application Money refunded because of the withdrawal of the Entitlement Offer.

3.12 Enquiries

If you have questions about the Offer, please contact Ian Morgan, Company Secretary on +61 2 8622 1402.

4 How to apply

4.1 Shareholder's choices

The number of New Shares to which Eligible Shareholders are entitled under the Entitlement Offer (i.e. their Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

Eligible Shareholders may:

- (a) take up their Entitlement in full and, if they do so, they may apply for additional New Shares under the Top Up Facility (refer to section 4.2);
- (b) take up part of their Entitlement, in which case the balance of their Entitlement lapses (refer to section 4.3);
- (c) sell their Entitlement on ASX (refer to section 4.4);
- (d) transfer their Entitlement other than on-market via ASX (refer to section 4.5) or
- (e) allow their Entitlement to lapse (refer to section 4.6).

Ineligible Shareholders may not take up any of their Entitlements.

KIS may reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

The Closing Date for acceptance of the Entitlement Offer is **5.00pm (Sydney time) on Friday, 13 July 2018** (however, that date may be varied by KIS, in accordance with the Listing Rules and the Underwriting Agreement).

4.2 Taking up all of your Entitlement and participating in the Top Up Facility

If you wish to take up your Entitlement in full, follow the instructions set out in the Entitlement and Acceptance Form.

If you have applied to take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility.

Please return your completed Entitlement and Acceptance Form together with a cheque for your Application Money in accordance with section 4.8 for the amount shown on the Entitlement and Acceptance Form to the share registry so that it is received by no later than **5.00pm (Sydney time) on Friday, 13 July 2018** at the address set out below:

King Island Scheelite Limited
c/-Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001

Alternatively, you may take up all of your Entitlement by payment of the Application Money through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If payment is being made through BPAY, you do not need to return the Entitlement and Acceptance Form. Your payment must be received by no later than **5.00pm (Sydney time) on Friday, 13 July 2018**.

If you pay through BPAY and do not return the Entitlement and Acceptance Form, amounts received by KIS in excess of the Offer Price multiplied by your Entitlement (**Excess Amount**) may be treated as an application to apply for as many additional New Shares under the Top Up Facility as your Excess Amount will pay for in full.

If you apply for additional New Shares under the Top Up Facility and your application is successful (in whole or in part) your New Shares will be issued at the same time that other New Shares are issued under the Entitlement Offer. There is no guarantee you will receive any New Shares under the Top Up Facility. The Directors may allot and issue New Shares under the Top Up Facility at their discretion.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by cheque sent by ordinary post to your address as recorded on the share register or by direct credit to the nominated bank account as noted on the share register. If you wish to advise or change your banking instructions with the share registry you may do so by going to www.investorcentre.com/au and following the instructions.

4.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the other steps required under section 4.2.

Alternatively, you may arrange for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If you pay through BPAY and KIS receives an amount that is less than the Offer Price multiplied by your Entitlement (**Reduced Amount**), your payment may be treated as an application for as many New Shares as your Reduced Amount will pay for in full.

4.4 Sale of your Entitlements on ASX

If you wish to sell your Entitlements on ASX, follow the instructions set out on your Entitlement and Acceptance Form under the section marked 'Sale of your Entitlement rights in full by your Stockbroker/Agent'.

If you decide to sell part of your Entitlement on ASX, follow the instructions set out on your Entitlement and Acceptance Form under the section marked 'Sale of your Entitlement rights in part by your Stockbroker/Agent and take up the balance'. You should instruct your stockbroker and provide details as requested from your personalised Entitlement and Acceptance Form. You should allow sufficient time for your instructions to be carried out by your stockbroker.

You may incur brokerage if you choose to sell your Entitlement on ASX. Entitlements trading commences on 25 June 2018.

Sale of your Entitlements must be completed by 30 May 2018, when Entitlements trading is expected to end.

4.5 Transfer of Entitlements other than on-market via ASX

If you wish to transfer all or part of your Entitlements to another person or party other than on-market using ASX, then you must forward the following:

- (a) completed Renunciation and Transfer Form (obtainable from your stockbroker or the Share Registry);
- (b) Entitlement and Acceptance Form completed by the transferee; and

(c) transferee's cheque for the amount due in respect of the New Shares made payable to **'King Island Scheelite Limited – Entitlement Issue'** and crossed 'not negotiable', to the Share Registry so that it is received by not later than 5.00pm (AEST) on 6 July 2018 at:

King Island Scheelite Limited
c/-Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001

If you hold shares on the issuer sponsored sub-register, you can obtain a Renunciation and Transfer Form from the Company's secretary, Ian Morgan, on +61 2 8622 1402 at any time from 8.30am to 5.00pm AEST Monday to Friday during the Offer period.

If you hold shares on the CHESS sub-register, you should request a Renunciation and Transfer Form from your sponsoring broker.

If the Share Registry receives both a completed Renunciation and Transfer Form (**Transfer**) and a completed Entitlement and Acceptance Form for application for New Shares (**Application**) in respect of the same Entitlement, the Transfer will be given effect in priority to the Application.

IMPORTANT: If you do not accept or sell your Entitlements in accordance with the instructions set out above, any Entitlements not accepted or sold will form part of the Shortfall Shares.

4.6 Allow your Entitlement to lapse

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

4.7 Consequences of not accepting your Entitlement

If you do not accept all or part of your Entitlement in accordance with the instructions set out above, any New Shares and New Options that you would have otherwise been entitled to under the Entitlement Offer may be acquired by the Underwriter, or sub-underwriters, or by other Eligible Shareholders under the Top Up Facility.

4.8 Payment

The consideration for the New Shares (including under the Top Up Facility) is payable in full on application by a payment of \$0.055 per New Share. The Entitlement and Acceptance Form must be accompanied by a cheque for the Application Money. Cheques must be drawn in Australian currency on an Australian bank and made payable to **'King Island Scheelite Limited – Entitlement Offer'** and crossed 'Not Negotiable'.

Alternatively, you may arrange for payment of the Application Money through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.

Eligible Shareholders must not send cash by mail. Receipts for payment will not be issued.

Refund amounts, if any, will be paid in Australian dollars and refunded as soon as practicable following the close of the Entitlement Offer (except for where the amount is less than \$2.00, in which case it will be retained by KIS).

You will be paid either by cheque sent by ordinary post to your address as recorded on the share register, or by direct credit to the nominated bank account as noted on the share register. If you

wish to advise or change your banking instructions with the Share Registry you may do so by going to www.investorcentre.com/au and following the instructions.

4.9 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Shares on the terms of this Prospectus and cannot be withdrawn.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' (or their delegates') decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY, you will also be taken to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that you:

- (a) are an Eligible Shareholder and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares or New Options under the Entitlement Offer; and
- (b) acknowledge that the New Shares and New Options have not been, and will not be, registered under the US *Securities Act of 1933* or under the laws of any other jurisdiction outside Australia or New Zealand.

4.10 Validity of Entitlement and Acceptance Forms

An Entitlement and Acceptance Form may only be distributed with, attached to or accompany a complete and unaltered copy of this Prospectus.

By completing and lodging an Entitlement and Acceptance Form received with this Prospectus, the Applicant represents and warrants that the Applicant has personally received a complete and unaltered copy of this Prospectus before completing the Entitlement and Acceptance Form.

The Company does not accept a completed Entitlement and Acceptance Form if it has reason to believe the Applicant has not received a complete copy of the Prospectus or it has reason to believe that the Entitlement and Acceptance Form has been altered in any way.

4.11 Brokerage and Stamp Duty

No brokerage fee is payable by Eligible Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for New Shares under the Entitlement Offer.

4.12 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Prospectus or any Entitlement and Acceptance Form in any country outside Australia or New Zealand, except to beneficial holders of Shares in New Zealand, and beneficial holders of Shares who are institutional or professional investors in other countries that KIS has approved as being a country in which investors are eligible to participate, as well as any other country to the extent KIS may determine it is lawful and practical to make the Entitlement Offer.

4.13 Information Availability

Eligible Shareholders can obtain a copy of this Prospectus from KIS's website at www.kingislandscheelite.com.au or by calling the company secretary, Ian Morgan, on +61 2 8622 1402 (outside Australia) at any time from 8.30am to 5.00pm (AEST) until the Closing Date. Shareholders who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The electronic version of this Prospectus will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can also be requested by calling the company secretary, Ian Morgan, on +61 2 8622 1402 at any time from 8.30am to 5.00pm (AEST) until the Closing Date.

5 Effect of the Entitlement Offer on the Company

The potential effect that the issue of New Shares will have on the control of the Company is as follows:

- (a) if the Entitlement Offer is fully subscribed, any Shareholder that does not acquire New Shares will be diluted;
- (b) if all Shareholders take up their Entitlement, there will be no effect on control; and
- (c) if an Eligible Shareholder subscribes for, and is issued, Top Up Shares under the Top Up Facility, that Shareholder's interest will increase, subject to the Corporations Act and the ASX Listing Rules.

The underwriting arrangements may also have an effect on the control of the Company as follows:

| Underwriter | Current voting power |
|-------------------------------------------------------------------------------------------------------|-----------------------------|
| Chrysalis Investments (together with its associates) (an entity associated with Director Chris Ellis) | 23.99% |
| Mr Richard Willmot Chadwick and Mrs Gwenda Ann Chadwick (together with their associates) | 23.92% |

The table below indicates the potential voting power of each Underwriter assuming that there is a shortfall of 0%, 50% and 100% respectively:

| Shortfall | 0% | 50% | 100% |
|------------------------------------------------------------------------------|---------------------|------------|-------------|
| Underwriter | Voting power | | |
| Chrysalis Investments Pty Ltd (together with its associates) | 23.99% | 25.14% | 26.28% |
| Mr Richard Chadwick and Mrs Gwenda Chadwick (together with their associates) | 23.92% | 25.07% | 26.21% |
| Sub-Underwriter | Voting power | | |
| Johann Jacobs (through a related entity) | 1.14% | 1.59% | 2.04% |

The Company's board has determined that any shortfall would be equally allocated to Mr Richard Chadwick and Mrs Gwenda Chadwick and Chrysalis Investments Pty Ltd.

Given that the voting power of Chrysalis Investments Pty Ltd and Mr Richard Chadwick and Mrs Gwenda Chadwick may increase from below 25% to above 25%, Shareholders should be aware that this would provide them with an ability to block any special resolution proposed by the Company unless they are excluded from the vote.

Obligation to underwrite and fees payable

Pursuant to the Underwriting Agreements, the Underwriters collectively will apply for, or procure applications for, the number of New Shares not taken up by Eligible Shareholders under the Offer up to the Underwritten Amount.

The number of New Shares and amount underwritten by each Underwriter, and the fee each Underwriter will be paid (being 4.5% of the applicable amount underwritten) is as follows:

| | No. of New Shares | Amount underwritten/sub-underwritten | Fee payable |
|------------------------------------------------------------------------------|--------------------------|---------------------------------------------|-----------------------------|
| Underwriters | | | |
| Chrysalis Investments Pty Ltd (together with its associates) | 6,697,423 | \$368,358 | \$16,576 |
| Mr Richard Chadwick and Mrs Gwenda Chadwick (together with their associates) | 6,697,423 | \$368,358 | \$16,576 |
| Total | 13,394,846 | \$736,717 | \$33,152¹ |
| Sub-Underwriter | | | |
| Johann Jacobs (through a related entity) | 2,181,818 | \$120,000 | \$4,800 ² |

¹ Underwriting fee is payable/paid by the Company to each Underwriter.

² Sub-underwriting fee is payable/paid by the Underwriters to the Sub Underwriter and is 4% of the amount sub-underwritten.

6 Financial information

6.1 Historical and pro forma consolidated balance sheet as at 31 December 2017

This section contains a summary of the historical financial information for KIS as at 31 December 2017 (**Historical Financial Information**) and a pro-forma historical statement of the financial position as at 31 December 2017 (**Pro Forma Historical Financial Information**) (collectively, **Financial Information**). The Financial Information has been prepared to illustrate the effect of the Entitlement Offer.

| | 31 Dec 2017 Historical | Entitlement Offer | 31 Dec 2017 Pro forma Historical |
|--------------------------------------|---------------------------|----------------------|----------------------------------------|
| | \$ | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 1,092,159 | 1,398,868 | 2,491,027 |
| Trade and other receivables | 200,696 | - | 200,696 |
| TOTAL CURRENT ASSETS | 1,292,855 | 1,398,868 | 2,691,723 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 19,600 | - | 19,600 |
| Property, plant and equipment | 1,129,591 | - | 1,129,591 |
| TOTAL NON-CURRENT ASSETS | 1,149,191 | - | 1,149,191 |
| TOTAL ASSETS | 2,442,046 | 1,398,868 | 3,840,914 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 166,778 | - | 166,778 |
| TOTAL CURRENT LIABILITIES | 166,778 | - | 166,778 |
| NON-CURRENT LIABILITIES | | | |
| TOTAL NON-CURRENT LIABILITIES | - | - | - |
| TOTAL LIABILITIES | 166,778 | - | 166,778 |
| NET ASSETS | 2,275,268 | 1,398,868 | 3,674,136 |
| EQUITY | | | |
| Issued capital | 57,380,188 | 1,398,868 | 58,779,056 |
| Reserves | 1,206,101 | - | 1,206,101 |
| Accumulated losses | (56,311,021) | - | (56,311,021) |
| TOTAL EQUITY | 2,275,268 | 1,398,868 | 3,674,136 |

6.2 Basis of preparation of financial information

The stated basis of preparation for the Historical Financial Information is in accordance with the recognition and measurement principles of the Australian Accounting Standards.

The stated basis of preparation for the Pro Forma Historical Financial Information is in a manner consistent with the recognition and measurement principles of the Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in this section of the Prospectus, as if those events or transactions had occurred as at 31 December 2017.

6.3 Pro-forma adjustments to consolidated balance sheet

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information and has been prepared on the basis that the following significant transactions occurred as at 31 December 2017:

The Entitlement Offer:

- (a) the issue of 34,308,944 New Shares under the Entitlement Offer, expected to raise gross proceeds of \$1,543,902 less estimated offer costs of \$95,000.

Due to the nature of the pro forma adjustments, they do not represent the actual or prospective financial position of KIS.

6.4 Pro forma cash flow statement as at 31 December 2017

The Company's pro forma historical cash position at 31 December 2017 adjusted for the Entitlement Offer is derived from actual cash as follows:

| | |
|------------------------------------------|--------------------|
| Cash as at 31 December 2017 ³ | \$1,092,159 |
| Gross proceeds of the Entitlement Offer | \$1,493,868 |
| Offer costs of the Entitlement Offer | (\$95,000) |
| Net proceeds of the Entitlement Offer | \$1,398,868 |
| Pro forma historical cash balance | \$2,491,027 |

³ During the period 1 January 2018 to 31 May 2018, the Company expended \$531,876 on drilling, laboratory testing and administration.

7 Risk factors

7.1 Factors influencing success and risk

Introduction

This section identifies the major risks the Board believes are associated with an investment in KIS.

The KIS business is subject to risk factors, both specific to its business activities, and risks of a general nature. Individually, or in combination, these might affect the future operating performance of KIS and the value of an investment in the Company. There can be no guarantee that KIS will achieve its stated objectives or that any forward looking statements will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on KIS's operating performance and profits, and the market price of the Shares.

Before deciding to invest in the Company, potential investors should:

- (a) read the entire Prospectus;
- (b) consider the assumptions underlying the risk factors that could affect the financial performance of KIS;
- (c) review these factors in light of their personal circumstances; and
- (d) seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.2 Specific investment risks

Exploration and development risk

Exploration and development of tungsten is a high-risk endeavour, the success of which depends on the development of a mineral resource and reserve. There can be no assurance that the Company's development activities will result in the upgrade of the Company's mineral resource and reserve. Even if that occurs, there are a number of factors that influence the successful development of tungsten deposits into economically viable mining operations. Therefore, even if a significant tungsten resource is identified, there can be no guarantee that it can be economically exploited.

Resource estimates

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such estimates are inherently imprecise and rely to some extent on interpretations and assumptions. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available.

Industry specific risks

Tungsten quality is known to vary. As such, there is a risk that any tungsten identified by the Company may not be of sufficient quality to develop commercial mining operations, which could have an adverse impact on the Company. Actual tungsten qualities produced during the life of the mine may vary from those expected currently. Substantial changes to or on-going conditions

in tungsten markets, tungsten prices and other macroeconomic factors including foreign exchange rates could have an adverse impact on the commercial viability of exploiting tungsten resources. At completion of construction of any projects the market price of the tungsten could be less than the cost of production. The Company may be forced to defer or suspend some or all of its planned exploration and/or mining activities.

Transportation risks

KIS is required to rely on transport (including ships and planes) from third parties for the transit of its product, equipment and supplies. Any deterioration in the availability of third party transportation providers, or significant increases in the costs or affordability of transportation providers may result in delays, additional costs and may therefore adversely affect KIS' operations.

Licence and approvals

The Company must obtain a number of permits issued by various governmental agencies and regulatory bodies to carry out its planned operations. The Company may be unable to obtain and renew permits and licences necessary for its exploration, development or mining of specific tungsten deposits.

Construction and operational cost risks

The capital expenditure required to develop the Company's tungsten project may differ from the current expectations of the Company. In addition, actual operational costs may differ from current estimates. Increases in capital or operating expenditure will adversely affect the profitability of the projects.

Operational risks: The Company's tungsten project is exposed to material operating risks including potential risk of sub-standard tungsten quality specifications, mining and processing technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure and industrial and environmental accidents.

Labour risks: There is a risk that the Company's tungsten project is unable to attract the skilled labour force necessary.

Infrastructure risk: There is no guarantee that suitable and affordable road, rail and port capacity would be available to commercially export tungsten.

Substantial shareholders

The concentration of the ownership among existing Shareholders means that Shareholders may have limited ability to influence the management, operation and control of the Company and the ownership structure will likely limit control transaction to those sanctioned by those shareholders.

Environmental risks

Despite efforts to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, there is a risk of an adverse environmental event occurring which could delay the Company's tungsten project's development timetable and may subject the Company to substantial penalties including fines, damages, clean-up costs or other penalties.

Political and regulatory

New legislation and/or new regulations may be adopted that adversely affect the Company's current and proposed mining operations, cost structure and/or the ability of its customers to use tungsten.

Dependence upon key personnel

KIS depends on the talent and experience of its personnel as its primary asset. There may be a negative impact on KIS if any of its key personnel leave. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key personnel of the Company who leave to work for a competitor may adversely impact the Company.

In summary, KIS's ability to attract and retain personnel will have a direct impact on its ability to deliver its project commitments. Additionally, increases in recruitment, wages and contractor costs may adversely impact upon the financial performance of the Company.

Requirement to raise additional funds

The Company may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or, even if available, the terms may be unsatisfactory. If the Company is unsuccessful in obtaining funds when they are required, the Company may need to delay or scale down its operations.

7.3 General investment risks

Share market investments

The price of the Shares might rise or fall and they might trade at prices below or above the Offer Price. There can also be no assurance that an active trading market will exist for the Shares.

Factors affecting the price at which the Shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant company. Those fluctuations might adversely affect the price of the Shares.

General economic conditions

KIS's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the Directors' and KIS's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in KIS's financial statements.

Tax risks

Changes to the rate of taxes imposed on KIS (including in overseas jurisdictions in which KIS operates now or in the future) or tax legislation generally may affect KIS and its Shareholders. In addition, an interpretation of Australian tax laws by the Australian Taxation Office that differs

to KIS's interpretation may lead to an increase in KIS's tax liabilities and a reduction in Shareholder returns.

Personal tax liabilities are the responsibility of each individual investor. KIS is not responsible either for tax or tax penalties incurred by investors.

Litigation

There is a risk that the Company may in future be the subject of or required to commence litigation. There is, however, no litigation, mediation, conciliation or administrative proceeding taking place, pending or threatened against the Company.

7.4 Cautionary statement

Statements in this Prospectus may be forward looking statements.

Forward looking statements can be identified by the use of forward looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. They are based on, among other sources, the examination of historical operating trends, data in the Company's records and other data available from third parties. There can be no assurance, however, that the Directors' expectations, beliefs or projections will give the results projected in the forward looking statements. Investors should not place undue reliance on these forward looking statements.

Additional factors that could cause actual results to differ materially from those indicated in the forward looking statements are discussed earlier in this section.

8 Material agreements

8.1 Key documents

The Board considers that certain agreements relating to KIS are significant to the Entitlement Offer, the operations of KIS or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

8.2 Constitution

The following is a summary of the major provisions of the Company's constitution:

Shares

The Directors are entitled to issue and cancel Shares in the capital of KIS, grant Options over unissued shares and settle the manner in which fractions of a Share are to be dealt with. The Directors may decide the persons to whom, and the terms on which, Shares are issued or Options are granted as well as the rights and restrictions that attach to those Shares or Options.

The Constitution also permits the issue of preference shares on terms determined by the Directors.

KIS may also sell a Share that is part of an unmarketable parcel of shares under the procedure set out in the Constitution.

Variation of class rights

The rights attached to any class of Shares may, unless their terms of issue state otherwise, only be varied with the consent in writing of members holding at least three-quarters of the Shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of Shares of that class.

Restricted securities

If the ASX classifies any of KIS's share capital as restricted securities, then the restricted securities must not be disposed of during the escrow period and KIS must refuse to acknowledge a disposal of the restricted securities during the escrow period, except as permitted under the Listing Rules or by the ASX.

Share certificates

Subject to the requirements of the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules, KIS need not issue share certificates if the Directors so decide.

Calls

The Directors may, from time to time, call upon Shareholders for unpaid monies on their shares. The Directors must give Shareholders notice of a call at least 30 business days before the amount called is due, specifying the time and place of payment. If a call is made, Shareholders are liable to pay the amount of each call by the time and at the place specified.

A call is taken to have been made when a Directors' resolution passing the call is made or on any later date fixed by the Board. A call may be revoked or postponed at the discretion of the Directors.

Forfeiture and lien

KIS may forfeit Shares to cover any call, or other amount payable in respect of Shares, which remains unpaid following any notice to that effect sent to a Shareholder. Forfeited Shares become the property of KIS and the Directors may sell, reissue or otherwise dispose of the Shares as they think fit.

A person whose Shares have been forfeited may still be required to pay KIS all calls and other amounts owing in respect of the forfeited Shares (including interest) if the Directors so determine.

KIS has a first and paramount lien for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's Shares. The lien extends to all distributions relating to the Shares, including dividends.

KIS's lien over Shares will be released if it registers a transfer of the Shares without giving the transferee notice of its claim.

Share transfers

Shares may be transferred by any method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules or by a written transfer in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer of Shares where it is not in registrable form, KIS has a lien over any of the Shares to be transferred or where it is permitted to do so by the Listing Rules or the ASX Settlement Operating Rules.

General meetings

Each Shareholder, Director and auditor is entitled to receive notice of and attend any general meeting of KIS. Two Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chair and the adjournment of the meeting, unless a quorum is present when the meeting proceeds to business.

Voting rights

Subject to any rights or restrictions attached to any Shares or class of shares, on a show of hands each Shareholder present has one vote and, on a poll, one vote for each fully paid Share held, and for each partly paid Share, a fraction of a vote equivalent to the proportion to which the Share has been paid up. Voting may be in person or by proxy, attorney or representative.

Remuneration of Directors

Each Director is entitled to remuneration from KIS for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by KIS in general meeting (see section 19.5(a)). The remuneration of an executive Director must not include a commission on, or a percentage of, profits or operating revenue.

Remuneration may be provided in the manner that the Directors decide, including by way of non-cash benefits. There is also provision for Directors to be paid extra remuneration (as determined by the Directors) if they devote special attention to the business of KIS or otherwise perform services which are regarded as being outside of their ordinary duties as Directors or, at the request of the Directors, engage in any journey on KIS's business.

Directors are also entitled to be paid all travelling and other expenses they incur in attending to KIS's affairs, including attending and returning from general meetings or Board meetings, or meetings of any committee engaged in KIS's business.

Interests of Directors

A Director who has a material personal interest in a matter that is being considered by the Board must not be present at a meeting while the matter is being considered nor vote on the matter, unless the Corporations Act allows otherwise.

Election and retirement of Directors

There must be a minimum of three Directors and a maximum of ten Directors unless KIS in general meeting resolves otherwise.

Where required by the Corporations Act or Listing Rules, KIS must hold an election of directors each year. No Director, other than the managing director, may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. A Director appointed to fill a casual vacancy, who is not a managing Director, holds office until the conclusion of the next annual general meeting following his or her appointment. If there would otherwise not be a vacancy, and no Director is required to retire, then the director who has been longest in office since last being elected must retire.

If a number of Directors were elected on the same day, the Directors to retire is (in default of agreement between them) determined by ballot.

Dividends

If the Directors determine that a final or interim dividend is payable, it is (subject to the terms of issue on any Shares or class of Shares) paid on all Shares proportionate to the amount for the time being paid on each Share. Dividends may be paid by cash, electronic transfer or any other method as the Board determines.

The Directors have the power to capitalise and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to Shareholders. The capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the Listing Rules, the Directors may pay a dividend out of any fund or reserve or out of profits derived from any source.

Proportional takeover bids

KIS may prohibit registration of transfers purporting to accept an offer made under a proportionate takeover bid unless a resolution of KIS has been passed approving the proportional takeover bid under the provisions of the Constitution.

The rules in the Constitution relating to proportional takeover bids cease on the third anniversary of the adoption of the Constitution, or the renewal of the rules, unless renewed by a special resolution of Shareholders.

Indemnities and insurance

KIS must indemnify current and past Directors and other executive officers (**Officers**) of KIS on a full indemnity basis and to the fullest extent permitted by law against all liabilities incurred by the Officer as a result of their holding office in KIS or a related body corporate.

KIS may also, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability incurred by the Officer as a result of their holding office in KIS or a related body corporate.

8.3 Underwriting agreement

Two of the Company's existing Shareholders, being Chrysalis Investments Pty Ltd (an entity associated with Director, Chris Ellis) and Mr Richard Chadwick and Mrs Gwenda Chadwick (in their personal capacities or through entities associated with them) have each committed to take up their full Entitlements under the Entitlement Offer.

In addition, they have each agreed to subscribe for, or procure subscriptions for, any shortfall the extent that KIS does not raise the full amount of \$1.49 million under this Entitlement Offer on the terms set out in the Underwriting Agreement. Customary with these types of arrangements:

- (a) the Underwriting Agreement includes a number of termination events, including market related termination events, such as if there is a 10% fall in the S&P/ASX 200 Index;
- (b) the Underwriters will receive an underwriting fee of \$31,445 which represents 4.5% of the underwritten amount;
- (c) the Underwriters are entitled to reimbursement of certain expenses; and
- (d) has agreed to indemnify the Underwriters and others against their losses in connection with the Entitlement Offer.

In addition, Chairman, Johann Jacobs (through a related entity), has agreed to sub-underwrite the Entitlement Offer up to an amount of \$120,000.

8.4 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- (a) the constitution of KIS; and
- (b) the consents to the issue of this Prospectus.

9 Additional information

This Prospectus is a 'transaction specific prospectus' issued under section 713 Corporations Act as a prospectus for the issue of options to acquire continuously quoted securities.

In general terms, a transaction specific prospectus is only required to contain information about the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information about all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

The Company is subject to regular reporting and disclosure obligations because it is a 'disclosing entity' for the purposes of the Corporations Act. Additionally, as a listed company, KIS is subject to the Listing Rules which require disclosure to ASX of any information the Company has which a reasonable person would expect to have a material effect on the price or value of its Shares.

Copies of ASX announcements are available on the ASX website or the Company's website at www.kingislandscheelite.com.au.

Company announcements since 31 December 2017 to the date of this Prospectus are set out below.

| Date | Announcements |
|------------|-------------------------------------------------------|
| 17/05/2018 | Exploration Drilling Results May 2018 |
| 30/04/2018 | Quarterly Activities and Cash Flow Reports March 2018 |
| 23/04/2018 | Dolphin Project Drilling Results April 2018 |
| 06/03/2018 | Dolphin Project Development Update March 2018 |
| 16/02/2018 | Half Year Accounts 31 December 2017 |
| 29/01/2018 | Quarterly Activities and Cash Flow Reports Dec 2017 |
| 02/01/2018 | Change in substantial holding Chrysalis |
| 02/01/2018 | Change in substantial holding Chadwick |
| 02/01/2018 | Change of Director's Interest Notice Jacobs |
| 02/01/2018 | Change of Director's Interest Notice Ellis |
| 02/01/2018 | Change of Director's Interest Notice Davies |

The information in the Annual Report, the Half Yearly Report and the ASX announcements described in the table above may be of interest to investors and their financial advisers as these documents contain information regarding the Company's financial position and operations that investors may consider relevant.

The Directors rely upon section 712(3) Corporations Act with the inclusion by reference of:

- (a) the Annual Report and the Half Yearly Report; and
- (b) the Company's ASX announcements since 31 December 2017 set out in the table above, for the purposes of section 711 Corporations Act.

The Company will give free of charge, to any person who requests it prior to the Record Date, a copy of the Annual Report, Half Yearly Report and any continuous disclosure notices lodged by the Company from 31 December 2017 to the date of this Prospectus.

9.2 Rights attaching to New Shares

The rights attaching to the New Shares, which are the same as the Existing Shares, are set out in the Company's constitution and summarised in section 8.2 of this Prospectus.

9.3 Rights attaching to New Options

The rights attaching to the New Options are summarised in the Annexure to this Prospectus.

9.4 Existing Options

| Existing Options | Exercise price | Vesting date | Expiry date |
|--------------------------|----------------|------------------|------------------|
| 3,000,000 | \$0.06 | 31 December 2017 | 31 December 2022 |
| 3,000,000 | \$0.08 | 31 December 2017 | 31 December 2022 |
| 3,000,000 | \$0.10 | 31 December 2017 | 31 December 2022 |
| 2,000,000 | \$0.15 | 1 January 2014 | 31 December 2018 |
| 3,000,000 | \$0.22 | 1 January 2015 | 31 December 2019 |
| 4,000,000 | \$0.28 | 1 January 2016 | 31 December 2020 |
| Total: 18,000,000 | | | |

The Board considers it is unlikely that any Existing Options will be exercised before the Record Date. However, if any Existing Options are exercised before the Record Date, any proceeds raised will be applied to the general working capital of KIS.

9.5 Litigation

To the best of the Directors' knowledge and belief, no litigation, mediation, conciliation or administrative proceeding is taking place, pending or threatened against the Company.

9.6 Consents and disclaimers of responsibility

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and the statement included in this Prospectus with the consent of that party, as specified below.

Each of Chrysalis Investments Pty Ltd and Mr Richard Chadwick and Mrs Gwenda Chadwick have given, and have not withdrawn, their written consent to be named as Underwriters to the Entitlement Offer in the form and context in which they are named.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named.

Computershare Investor Services Pty Limited has given, and not withdrawn, its written consent to be named as share registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

9.7 Interests of experts and advisers

Except as set out in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has any interest or has had any interest during the last two years:
 - (i) in the formation or promotion of KIS;
 - (ii) in property acquired or proposed to be acquired by KIS in connection with its formation or promotion or the offer of the New Shares and New Options, or
 - (iii) the offer of the New Shares and New Options; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus in connection with the services provided by the person in connection with the:
 - (i) formation or promotion of KIS, or
 - (ii) offer of the New Shares and New Options.

Chrysalis Investments Pty Ltd and Mr Richard Chadwick and Mrs Gwenda Chadwick have acted as Underwriters to the Entitlement Offer. The Underwriters will be paid an underwriting fee, details of which are disclosed in section 8.3 of this Prospectus.

McCullough Robertson has acted as legal adviser to the Company for the Entitlement Offer and has undertaken due diligence enquiries and provided legal advice on the Entitlement Offer. McCullough Robertson will be paid an amount of \$40,000 (excluding GST) for these services.

9.8 Substantial Shareholders

The following Shareholders have a substantial holding in KIS:

| Shareholder | Shares | Percentage interest |
|---------------------------------------------|------------|---------------------|
| Chrysalis Investments Pty Ltd | 52,125,191 | 23.99% |
| Mr Richard Chadwick and Mrs Gwenda Chadwick | 51,974,541 | 23.92% |
| Catherine Jeanne Morrill | 14,157,199 | 6.52% |

The table above shows the current shareholding of each substantial Shareholder and not the position after taking up any Entitlements or the exercise of any New Options to be issued to them (to the extent they are an Eligible Shareholder able to participate in the Entitlement Offer).

9.9 Interests of Directors

Other than as set out above or elsewhere in this Prospectus:

- (a) no Director or proposed Director of KIS has, or has had in the two years before lodgment of this Prospectus, any interest in:
 - (i) the formation or promotion of KIS;
 - (ii) any property acquired or proposed to be acquired by KIS in connection with its formation or promotion or the offer of the New Shares and New Options; or
 - (iii) the offer of the New Shares and New Options; and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of KIS either:
 - (i) to induce him or her to become, or to qualify him or her as, a Director, or
 - (ii) otherwise for services rendered by him or her in connection with the formation or promotion of KIS or the offer of the New Shares and New Options.

9.10 Shareholdings

The Directors or their associates have a beneficial interest in the following Shares and Existing Options at the date of this Prospectus:

| Director | Existing Shares | Existing Options |
|---------------|-----------------|------------------|
| Chris Ellis | 52,125,191 | 3,000,000 |
| Johann Jacobs | 2,487,871 | 7,500,000 |
| Allan Davies | 3,543,587 | 7,500,000 |

The Directors have committed to apply for New Shares under the Entitlement Offer.

Transactions with related parties

Existing Shareholders, including Chrysalis Investments Pty Ltd (an entity associated with Director Chris Ellis), will underwrite the Entitlement Offer up to \$736,717 (**Underwritten Amount**) on the terms set out in the Underwriting Agreements. Each of the Underwriters has committed to take up their rights and the Underwritten Amount represents the balance of the Offer, less the rights that the Underwriters and all Directors (through their shareholder entities) have committed to take up.

An Existing Shareholder and Director, Johann Jacobs (through a related entity), will sub-underwrite the Entitlement Offer for up to \$120,000 (2,181,818 New Shares) for a sub-underwriting fee of 4.0% (\$4,800).

The Underwriters will, collectively, receive an underwriting fee of \$33,152 (which represents 4.5% of the Underwritten Amount). The fees will be allocated among the Underwriters in the manner set out in section 5.

Mr Allan Davies, the Director who is not associated with the Underwriters and Sub Underwriter, believes that this Underwriting structure provides the Company with the most efficient method for successfully completing the Offer.

If there is a shortfall for the full Underwritten Amount, the Underwriters' and Sub Underwriter's maximum voting power would be:

- (a) for Chrysallis Investments Pty Ltd (together with director, Chris Ellis, and his other associates), 26.28% (up from 23.99%);
- (b) for Mr Richard Chadwick and Mrs Gwenda Chadwick (in their personal capacities and through their associated entities), 26.21% (up from 23.92%); and
- (c) for Johann Jacobs (together with his other associates), 2.04% (up from 1.14%).

Further details on the underwriting and sub-underwriting, and details of the potential voting power of each Underwriter and the Sub-Underwriter based on a range of outcomes, are set out in section 5.

Payments to Directors

The constitution of KIS provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by the Shareholders in general meeting, with that sum to be divided among the Directors as they agree.

The maximum aggregate amount which has been approved by the Shareholders for payment to the non-executive Directors is \$210,000 per annum excluding superannuation.

The current Directors fees are as follows:

| | Financial Year | Salary & fees | Consulting fees (2018 is a latest estimate) | Total | Super benefits | Options | TOTAL |
|--------------------|----------------|---------------|---------------------------------------------|----------------|----------------|----------------|----------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Director | | | | | | | |
| J Jacobs | 2018 | 30,987 | 75,000 | 105,987 | 2,944 | 83,600 | 192,531 |
| | 2017 | 30,987 | 60,000 | 90,987 | 2,944 | - | 93,931 |
| C Ellis | 2018 | 26,400 | - | 26,400 | 2,508 | 83,600 | 112,508 |
| | 2017 | 26,400 | - | 26,400 | 2,508 | - | 28,908 |
| A Davies | 2018 | 26,400 | 12,000 | 38,400 | 2,508 | 83,600 | 124,508 |
| | 2017 | 26,400 | - | 26,400 | 2,508 | - | 28,908 |
| Total compensation | 2018 | 83,787 | 87,000 | 170,787 | 7,960 | 250,800 | 429,547 |
| | 2017 | 83,787 | 60,000 | 143,787 | 7,960 | - | 151,747 |

From 1 June 2018, Johann Jacobs will be remunerated at a rate of \$1,600 per day as executive fees on the basis of dedicating at least four days per week to the Company. The Board has reviewed the remuneration and determined that it is reasonable for the purposes of section 211 Corporations Act.

9.11 Expenses of the Entitlement Offer

The total estimated expenses of the Entitlement Offer payable by the Company including ASX and ASIC fees, underwriting fees, accounting fees, legal fees, share registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be \$95,000.

9.12 Allotment

KIS will apply within seven days from the date of this Prospectus for quotation of the New Shares on ASX. It is expected that allotment of the New Shares under the Entitlement Offer will take place no more than five Business Days after the close of the Entitlement Offer.

Application Money will be held by KIS on trust for Applicants until the New Shares are allotted. No interest will be paid on Application Money.

It is the responsibility of Applicants to work out the number of New Shares allotted and issued to them before trading the New Shares. The sale by an Applicant of New Shares before receiving their holding statement is at the Applicant's own risk.

9.13 CHESS

The Company will apply for the New Shares to participate in CHESS. An Applicant who is issued New Shares under this Entitlement Offer will receive a shareholding statement instead of a share certificate. It sets out the number of New Shares issued to the successful Applicant.

The shareholding statement also provides details of the Shareholder's HIN (in the case of a holding on the CHESS sub-register) or SRN (in the case of a holding on the issuer sponsored sub-register).

Shareholders need to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the share registry. Further statements are given to Shareholders showing changes in their shareholding during a particular month. Additional statements may be requested at any time, although the Company reserves the right to charge a fee for them.

9.14 Electronic Prospectus

This Prospectus is available in electronic form at www.kingislandsheelite.com.au. Any person receiving this Prospectus electronically will, on request, be sent a paper copy of the Prospectus by KIS free of charge until the Closing Date.

The Entitlement and Acceptance Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Entitlement and Acceptance Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus before completing the Entitlement and Acceptance Form.

KIS will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Prospectus has been altered in any way.

While KIS believes that it is extremely unlikely that during the period of the Entitlement Offer the electronic version of the Prospectus will be altered in any way, KIS can not give any absolute assurance that this will not occur. Any investor in doubt about the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from KIS or a financial adviser.

9.15 Privacy

Eligible Shareholders may be asked to give personal information to KIS directly, and through the share registry, such as name, address, telephone and fax numbers, tax file number and account details. The Company and the share registry collect, hold and use that personal information to provide facilities and services to Eligible Shareholders and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with the information under the *Privacy Act 1988* (Cth). The Company's privacy policy sets out how Shareholders may request access to and correction of their personal information held by or on behalf of the Company (by contacting the share registry), how Shareholders can complain about privacy related matters and how the Company responds to complaints.

9.16 Authorisation

This Prospectus is issued by the Company. Each Director has consented to the lodgment of the Prospectus with ASIC.

Dated 19 June 2018

A handwritten signature in black ink, appearing to be 'Johann Jacobs', written over a horizontal line.

Johann Jacobs
Chairman

10 Glossary

In this document:

| | |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual Report | means the annual report of the Company for the financial year ended 30 June 2017 which includes audited financial statements for the financial year ended 30 June 2017 and the auditor's report, which was lodged with ASX and ASIC on 8 August 2017. |
| Applicant | means a person or entity who submits an Entitlement and Acceptance Form. |
| Application Money | means the money received by the Company under the Entitlement Offer, being the Offer Price multiplied by the number of New Shares applied for by an Eligible Shareholder. |
| ASIC | means the Australian Securities and Investments Commission. |
| ASX | means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires). |
| Board | means the board of directors of the Company. |
| Business Day | means a business day as defined in the Listing Rules. |
| CHESS | means Clearing House Electronic Subregister System, operated by ASX Settlement. |
| Closing Date | means the date on which the Entitlement Offer closes, being Friday, 13 July 2018, or another date nominated by the Company, in consultation with the Underwriter, subject to the Listing Rules. |
| Company or KIS | means King Island Scheelite Limited ACN 004 681 734. |
| Corporations Act | means <i>Corporations Act 2001</i> (Cth). |
| Directors | means the directors of the Company. |
| Eligible Shareholder | means a Shareholder as at the Record Date who is not an Ineligible Shareholder. |
| Entitlement | means the right to subscribe for New Shares and New Options under the Entitlement Offer. |
| Entitlement and Acceptance Form | means a Shareholder's personalised entitlement and acceptance form accompanying this Prospectus. |
| Entitlement Offer | means the renounceable pro rata entitlement offer to Eligible Shareholders to subscribe for 1 New Share for every 8 Existing Shares of which the Shareholder is the registered holder on the Record Date (and 1 New Option for every 2 New Shares issued), at the Offer Price, under this Prospectus. |
| Existing Options | means the Options already on issue in KIS and referred to in section 9.4 of this Prospectus. |
| Existing Shareholders | means the holders of Shares before the date of this Prospectus. |
| Existing Shares | means the Shares already on issue in KIS as at the Record Date. |

| | |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Half Yearly Report | means the report of the Company for the half year ended 31 December 2017 which includes reviewed financial statements for the financial year ended 31 December 2017 and the auditor's review report, which was lodged with ASX and ASIC on 16 February 2018. |
| Ineligible Shareholder | means a Shareholder with an address in the Company register of Shareholders outside Australia and New Zealand, unless the Company is satisfied that it is not precluded from lawfully issuing Shares or Options to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous. |
| Listing Rules | means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX. |
| New Options | means new options in the Company issued under this Prospectus. |
| New Shares | means the Shares issued by KIS under this Prospectus, including (as the context requires) the shortfall from the Entitlement Offer issued as Top Up Shares, Shortfall Shares. |
| Nominee | means Taylor Collison Limited ACN 008 172 450. |
| Offer Price | means \$0.055 per New Share. |
| Prospectus | means this prospectus. |
| Record Date | means 7.00pm (Sydney time) on Tuesday, 26 June 2018. |
| Shareholders | means shareholders in KIS. |
| Shares | means fully paid ordinary shares in KIS. |
| Shortfall Shares | means those New Shares not taken up by Eligible Shareholders under the Entitlement Offer, together with those New Shares to which any Ineligible Shareholders would otherwise have been entitled. |
| Sub-Underwriter | means Johann Jacobs (through his related entities). |
| Top Up Facility | means the facility described in section 3.2 under which certain Eligible Shareholders may apply for New Shares in excess of their Entitlement. |
| Top Up Shares | means extra Shares a Shareholder may apply for in excess of their Entitlement under the Top Up Facility. |
| Underwriters | means each of: (a) Chrysalis Investments Pty Ltd (an entity associated with Director, Chris Ellis); and (b) Mr Richard Chadwick and Mrs Gwenda Chadwick. |
| Underwriting Agreement | means the underwriting agreement dated on or around 19 June 2018 between KIS and the Underwriters. |
| Us or we | means the Company. |
| You | means the investors under this Prospectus. |

Corporate directory

Company

King Island Scheelite Limited ACN 004 681 734
Suite 26.01, Level 26
259 George Street
SYDNEY NSW 2000
www.kingislandscheelite.com.au

Auditor

KPMG
Tower Three, International Towers
300 Barangaroo Avenue
SYDNEY NSW 2000
www.kpmg.com.au

Directors

Mr Johann Jacobs
Mr Chris Ellis
Mr Allan Davies

Lawyers to the Entitlement Offer

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000
www.mccullough.com.au

Company Secretary

Mr Ian Morgan

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnson Steet
ABBOTSFORD VIC 3067
www.computershare.com.au

Annexure

New Option terms

| | |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Eligibility | New Options to be issued to Eligible Shareholders who take up New Shares under this Prospectus. |
| Grant of New Options | To be issued on the basis of 1 New Option for every 2 New Shares issued under this Prospectus. |
| Exercise of New Options | <p>Each New Option is exercisable immediately on issue. The New Options may be exercised at any time before their expiry date, wholly or in part, by delivering a duly completed form of notice of exercise together with a cheque for the exercise price. KIS will issue one Share for each New Option exercised.</p> <p>Holders of New Options may only exercise a minimum of 10,000 New Options on any particular occasion, unless the Holder has, in total, less than 10,000 New Options, in which case they must exercise all their New Options at the same time.</p> <p>The exercise of each New Option is subject to compliance with the Corporations Act (in particular, the requirements of Chapter 6 of the Corporations Act).</p> |
| Terms of Shares issued | Any Shares issued as a result of exercising a New Option will be issued on the same terms and rank in all respects on equal terms, with existing Shares. |
| Issue and quotation of Shares on exercise | Shares will be allotted and issued within 10 Business Days from receipt by the Company of notice of the exercise of the New Options and application for official quotation of those Shares will then be made by the Company in accordance with the Listing Rules. |
| Expiration of New Options | Each New Option will have an expiration date that is three years from the date of issue of the New Options. |
| Issue price of New Options | No issue price is payable for the New Options as they are issued together with any application by an Eligible Shareholder for New Shares. |
| Exercise price of New Options | \$0.10 upon exercise to acquire each Share. |
| Option register | New Options will be registered in the name of a Shareholder in an option register maintained by the share registry. The share registry will issue holding statements that evidence the number of New Options held by the Shareholder. No option certificates will be issued. |
| Reconstruction of capital | <p>If there is a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of KIS:</p> <p>(a) the number of New Options or the exercise price of the New Options or both will be adjusted to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation; and</p> <p>(b) in all other respects the terms for the exercise of the New Options will remain unchanged.</p> |
| No adjustment for pro rata issue of Shares | There will be no adjustment to the terms of the New Options if there is a pro rata issue of Shares. |

| | |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adjustment for issue of bonus shares | If there is a bonus issue of Shares, the number of Shares issued upon exercise of the New Options will be adjusted to the extent necessary to comply with the Listing Rules applying to an adjustment for the issue of bonus shares at the time of the issue of the bonus shares. |
| New issues of Shares | The New Options do not confer a right to participate in new issues of Shares unless the New Options have been exercised on or before the record date for determining entitlements to the issue. |
| Notice of adjustments | KIS will give written notice to the New Option holder of any adjustment of the exercise price of the New Options and any increase or decrease in the number of New Options. |
| Dividend rights | While they remain unexercised, the New Options will not give a holder an entitlement to receive any dividends declared and paid by KIS for Shares. |
| Applicable law | Each New Option is issued subject to: <ul style="list-style-type: none"> (a) the Corporations Act; (b) the Listing Rules; and (c) the Company's constitution. |
| Quotation | The Company will apply to ASX for official quotation of the New Options. Quotation of the New Options is at the discretion of ASX and no guarantee can be given by the Company that the application for quotation of the New Options will be successful. |



For all enquiries:

Phone:
Phone +61 2 8622 1402



KIS
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See overleaf for details of the Offer and how to make your payment

Renounceable Rights Issue — Entitlement and Acceptance Form

Your payment must be received by 5:00pm (AEST) Friday, 13 July 2018

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

ASX will quote a market for rights between 25 June 2018 and 6 July 2018. Please refer to the Prospectus for details on how to renounce your rights.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. If you take up your full Entitlement, you may also apply for Additional New Shares. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 19 June 2018.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip with BPAY payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "**King Island Scheelite Limited**" and cross "**Not Negotiable**". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Sale of your Entitlement rights in full by your Stockbroker/ Agent

If you wish to sell your rights entitlement in full, you should instruct your Stockbroker personally and provide details as requested, which appear overleaf.

DO NOT forward your requests for sale to Computershare Investor Services Pty Limited.

Disposal of your Entitlement rights held on the Issuer sponsored sub-register

A Standard Renunciation Form must be used for an off market transfer of Entitlement rights. These forms may be obtained from your Stockbroker or Computershare Investor Services Pty Limited.

Sale of your Entitlement rights in part by your Stockbroker/ Agent and take up the balance

If you wish to sell part of your Entitlement rights and take up the balance you should:

- Instruct your Stockbroker personally and provide details as requested, which appear overleaf, **AND**
- Send the payment slip to Computershare Investor Services Pty Limited with your cheque, bank draft or money order payment **OR** make payment using BPAY, in order to take up the balance of your Entitlement rights.

King Island Scheelite Limited Renounceable Rights Issue
Payment must be received by 5:00pm (AEST) Friday, 13 July 2018

© Registered to BPAY Pty Limited ABN 69 079 137 518

Entitlement and Acceptance Form with Additional New Shares

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I ND

STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at
7:00pm (AEST) Tuesday, 26 July 2018:

Entitlement to New Shares
on a 1 for 8 basis:

Amount payable on full acceptance
at \$0.055 per New Share:

4,000

1

\$0.01

STEP 2 Make Your Payment

| | |
|----------------------------------------------------------------------------------|--------------------------------|
|  | Bill Code: 99999 |
| | Ref No: 1234 5678 9123 4567 89 |

Contact your financial institution to make your payment from your cheque or savings account.

Pay by Mail:



Make your cheque, bank draft or money order payable to "**King Island Scheelite Limited**" and cross "**Not Negotiable**".

Return your cheque with the below payment slip to:

Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Lodgement of Acceptance

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (AEST) Friday, 13 July 2018. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor King Island Scheelite Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (AEST) Friday, 13 July 2018. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor King Island Scheelite Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

King Island Scheelite Limited Acceptance Payment Details

Entitlement taken up:

Number of Additional New Shares applied for:

Amount enclosed at \$0.055 per New Share: **A\$**



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Payment must be received by 5:00pm (AEST) Friday, 13 July 2018

Contact Details

Contact Name _____ Daytime Telephone _____

Cheque Details

| Drawer | Cheque Number | BSB Number | Account Number | Amount of Cheque |
|----------------------|----------------------|----------------------|----------------------|--------------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |

123456789123456789+000000001-3051+14