

19 June 2018



Dear Shareholder

King Island Scheelite Entitlement Offer – notice to eligible shareholders

On 19 June 2018, King Island Scheelite Limited (ASX code: KIS) (**KIS**) announced a 1 for 8 renounceable entitlement offer of fully paid ordinary shares in KIS (**New Shares**) (and 1 new option for every 2 New Shares issued, exercisable at a price of \$0.10 by the date that is three years from the issue date of the options (**New Options**)) to raise approximately \$1.49 million (**Entitlement Offer**).

In addition to providing additional working capital to meet operational needs, the funds raised by the Entitlement Offer will be applied to enable KIS to proceed with ongoing feasibility studies into the redevelopment of KIS' Dolphin Project, located at King Island, Tasmania.

Each director of KIS has committed to undertake their full entitlements under the Entitlement Offer and the balance is underwritten by Chrysalis Investments Pty Ltd (an entity associated with director Chris Ellis) and Mr Richard Chadwick and Mrs Gwenda Chadwick (either personally or through an associated entity). I have also agreed (either personally or through my related entity) to sub-underwrite the underwriting arrangement to the extent of \$120,000.

Mr Richard Chadwick and Mrs Gwenda Chadwick, a major shareholder of KIS, have also committed (either personally or through a related entity) to subscribe for their full entitlements under the Entitlement Offer.

Summary of key terms of the Entitlement Offer

Under the Entitlement Offer, Eligible Shareholders (defined below) will be invited to subscribe for 1 New Share for every 8 existing ordinary shares (and 1 new option for every 2 New Shares issued with an exercise price of \$0.10 per new option exercisable on or before the date which is three years from the date of issue of the options) in KIS held at 7.00pm (AEST) on 26 June 2018 (**Record Date**) at an offer price of \$0.055 per New Share (**Entitlement**).

There are currently 18,000,000 existing options on issue in KIS (**Existing Options**). KIS considers it 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.

Eligibility of shareholders to participate in the Entitlement Offer

You are being sent this letter because KIS believes you are an Eligible Shareholder. An Eligible Shareholder means a holder of KIS Shares at 7.00pm (AEST) on the Record Date who has a registered address in Australia or New Zealand or is a Shareholder that KIS has otherwise determined is eligible to participate.

The Entitlement Offer is being made by KIS in accordance with section 713 of the *Corporations Act 2001* (Cth). KIS lodged a prospectus for the Entitlement Offer with the Australian Securities and Investments Commission on 19 June 2018. If you are not an Eligible Shareholder you cannot

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participate in the Entitlement Offer. KIS will notify those shareholders who are not Eligible Shareholders.

Further details about the Entitlement Offer

Eligible Shareholders who take up their full Entitlement may subscribe for additional New Shares from a pool of those not taken up by Eligible Shareholders as at the closing date of the Entitlement Offer (**Top Up Facility**). There is no guarantee that applicants under the Top Up Facility will receive the number of New Shares applied for under the Top Up Facility, or any. The Directors 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 shares under the Top Up Facility will receive their pro rata entitlement to any available shares.

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, which will be quoted on ASX under the ticker symbol 'KISO'.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares and holdings on different registers or sub-registers will not be aggregated to calculate Entitlements.

Shareholder approval is not required for KIS to make the offer under the Entitlement Offer.

Prospectus

On 29 June 2018, you will be sent a prospectus and personalised entitlement and acceptance form which contains important information about the Entitlement Offer and sets out the number of New Shares you are entitled to purchase under the Entitlement Offer. A copy of the prospectus is also available on the ASX website at www.asx.com.au and KIS's website at www.kingislandscheelite.com.au.

Key dates

KIS expects the Entitlement Offer to be conducted according to the following timetable:

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

Event	Date
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

This Timetable is indicative only. The Directors may vary these dates subject to the Listing Rules and the underwriting agreement. An extension of the closing date will delay the anticipated date for issue of the New Shares and New Options.

The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares and New Options. In that event, the relevant application monies (without interest) will be returned in full to applicants.

Capital structure

Subject to the rounding up of Fractional Entitlements and assuming that no Existing Options 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

The New Shares will be fully paid and rank equally with existing KIS shares.

Further information

If you have any queries, please call the company secretary, Ian Morgan, on +61 2 8622 1402 between 8.30am and 5.00pm AEST Monday to Friday during the offer period or, alternatively, consult your professional adviser.

On behalf of the Directors, I thank you for your continued support of KIS.

Yours sincerely



Johann Jacobs
Executive Chairman
King Island Scheelite Limited

Important information

This letter does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or in any other jurisdiction in which such an offer would be illegal. The securities referred to in this document have not been, and will not be, registered under the US Securities Act of 1933 (the 'US Securities Act'), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

