



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of King Island Scheelite Limited ABN 40 004 681 734 (**Company**) will be held at Suite 26.01, Level 26, Suncorp Place, 259 George Street, Sydney NSW 2000, commencing 11.00AM AEST on Tuesday 8 October 2019.

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Date: 3 September 2019

By order of the Board of King Island Scheelite Limited

Ian Morgan
Company Secretary

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1. ITEMS OF GENERAL BUSINESS

1.1. FINANCIAL REPORTS

To receive and consider the Financial Statements, Directors' Report and Auditor's Report for the Company for the financial year ended 30 June 2019.

Note: There is no requirement for Shareholders to approve these reports.

The statutory annual report is available for Shareholders to access and download from

<https://www.kingislandscheelite.com.au/wp-content/uploads/2019/08/02132820.pdf>

If you would like to receive a hard copy of the statutory annual report free of charge you can contact the Company by telephoning +61 2 8622 1402.

1.2. RESOLUTION 1: ADOPTION OF THE REMUNERATION REPORT

To consider and if thought fit, to pass, with or without amendment, the following resolution in accordance with section 250R of the Corporations Act as a **non-binding resolution**:

That the Company adopts the Remuneration Report for the financial year ended 30 June 2019.

Notes:

- This Resolution is advisory only and does not bind the Company or the Directors.
- The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.
- The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 1.
- If 25% or more votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors must go up for re-election.

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 1 by:

- (a) a member of the Key Management Personnel whose remuneration is disclosed in the Remuneration Report and any Closely Related Party of such a member excluded from voting;
- (b) an Associate of those persons; and
- (c) as a proxy by a member of the Key Management Personnel or a Closely Related Party of such a member.

However, the Company need not disregard a vote, if it is cast as a proxy for a person who is entitled to vote on Resolution 1, and:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

1.3. RESOLUTION 2: RE-ELECTION OF DIRECTOR – MR JOHANN JACOBS

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

That Mr Johann Jacobs who retires from office and is eligible for re-election, is re-elected as a director of the Company.

Notes:

- Mr Jacobs has consented to be re-elected a director of the Company.
- The non-candidate Directors unanimously support the re-election of Mr Jacobs.
- The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 2.

1.4. RESOLUTION 3: ELECTION OF DIRECTOR – MR GREGORY HANCOCK

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

That Gregory Hancock a director appointed to fill a casual vacancy and eligible to be elected, is elected as a director of the Company.

Notes:

- Mr Hancock has consented to be elected a director of the Company.
- The non-candidate directors unanimously support the election of Mr Hancock.
- The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 3.

2. ITEMS OF SPECIAL BUSINESS

2.1. RESOLUTION 4: RATIFICATION OF PRIOR ISSUE OF SHARES FOR CASH PLACEMENT

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue on 21 November 2018 of a total of 17,187,500 Shares, each for \$0.08 cash, on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of a person who participated in the issue the subject of Resolution 4 or an Associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.2. RESOLUTION 5: RATIFICATION OF PRIOR ISSUE OF OPTIONS FOR CAPITAL RAISING FEE

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue on 21 November 2018 to Mac Equity Partners of a total of 2,000,000 listed Options, each with an exercise price of \$0.10 each Share exercisable by 1 August 2021, on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Mac Equity, or an Associate of that person. However, the Company need not disregard a vote if:

- (a) it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (a) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.3. RESOLUTION 6: RATIFICATION OF PRIOR ISSUE OF SHARES FOR CORPORATE ADVISORY FEE

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue on 5 April 2019 of 303,386 Shares to Arrowhead, each for \$0.07, on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of a person who participated in the issue the subject of Resolution 6 or an Associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.4. RESOLUTION 7: RATIFICATION OF PRIOR ISSUE OF SHARES FOR CASH PLACEMENT

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue on 29 July 2019 of 2,439,024 Shares to Gekko Systems, each for \$0.082 cash, on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of a person who participated in the issue the subject of Resolution 7 or an Associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.5. RESOLUTION 8: APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

That for the purpose of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions in the accompanying Explanatory Notes.

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 3.

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of:

- (a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.6. RESOLUTION 9: APPROVAL TO GRANT A MORTGAGE AND GUARANTEE TO A COMPANY RELATED TO MR CHRIS ELLIS A DIRECTOR OF THE COMPANY

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.1 and all other purposes, Shareholders approve Australian Tungsten, the Company's wholly owned subsidiary, granting CJRE Maritime, a company related to Mr Chris Ellis (a director of the Company), a Guarantee and a Mortgage over the Grassy Property, a property owned by the Company's wholly owned subsidiary Australian Tungsten on the terms and conditions set out in the Explanatory Memorandum."

An independent expert's report considering whether the Transaction, proposed for approval by Shareholders in accordance with Resolution 9, is fair and reasonable has been included with the Notice (Page 37 below).

The Transaction was determined on an arm's length basis. In the opinion of the independent expert, the Transaction is fair and reasonable to non-associated shareholders.

The independent expert's report is available for Shareholders to access and download from www.kingislandscheelite.com.au

If you would like to receive a hard copy of the independent expert's report free of charge you can contact the Company by telephoning +61 2 8622 1402.

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 9.

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 9 by or on behalf of:

- (a) a person who is a party to the Mortgages; or
- (b) an Associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.7. RESOLUTION 10: APPROVAL OF GRANTING OF OPTIONS TO MR HANCOCK

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

That in accordance with Listing Rule 10.11, the Company be permitted and authorised to grant 3,000,000 Options as follows:

- (a) 1,000,000 Options for an exercise price of 11 cents each;
- (b) 1,000,000 Options for an exercise price of 13 cents each; and
- (c) 1,000,000 Options for an exercise price of 15 cents each

to Greg Hancock or his nominee for nil cash consideration, and otherwise on the terms and conditions set out in the accompanying Explanatory Notes.

The Chairman of the Meeting intends to vote all available proxies in favour of approving the granting of Options to Mr Hancock or his nominee.

Voting exclusion statement:

Corporations Act

The Company will disregard votes cast by Key Management Personnel or their Closely Related Parties in contravention of section 250BD of the Corporations Act. Restrictions also apply to votes cast as proxy unless exceptions apply.

Listing Rules

The Company will disregard any votes cast in favour of Resolution 10 by or on behalf of:

- (a) a person who is to receive securities in relation to the Company;
- (b) Mr Greg Hancock; and
- (c) an Associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. VOTING RIGHTS AND PROXIES

- A member who is entitled to attend and vote at the meeting has a right to appoint a proxy.
- This appointment may specify the proportion or number of votes that the proxy may exercise.
- The proxy need not be a member of the Company.
- A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes that each proxy may exercise, each proxy may exercise half of the votes.

4. HOW THE CHAIRMAN OF THE MEETING WILL VOTE UNDIRECTED PROXIES

The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

5. LODGING YOUR PROXY

Completed and signed proxies must be sent by:

- Hand delivery to the Company's registered office at Suite 26.01, Level 26, Suncorp Place, 259 George Street, Sydney NSW 2000;
- Scanning and emailing to kis@kisltd.com.au; or
- Posting to King Island Scheelite Limited, GPO Box 5154 Sydney NSW 2001

so that it is received not later than 11.00AM AEST, Sunday 6 October 2019.

6. DATE FOR DETERMINING HOLDERS OF SHARES

For the purposes of regulation 7.11.37 of the Corporations Act and ASX Settlement Operating Rule 5.6.1, the Directors have set 11.00AM AEST, Sunday 6 October 2019 as the time and date to determine holders of the Company's ordinary fully paid shares for the purposes of determining entitlements to attend and vote at the Annual General Meeting.

Share transfers registered after that deadline will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

7. EXPLANATORY NOTES

These Explanatory Notes are provided to the Shareholders of the Company to explain the Resolutions to be put to Shareholders at the Annual General Meeting to be held at Suite 26.01, Level 26, Suncorp Place, 259 George Street, Sydney NSW 2000, commencing 11.00AM AEST, Tuesday 8 October 2019.

The Board recommends that Shareholders read the accompanying Notice and these Explanatory Notes in full before making any decision in relation to the Resolutions.

7.1. FINANCIAL REPORTS

The Corporations Act requires the Financial Report (which includes the Financial Statements, Directors' Report and Auditor's Report) to be laid before the Meeting. There is no requirement for Shareholders to approve the report. However, the Chairman of the Meeting will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, the management of the Company.

Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the content of the Auditor's Report.

7.2. RESOLUTION 1: ADOPTION OF THE REMUNERATION REPORT

The Remuneration Report of the Company for the financial year ended 30 June 2019 is set out in the Company's 2019 Annual Report which is available on the Company's website <https://www.kingislandscheelite.com.au/wp-content/uploads/2019/08/1828355.pdf>

The Remuneration Report sets out the Company's remuneration arrangements for Key Management Personnel. The Chairman of the Meeting will allow a reasonable opportunity for shareholders to ask questions about, or make comments on, the Remuneration Report at the meeting. In addition, Shareholders will be asked to vote on the Remuneration Report.

The Resolution is advisory only and does not bind the Company or its Directors. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors must go up for re-election.

The Company encourages all Shareholders to cast their votes on Resolution 1. Shareholders not attending the Meeting may use the enclosed Proxy Form to lodge their vote by appointing a Proxy. Any undirected proxies held by the Chairman of the Meeting, other Directors or other Key Management Personnel or any of their Closely Related Parties will not be voted on Resolution 1, unless the vote is cast by the Chairman of the Meeting pursuant to an express authorisation on the Proxy Form made by a Shareholder who is entitled to vote on Resolution 1.

Key Management Personnel of the Consolidated Entity are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's Key Management Personnel for the financial year ended 30 June 2019. Their Closely Related Parties are defined in the Corporations Act, and include certain

of their family members, dependants and companies they control. If you choose to appoint a Proxy, you are encouraged to direct your Proxy how to vote on Resolution 1 by marking either “For”, “Against” or “Abstain” on the Voting Form for that item of business.

Recommendation

The Board recommends that Shareholders **vote in favour** of Resolution 1.

7.3. RESOLUTION 2: RE-ELECTION OF DIRECTOR – MR JOHANN JACOBS

Under ASX Listing Rule 14.4, a director must not hold office without re-election past the third annual general meeting following the director’s appointment or three years, whichever is longer. A director who retires in accordance with these requirements is eligible for re-election.

Under ASX Listing Rule 14.5, an election of directors must be held each year.

Rule 19.3(b) of the Company’s constitution requires that no Director (who is not a 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.

The Directors to retire are those directors or director longest in office since last being elected.

The Directors to retire (both as to number and identity) is decided having regard to the composition of the board of Directors at the date of the notice calling the annual general meeting.

The Company may by resolution at an annual general meeting fill an office vacated by a Director by electing or re-electing an eligible person to that office.

The retirement of a Director from office under the Company’s constitution and the re-election of a Director or the election of another person to that office (as the case may be) takes effect at the conclusion of the meeting at which the retirement and re-election or election occurs.

Accordingly, Mr Jacobs is due to retire at the end of the meeting and offers himself for re-election to the Board.

Johann Jacobs (Executive Chairman)

B.Acc, MBL

Appointed 30 November 2012

Johann has over 35 years’ experience in the resources industry in Australia, South Africa and Indonesia. He is also non-executive director of ASX listed Magnis Resources Ltd (ASX: MNS) (formerly Uranex Limited).

Recommendation

Messrs Ellis and Hancock unanimously recommend that Shareholders **vote in favour** of Resolution 2.

7.4. RESOLUTION 3: ELECTION OF DIRECTOR – MR GREGORY HANCOCK

Rule 13.2 of the Company’s constitution provides that the Board has the power at any time to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board. Any Director appointed under this rule may hold office only until the next annual general meeting of the Company and is then eligible for election at that meeting but is not to be taken into account in determining the number of Directors who are to retire by rotation at the meeting.

Accordingly, Mr Hancock holds office only until the end of the meeting and offers himself for election to the Board.

Gregory Hancock (Independent Non-Executive Director)

BA Econs, B.Ed Hons, F.Fin

Appointed 26 February 2019

Greg has over 25 years’ experience in capital markets, practicing in the area of Corporate Finance. He has extensive experience in both Australia and the UK through his close links to the stockbroking and investment banking communities. His career specialised in mining and natural resources with a background in the finance and management of listed companies. He is chairman of Ausquest Limited (ASX:AQD), BMG Resources Limited (ASX:BMG), Non-Executive Director of Golden State Mining Limited (ASX:GSM), Strata-X Energy Limited (ASX:SXA) Zeta Petroleum Plc (ASX:ZTA) and Cobra Resources Plc (LON:COBR). Greg continues his close association with the capital markets in Australia and the UK through his private company, Hancock Corporate Investments Pty Ltd.

7.5. RESOLUTION 4: RATIFICATION OF PRIOR ISSUE OF SHARES FOR CASH PLACEMENT

7.5.1. Background

Listing Rule 7.1 imposes a restriction on the maximum number of shares that can be issued by an entity in any 12-month period without shareholder approval. This restriction is broadly 15% of the number of ordinary securities of that entity already on issue within any 12-month period.

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior Shareholder approval, provided the issue did not breach Listing Rule 7.1. The effect of the ratification is to restore the Company’s maximum discretionary power to issue further securities up to 15% of the issued capital of the Company without requiring Shareholder approval.

As announced to ASX on 12 November 2018 and 21 November 2018, the Company issued 17,187,500 Shares at a cash issue price of \$0.08 per Share to unrelated parties of the Company. The issues of securities in the Company in the past 12 months were within the 15% limit imposed by Listing Rule 7.1. Details of Shares issued are in 7.5.2 below.

7.5.2. Ratification of prior issues of Equity Securities for cash placement

The Company seeks ratification of these prior issues to refresh the Company's capacity to issue further Equity Securities under Listing Rule 7.1. If Shareholders vote in favour of Resolutions 4 and 5, 6, 7 (below), the Company's capacity to issue Equity Securities without approval under Listing Rule 7.1 will, subject to rounding, be increased to 36,667,708 Equity Securities as at the date of the Meeting.

Resolution 4 seeks ratification under Listing Rule 7.4 of the issue of 17,187,500 Shares on 21 November 2018 using the Company's Listing Rule 7.1 capacity.

The following information, in Table 1 below, in relation to the Shares the subject of Resolution 4 is provided to Shareholders in accordance with Listing Rule 7.5:

Table 1

The number of securities issued	17,187,500 Shares
The price at which the securities were issued	\$0.08 per Share
The terms of the securities	The Shares are ordinary fully paid shares issued in the capital of the Company. The Shares rank equally in all respects with existing Shares.
The name of the persons to whom the Company issued the securities or the basis on which those persons were determined	The Shares were issued to certain unrelated Sophisticated and Professional Investors.
The use (or intended use) of the funds raised	Funds raised from the issue of the Shares are being and are intended to be utilised to develop the Company's 100% owned Dolphin Project on King Island, Tasmania.

7.5.3. Recommendation

The Board unanimously recommends that Shareholders **vote in favour** of Resolution 4.

7.6. RESOLUTION 5: RATIFICATION OF PRIOR ISSUE OF OPTIONS FOR CORPORATE ADVISORY FEE

7.6.1. Background

Resolution 5 seeks ratification under Listing Rule 7.4 of the issue of 2,000,000 Options on 21 November 2018 using the Company's Listing Rule 7.1 capacity.

The following information, in Table 2 below, in relation to the Options the subject of Resolution 5 is provided to Shareholders in accordance with Listing Rule 7.5:

Table 2

The number of securities issued	2,000,000 Options
The price at which the securities were issued	No consideration
The terms of the securities	The Options each have an exercise price of \$0.10 each Share, exercisable by 1 August 2021.
The name of the persons to whom the Company issued the securities or the basis on which those persons were determined	Mac Equity Partners
The use (or intended use) of the funds raised	There were no funds raised. Options were issued in lieu of cash to pay a capital raising fee. Funds raised from the conversion of Options are intended to be utilised to develop the Company's 100% owned Dolphin Project on King Island, Tasmania.

7.6.2. Recommendation

The Board unanimously recommends that Shareholders **vote in favour** of Resolution 5.

7.7. RESOLUTION 6: RATIFICATION OF PRIOR ISSUE OF SHARES FOR CORPORATE ADVISORY FEE

7.7.1. Background

Resolution 6 seeks ratification under Listing Rule 7.4 of the issue of 303,386 Shares on 5 April 2019 using the Company's Listing Rule 7.1 capacity.

The following information, in Table 3 below, in relation to the Options the subject of Resolution 6 is provided to Shareholders in accordance with Listing Rule 7.5:

Table 3

The number of securities issued	303,386 Shares
The price at which the securities were issued	\$0.07 per Share
The terms of the securities	The Shares are ordinary fully paid shares issued in the capital of the Company. The Shares rank equally in all respects with existing Shares.
The name of the persons to whom the Company issued the securities or the basis on which those persons were determined	Arrowhead
The use (or intended use) of the funds raised	There were no funds raised. Shares were issued in lieu of cash in consideration of a corporate advisory fee.

7.7.2. Recommendation

The Board unanimously recommends that Shareholders **vote in favour** of Resolution 6.

7.8. RESOLUTION 7: RATIFICATION OF PRIOR ISSUE OF SHARES FOR CASH PLACEMENT

7.8.1. Ratification of prior issues of Equity Securities for cash placement

Resolution 7 seeks ratification under Listing Rule 7.4 of the issue of 2,439,024 Shares on 29 July 2019 using the Company's Listing Rule 7.1 capacity.

The following information, in Table 4 below, in relation to the Shares the subject of Resolution 7 is provided to Shareholders in accordance with Listing Rule 7.5:

Table 4

The number of securities issued	2,439,024 Shares
The price at which the securities were issued	\$0.082 per Share
The terms of the securities	The Shares are ordinary fully paid shares issued in the capital of the Company. The Shares rank equally in all respects with existing Shares.
The name of the persons to whom the Company issued the securities or the basis on which those persons were determined	Gekko Systems
The use (or intended use) of the funds raised	Funds raised from the issue of the Shares are being and are intended to be utilised to develop the Company's 100% owned Dolphin Project on King Island, Tasmania.

7.8.2. Recommendation

The Board unanimously recommends that Shareholders **vote in favour** of Resolution 7.

7.9. RESOLUTION 8: APPROVAL OF 10% PLACEMENT FACILITY

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities, of up to 10% of its issued share capital on issue 12 months before the issue date or date of agreement to issue, through placements over a 12-month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a market capitalisation of \$300 million or less (excluding restricted securities and securities quoted on a deferred settlement basis).

The Company is an eligible entity for the purposes of ASX Listing Rule 7.1A.

The Company is seeking Shareholders' approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility in addition to its 15% placement capacity under ASX Listing Rule 7.1. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2. Further information is set out in section 7.9.1 (c) of the Notice.

The effect of Resolution 8 will be to allow the Directors to issue the Equity Securities under ASX Listing Rule 7.1A during the 10% Placement Period (as defined below) without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

Resolution 8 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

7.9.1. Description of ASX Listing Rule 7.1A

(a) Shareholder Approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. At the date of the Notice, the Company has quoted Shares and quoted Options on issue.

(c) Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of fully paid ordinary securities on issue 12 months before the date of issue or agreement to issue:

- (i) plus the number of fully paid ordinary securities issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (ii) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (iii) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4. This does not include an issue of fully paid ordinary securities under the entity's 15% placement capacity without shareholder approval;
- (iv) less the number of fully paid ordinary securities cancelled in the 12 months.

Note that **A** has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under the ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

7.9.2. Number of Shares on Issue

At the date of the Notice, the Company has 264,381,303 quoted Shares and 15,580,737 quoted Options on issue.

7.9.3. Minimum Issue Price

The issue price of Equity Securities issued under ASX Listing Rule 7.1A must be not less than 75% of the volume weighted average market price (**VWAP**) of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (a) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (b) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (a) above, the date on which the Equity Securities are issued.

7.9.4. 10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires the earlier to occur of:

- (a) the date that is 12 months after the date of the annual general meeting at which approval is obtained; or
- (b) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),
(10% Placement Period).

7.9.5. Specific Information required by ASX Listing Rule 7.3A

In accordance with ASX Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Facility:

- (a) the Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities in the relevant class, calculated over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 8 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' economic and voting power in the Company will be diluted as shown in the below table (in the case of options, only if the options are exercised). There is a risk that:

- (i) the market price for the Company's Equity Securities in that class may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (c) Table 5 below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Table 5

			Variables		
			50% decrease in Issue Price	Issue Price	100% Increase in Issue Price
Issue price examples			\$0.038	\$0.075	\$0.150
Variable 'A' in ASX Listing Rule 7.1A.2	Number of Shares examples				
Current Variable A	264,381,303	10% Voting Dilution	26,438,130	26,438,130	26,438,130
		Funds raised	\$1,004,649	\$1,982,860	\$3,965,720
50% increase in Current Variable A	396,571,955	10% Voting Dilution	39,657,195	39,657,195	39,657,195
		Funds raised	\$1,506,973	\$2,974,290	\$5,948,579
100% increase in Current Variable A	528,762,606	10% Voting Dilution	52,876,261	52,876,261	52,876,261
		Funds raised	\$2,009,298	\$3,965,720	\$7,931,439

- (d) The table has been prepared on the following assumptions:
- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (ii) No options (including any options issued under the 10% Placement Facility) are exercised before the date of the issue of the Equity Securities.
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
 - (v) The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes options, it is assumed that those options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vii) The issue price is 7.5 cents (\$0.075), being the closing price of the Shares on the ASX on 27 August 2019
- (e) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 8 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).
- (f) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to allocate the funds towards additional working capital while the Company progresses development funding for the Dolphin Project.
- (g) The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon the issue of any Equity Securities. The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.
- (h) The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, a pro rata rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).
- (i) The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or Associates of a related party of the Company.
- (j) Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be vendors of the new resources assets or investments.
- (k) The Company previously obtained Shareholder approval under ASX Listing Rule 7.1A at the Company's Annual General Meeting held 29 November 2018.
- (l) As required to be disclosed under Listing Rule 7.3A.6(a), Equity Securities issued during the 12 months preceding the date of the Meeting are below in Table 6, Table 7, Table 8 and Table 9 below:

Table 6

	Shares	Options	Fully diluted Equity Securities
	Number	Number	Number
Equity Securities on issue 12 months prior to the date of the Notice	244,451,393	13,580,737	258,032,130
Equity Securities issued during the 12 months prior to the date of the Notice	19,929,910	2,000,000	21,929,910
Total Equity Securities	264,381,303	15,580,737	279,962,040
Dilution	8.2%	14.7%	8.5%

Table 7

	Shares	Options
The number of Equity Securities issued	19,929,910	2,000,000
The class of Equity Securities issued, and a summary of the terms of that class	Ordinary fully paid shares ranking pari-passu with all existing Shares on issue	Options each exercisable into one Share for a 10-cent exercise price on or before 1 August 2021
The names of the persons to whom the entity issued the securities or the basis on which those persons were determined		
Certain unrelated Sophisticated and Professional Investors.	17,187,500	-
Mac Equity Partners	-	2,000,000
Arrowhead	303,386	-
Gekko Systems	2,439,024	-
Total	19,929,910	2,000,000

Table 8

The price at which the Equity Securities were issued and the discount (if any) that the issue price represented to the closing market price on the date of issue

	Number	Issue Price	Closing Market Price	Premium / (Discount)
Shares				
	17,187,500	\$0.080	\$0.083	(\$0.003)
	303,386	\$0.070	\$0.065	\$0.005
	2,439,024	\$0.082	\$0.089	(\$0.007)
	19,929,910			
Options				
	2,000,000	\$0.000	\$0.023	(\$0.023)
	2,000,000			

Table 9

If the issue was for cash: the total cash consideration, the amount of cash that has been spent, and on what is the intended use for the remaining amount of cash (if any)		Equity Securities	\$000
	Total cash consideration	Shares Options	1,575 -
	Less: Net cash expenditure		1,575 (1,362)
	Remaining cash (at 31 July 2019)		213
If the issue was for non-cash consideration: the non-cash consideration that was paid and the current value of that non-cash consideration	Total non-cash consideration	Shares Options	21 -
			21
	Current value of non-cash consideration		-

- (m) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

7.9.6. Recommendation

The Directors unanimously recommend that Shareholders **vote in favour** of Resolution 8.

7.10. RESOLUTION 9: APPROVAL TO GRANT A MORTGAGE AND GUARANTEE TO A COMPANY RELATED TO MR CHRIS ELLIS A DIRECTOR OF THE COMPANY

7.10.1. Background

CJRE Maritime, a company related to Mr Chris Ellis (a Director), has provided Australian Tungsten with a \$2,000,000 loan Facility, to assist the Company's group with working capital or such other purpose as CJRE Maritime may from time to time approve. As security for the loan, Australian Tungsten proposes to grant CJRE Maritime a Guarantee and a Mortgage over the Grassy Property.

The independent Board has determined that Australian Tungsten granting the Guarantee and Mortgage over the Grassy Property to CJRE Maritime is an appropriate form of financial benefit on the basis:

- (a) CJRE Maritime is providing Australian Tungsten with the Facility, totalling \$2,000,000, to assist with the Company's group working capital, which is essential to the operation of the Company's ongoing business; and

- (b) the Transaction was determined on an arm's length basis. In the opinion of the independent expert, the Transaction is fair and reasonable to non-associated shareholders.

7.10.2. Loan Terms

Following in Table 10 below are key terms agreed between the Company and CJRE Maritime (subject to shareholder approval for the grant of the Mortgages):

Table 10

Term	Meaning
Advance	CJRE Maritime agrees to make a cash advance of up to \$2,000,000 to the Group
Applicable Margin	means 8% per annum.
Commencement Date	means the date on which the first Advance is made or the date otherwise agreed by CJRE Maritime in writing.
Capital Raising Event	means any one or more of the following: <ul style="list-style-type: none"> (a) an equity fundraising event pursuant to which the Company issues any equity securities provided that the proceeds are greater than \$4,000,000; (b) the occurrence of financial close or other similarly worded event of any debt facility pursuant to which the Company raises capital; and (c) any other event or series of events undertaken by the Company for the principal purpose of raising capital.
Conditions Precedent	The Group has delivered to CJRE Maritime satisfactory replies and ancillary documents and other conditions precedent common to this type of loan agreement. CJRE Maritime agrees and acknowledges that Financial Close may occur notwithstanding that Shareholder Approvals may not have been obtained.
Financial Close	means the date when all the conditions precedent have been satisfied.
Guarantee	means the guarantee and indemnity to be given by the Company on or about the date of obtaining the Shareholder Approvals.
Interest rate	means the aggregate of BBSW (Bank Bill Swap Rate) and the Applicable Margin. Interest is calculated and paid monthly in arrears.
Mortgage	means the real property mortgage to be given by the Group over the Property on or about the date of satisfaction of the Condition Precedent.
Property	means Lot 1 on Plan 163390 located at Grassy Harbour Road, King Island, Tasmania.
Purpose	The purpose of the facility is to assist the Group with working capital or such other purpose as CJRE Maritime may from time to time approve.

Term	Meaning
Repayment	<p>The Group must pay the money owing to CJRE Maritime on the earlier of:</p> <ul style="list-style-type: none"> (a) the Termination Date; and (b) 5 Business Days after the date of any Repayment Event. <p>The Borrower may repay an Advance in whole or in part before the Termination Date</p> <p>Repayment – election to convert debt to equity</p> <p>CJRE Maritime may, upon notice from the Company of a Capital Raising Event occurring, elect to convert all or part of the Money Owing to Shares by giving the Company at least three months’ notice in writing.</p> <p>The conversion of all or part of the Money Owing is subject to:</p> <ul style="list-style-type: none"> (a) the written consent of the Company (which consent may be withheld conditionally or unconditionally in the Company’s absolute discretion); (b) confirmation from the Company that the issue of the Shares to CJRE Maritime (or its Nominee) would not result in a breach of the Corporations Act (including Chapter 6 of the Corporations Act); (c) the Group obtaining any necessary or desirable shareholder or other regulatory approvals for the conversion of all or part of the Money Owing to Shares (including under ASX Listing Rule 10.11 and Chapter 6 Corporations Act, as applicable); and (d) the Group confirming that there are a sufficient number of unissued shares in the capital of the Company to enable it to convert the Money Owing to Shares. <p>For the avoidance of doubt, the Company: is not required to issue Shares to CJRE Maritime if the conditions in (a) to (d) are not satisfied; and cannot require CJRE Maritime to make an election to convert all or part of the Money Owing to Shares.</p>
Repayment Event	<p>means a Capital Raising Event, the proceeds of which are, in CJRE Maritime’s reasonable opinion, sufficient to repay the money owing.</p>
Security	<p>means the Mortgage and the Guarantee.</p>
Shares	<p>means such number of fully paid ordinary shares in the capital of the Company as is equal to X in the following calculation: $X = Y \text{ divided by } CP$, where: Y = the amount of the Money Owing the Lender has elected by notice in writing to convert; and CP = the price which is a 5% discount to the Company’s share price which is referable to the applicable Capital Raising Event. For the avoidance of doubt, the shares will rank equally with the</p>

Term	Meaning
	ordinary shares then on issue. The number of shares to be issued is to be rounded up to the nearest whole share.
Shareholder Approvals	means: (a) The Company and CJRE Maritime (as applicable) must use reasonable endeavours to obtain all required ASX (including under ASX Listing Rule 10.1), Corporations Act and all regulatory, shareholder or other approvals required for the granting of the Security (Shareholder Approvals). (b) CJRE Maritime acknowledges that the Group may not be permitted to grant the Security until the Shareholder Approvals have been obtained, which may be obtained at the Company's annual general meeting (or any earlier extraordinary general meeting called by the Company).
Term	Means the term commencing on the Commencement Date and ending on the Termination Date.
Termination Date	means the later of: (a) the date which is one year after Financial Close; and (b) the date which is two years after Financial Close if the Shareholder Approvals are obtained.

7.10.3. Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that (subject to certain exceptions) a public company must obtain the approval of members prior to giving financial benefit to a related party of the Company.

The entry into the Loan with, and granting of the Security to, the Lender constitutes the giving of a financial benefit to a related party (being the Lender) for the purposes of Chapter 2E of the Corporations Act.

Under section 210 of the Corporations Act, member approval is not required to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the Company and the Lender were dealing at arm's length; or
- (b) are less favourable to the Lender than the terms referred to in sub-paragraph (a).

The Australian Securities and Investments Commission (**ASIC**) has stated that, in considering whether the arm's length exception applies, the Company should have regard to:

- (a) how the terms of the Transaction compare with those of any comparable transactions on an arm's length basis;
- (b) the nature and content of the bargaining process;
- (c) the impact of the Transaction on the Company;
- (d) any other options available to the Company; and

(e) any expert advice received by the Company.

The Loan is on market terms or better than market terms, assisting the Company's group with working capital. The value of the Security provided in support of the Company's obligations to the Lender under the Loan is of substantially lesser value than the Loan. Accordingly, the board considers that the arrangements are:

- (a) less favourable to the Lender than the terms that would be reasonable if the Company and the Lender were dealing at arm's length; and
- (b) more favourable to and have a lesser impact upon the Company than the terms of any commercial arrangements available from financial institutions or lenders.

Independent Directors accordingly consider that the entry into the Loan and granting of the Security (subject to Shareholder approval under Resolution 9) is both reasonable in the circumstances and in the best interests of the Company, and that:

- (a) the parties are dealing at arm's length; and
- (b) the exception under section 210 of the Corporations Act applies.

7.10.4. Listing Rules 10.1 and 10.10

ASX Listing Rule 10.1 provides that Shareholder approval must be obtained before the Company can acquire a substantial asset from, or dispose of a substantial asset to, persons including a related party of the entity.

The Lender is a related party of the Company by virtue of section 228 of the Corporations Act.

ASX Listing Rule 10.2 provides that an asset is a substantial asset if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the Company as set out in the latest accounts given to ASX by the Company.

The equity interests of the Company set out in the accounts of the Company for the financial year ended 30 June 2019 (being the latest accounts given to ASX) were \$1,382,503. The value of the Security for the Loan therefore constitutes a substantial asset for the purposes of the ASX Listing Rules.

For the purposes of the ASX Listing Rules, a 'disposal' of an asset includes the granting of security under which that asset is collateral.

Under the ASX Listing Rules the granting of the Security in favour of the Lender by the Company constitutes a disposal of a substantial asset to a related party of the Company.

The following information, in Table 11 below, in relation to the Security the subject of Resolution 9, is provided to Shareholders for the purposes of Listing Rule 10.10:

Table 11

Voting exclusion statement	A voting exclusion statement has been included in the Notice in relation to Resolution 4.
A report on the transaction from an independent expert. The report must state the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded. The expert's opinion as to whether the transaction is fair and reasonable must be displayed prominently in the notice of meeting and on the covering page of any accompanying documents.	An independent expert's report has been included with the Notice (Page 37 below).
The report on the transaction from an independent expert must be given individually to each holder of the entity's ordinary securities using the same method as that used to give notice of the meeting.	An independent expert's report has been included with the Notice (Page 37 below).
Provided the report on the transaction from an independent expert and notice of meeting have both been given to the holders of the entity's securities, the report on the transaction from an independent expert is taken to have been given to the holder of the entity's ordinary securities at the same time that the notice of meeting is taken to have been given to the holder of its ordinary securities.	An independent expert's report has been included with the Notice (Page 37 below), which is dated 26 August 2019 and mailed on or about 6 September 2019 to holders of the Company's ordinary securities. The independent expert's report and Notice are taken to have been given to the holders of the Company's ordinary securities within three calendar days of mailing the Notice.
Regardless of the method used to distribute the report on the transaction from an independent expert, the entity must:	
(a) Ensure that the report on the transaction by an independent expert is easily accessible on the entity's website;	The independent expert's report is available for Shareholders to access and download from www.kingislandscheelite.com.au

(b) Ensure that the address of the entity's website is provided to the holders of ordinary securities;	The independent expert's report is available for Shareholders to access and download from www.kingislandscheelite.com.au
(c) If requested by a holder of ordinary securities, send to the holder a hard copy of the report on the transaction from an independent expert, at no cost to the holder, and ensure holders are notified of this option in the notice of meeting.	If you would like to receive a hard copy of the independent expert's report free of charge you can contact the Company by telephoning +61 2 8622 1402.

7.10.5. Recommendation

Mr Ellis declines to make a recommendation about Resolution 9, as he has a material personal interest in the outcome of that Resolution as it relates to Australian Tungsten granting a Security, which is a financial benefit, to his related company.

Excluding Mr Ellis, Directors unanimously recommend that Shareholders **vote in favour** of Resolution 9.

7.11. RESOLUTION 10 GRANTING OF OPTIONS TO GREG HANCOCK

7.11.1. Background

Subject to Shareholder approval, the Company proposes to grant a total of 3,000,000 Options to Greg Hancock (appointed 26 February 2019), or his nominee, on terms and conditions as set out in these Explanatory Notes.

The exercise price of the proposed issue of Options that would be granted is 11 cents (\$0.11), 13 cents (\$0.13) and 15 cents (\$0.15) which are respectively 47% higher, 73% higher and 100% higher than 7.5 cents (\$0.075) - being the latest traded price of the Shares.

Remuneration payable to Mr Hancock

The cash remuneration paid to date by the Company to Mr Hancock is at the rate of \$26,400 p.a. plus 9.5% statutory superannuation for Mr Hancock to be an independent Non-executive Director.

The remuneration received by Greg Hancock during the year ended 30 June 2019 is as follows:

Year	Salary and fees	Superannuation benefits	Total
	\$	\$	\$
2019	8,800	836	9,636
2018	-	-	-

7.11.2. Trading History

On 27 August 2019 the Company's share price was 7.5 cents (\$0.075). Since 1 September 2018, the Company's lowest and highest share price trade on the ASX and monthly turnover are as follows:

Month	Monthly share price range		Monthly volume traded on ASX
	Minimum	Maximum	
September 2018	\$0.082	\$0.135	1,882,550
October 2018	\$0.083	\$0.100	1,317,067
November 2018	\$0.082	\$0.095	456,488
December 2018	\$0.075	\$0.090	553,472
January 2019	\$0.075	\$0.084	292,964
February 2019	\$0.075	\$0.087	989,345
March 2019	\$0.056	\$0.077	1,295,493
April 2019	\$0.052	\$0.098	3,776,020
May 2019	\$0.075	\$0.085	1,292,332
June 2019	\$0.065	\$0.085	2,546,076
July 2019	\$0.075	\$0.094	3,348,973
to 27 August 2019	\$0.071	\$0.090	2,092,292
Total	\$0.052	\$0.135	19,843,072

7.11.3. Dilution effects on existing members interests

If the Options to be granted pursuant to Resolution 10 are exercised, the effect will be to dilute the interests of existing Shareholders.

The table below sets out the impact of passing Resolution 10, on the number of Shares and Options on an undiluted and diluted basis.

	Undiluted Shares	Fully diluted Shares	Potential dilution of issued capital %
	Number	Number	
Shares on issue at the date of the Notice	264,381,303	264,381,303	-
Quoted Options on issue with an exercise price of 10 cents (\$0.10) and expiring 1 August 2021	-	15,580,737	-
Unquoted Options on issue with an exercise price of 22 cents (\$0.22) and expiring 31 December 2019	-	3,000,000	-
Unquoted Options on issue with an exercise price of 28 cents (\$0.28) and expiring 31 December 2020	-	4,000,000	-
Unquoted Options on issue with an exercise price of 6 cents (\$0.06) and expiring 31 December 2022	-	3,000,000	-
Unquoted Options on issue with an exercise price of 8 cents (\$0.08) and expiring 31 December 2022	-	3,000,000	-
Unquoted Options on issue with an exercise price of 10 cents (\$0.10) and expiring 31 December 2022	-	3,000,000	-
Equity Securities on issue at the date of the Notice	264,381,303	295,962,040	-
Proposed granting of Unquoted Options to Greg Hancock or his nominee	-	3,000,000	1.00%
New potential issued capital	264,381,303	298,962,040	1.00%

7.11.4. Opportunity costs and taxation consequences to the Company

It is not considered that from an economic and commercial point of view that there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company resulting from the granting of Options pursuant to Resolution 10. Australian Accounting Standards (AASBs) may require the Company to expense the 3,000,000 Options proposed to be granted to Mr Hancock or his nominee, with the expense being transferred to an Option Reserve being estimated at \$94,120.

These amounts are expected to be transferred from the Option Reserve to Issued Capital when (and if) the Options are exercised. If the Options lapse, the amounts will remain in the Option Reserve.

7.11.5. Current Directors' Interests

Equity Securities held by Mr Hancock

Since his appointment as a Director on 26 February 2019, neither Mr Hancock nor his related entities have held Equity Securities in the Company.

7.11.6. Listing Rules

Pursuant to Listing Rule 10.13, the following information is provided regarding the approval sought under Listing Rule 10.11:

Rule 10.13.1: Name of person:

Greg Hancock

Rule 10.13.2: Number of securities to be issued:

Mr Hancock 3,000,000 Options

Rule 10.13.3: Date by which the securities are to be issued:

If Shareholders approve Resolution 10, the issue and allotment of the Options to Mr Hancock, or his nominee, will occur on a date which is no later than one month after the date of this AGM.

Rule 10.13.4: Nature of relationship:

Greg Hancock is an independent Non-Executive Director of the Company

Rule 10.13.5: Issue price of the securities and a statement of terms of issue:

The Options will be granted to Greg Hancock or his nominee for nil consideration.

Vesting Date	Expiry Date	Exercise Price per Share	Number of Options
Options vest on the grant date	Five (5) years after the grant date	11 cents (\$0.11)	1,000,000
		13 cents (\$0.13)	1,000,000
		15 cents (\$0.15)	1,000,000
Total			3,000,000

The Options are subject to the following salient terms and conditions:

- the Options will be issued at no cost;
- each Option entitles the holder thereof to subscribe for one Share in the Company;
- the Options may be exercised in whole or in part by notice in writing being delivered to the Company at any time prior to or on each Expiry Date;
- the exercise prices of the Options are:
 1. 1,000,000 Options for an exercise price of 11 cents (\$0.11);
 2. 1,000,000 Options for an exercise price of 13 cents (\$0.13); and

3. 1,000,000 Options for an exercise price of 15 cents (\$0.15)

for each Share subscribed for;

- any Option not exercised on or before each Expiry Date will expire and cease to carry any rights or benefits;
- a statement will be issued for the Options. A new holding statement will be issued when a change takes place in the number of Options held;
- the holder of Options will not have the right to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Any change to the Option's exercise price or the number of underlying securities must be made in accordance with Listing Rules 6.21 and 6.22;
- the rights of the holders of Options will change to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation;
- the Options are freely transferable;
- Shares issued pursuant to the exercise of the Options will be allotted following receipt of all relevant documents and payments in respect thereto and will rank for dividends pro rata with the existing issued Shares, as at the date of exercise of the Options. Subject to any ASX ruling regarding Restricted Securities, Shares so issued will rank pari passu with the then issued Shares of the Company; and
- the Options will not be listed on the ASX. The Company will make application for any Shares issued upon the exercise of any Option to be granted Official Quotation by the ASX.

Rule 10.13.6A: Intended use of the funds:

No funds will be raised from the issue of Options. On an exercise of an Option, the Option holder will subscribe the Exercise Price per Share. The Company intends to allocate these funds towards additional working capital while the Company progresses development funding for the Dolphin Project.

Rule 10.13.6: A voting exclusion statement:

A Voting Exclusion Statement is included in the Notice.

Rule 7.2, Exception 14: Approval not required under Rule 7.1:

As approval for the issue of the Options referred to in Resolution 10 is being sought under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

7.11.7. Section 208 of the Corporations Act

Section 208(1) of the Corporations Act provides that a public company must not, without the approval of the Company's members, give a financial benefit to a related party unless an exception to the prohibition as set out in sections 210 to 216 of the Corporations Act applies to that issue.

As a director of the Company, Greg Hancock is a related party of the Company for the purposes of section 228(2) Corporations Act. The issue of the Options will

constitute the giving of a financial benefit to a related party for the purposes of section 229(3)(e) of the Corporations Act.

The Board, with the relevant Director abstaining on each respective resolution, has resolved that the grant of the Options to each Director constitutes reasonable remuneration within the meaning of section 211(1) of the Corporations Act as:

- **the Company wishes to maximise the use of its cash resources towards the Company's development and equity-based incentives, such as options, are used to supplement cash-based remuneration; and**
- **the granting of the options package proposed is commensurate with market practice.**

Accordingly, Shareholder approval is not required under section 208(1) of the Corporations Act, however approval is still required for the purposes of Listing Rule 10.11.

7.11.8. Recommendation

Mr Hancock declines to make a recommendation about Resolution 10, as he has a material personal interest in the outcome of that Resolution as it relates to the Company granting Options, which is a financial benefit, to him or his nominee.

Excluding Mr Hancock, Directors unanimously recommend that Shareholders **vote in favour** of Resolution 10.

8. INTERPRETATION

For the purposes of interpreting the Explanatory Notes and the Notice:

- (a) the singular includes the plural and vice versa;
- (b) words importing any gender include the other genders;
- (c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all consolidations, amendments, re-enactments or replacements for the time being in force;
- (d) all headings, bold typing and italics (if any) have been inserted for convenience of reference only and do not define, limit or affect the meaning or interpretation of the Explanatory Notes and the Notice;
- (e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors, substitutes (including without limitation persons taking by novation and assignment); and
- (f) reference to **cents**, **\$**, **A\$**, **Australian Dollars** or **dollars** is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia.

9. REGISTERED OFFICE

King Island Scheelite Limited ABN: 40 004 681 734

Suite 26.01, Level 26, Suncorp Place, 259 George Street, Sydney NSW 2000

Telephone: +61 2 8622 1402

Email: kis@kisltd.com.au

Web: www.kingislandscheelite.com.au

10. GLOSSARY

AEDT means Australian Eastern Daylight Time.

AEST means Australian Eastern Standard Time.

AGM or **Annual General Meeting** means the annual general meeting to commence 11.00AM AEST on Tuesday 8 October 2019 and notified to the Company's Shareholders by this Notice.

Arrowhead means INTE Securities LLC, doing business as Arrowhead Capital Advisors.

Associate has the meaning given to that term in Part 1.2, Division 2 of the Corporations Act.

ASX means ASX Limited ABN 98 008 624 691.

ASX Listing Rules means the official listing rules issued and enforced by the ASX, as amended from time to time.

Australian Tungsten means Australian Tungsten Pty Ltd ACN 097 562 653, the Company's wholly owned subsidiary.

Board or **Board of Directors** means the board of Directors of the Company.

Borrower means the Company.

CJRE Maritime means CJRE Maritime Pty Ltd ABN 29 125 716 761, a company related to Mr Chris Ellis.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;

- (c) a dependent of the member or the member's spouse;

- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

- (e) a company the member controls; or

- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)* as amended from time to time.

Company means King Island Scheelite Limited ABN 40 004 681 734.

Consolidated Entity means the Company together with all the entities it is required by the accounting standards to include in consolidated financial statements.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act means the *Corporations Act 2001 (Cth)* as amended from time to time.

Director means a director of the Company.

Equity Securities has the same meaning as in the ASX Listing Rules.

Explanatory Notes means the notes included in the Notice which convened this meeting.

Gekko Systems means Gekko Systems Pty Ltd ACN 064 618 293

Grassy Property means the property contained in Lot 1 on Plan 163390 located

at Grassy Harbour Road, King Island, Tasmania.

Group means the Company's group, including the Company and its wholly owned subsidiaries.

Guarantee means the guarantee and indemnity to be given by the Company on or about the date of obtaining the Shareholder Approvals.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Loan means the financial accommodation proposed under the Transaction.

Lender means CJRE Maritime.

Mac Equity Partners means Mac Equity Partners (International) Pty Ltd AFSL 338 731

Meeting means the AGM.

Mortgage means the real property mortgage to be given by the Borrower over the Grassy Property on or about the date of satisfaction of certain conditions precedent.

Notice means this notice of Annual General Meeting.

Option means an option exercisable into one Share for the exercise price on any date during the option period, by thepiry date, and **Options** has a corresponding meaning.

Portside Links means the property contained in Lot 1 on Sealed Plan 155074 located at King Island, Tasmania.

Remuneration Report means the remuneration report which forms part of the Directors' Report of the Company for

the financial year ended 30 June 2019 and which is set out in the 2019 Annual Report.

Security means the Mortgage and the Guarantee.

Share means a fully paid ordinary share in the issued capital of the Company and **Shares** has a corresponding meaning.

Shareholder means shareholder of the Company and **Shareholders** has a corresponding meaning.

Shareholder Approvals means:

- (a) The Company and CJRE Maritime (as applicable) must use reasonable endeavours to obtain all required ASX (including under ASX Listing Rule 10.1), Corporations Act and all regulatory, shareholder or other approvals required for the granting of the Security (Shareholder Approvals).
- (b) CJRE Maritime acknowledges that the Group may not be permitted to grant the Security until the Shareholder Approvals have been obtained, which may be obtained at the Company's annual general meeting (or any earlier extraordinary general meeting called by the Company).

Trading Day means a day determined by the ASX to be a Trading Day, notified to market participants, and otherwise as defined by the ASX Listing Rules.

Transaction means CJRE Maritime, an entity related to a director of the Company, Chris Ellis, providing financial accommodation to the Company under a facility of \$2,000,000 to assist the Company's group with working capital or such other purpose as CJRE Maritime may from time to time approve.

VWAP means arithmetic average of the daily volume weighted average price of the ordinary shares in the Company traded on the ASX.

11. ANNEXURE A: INDEPENDENT EXPERT'S REPORT

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King Island Scheelite Limited

Independent Expert's Report for Non-Associated Shareholders

26 August 2019





26 August 2019

The Independent Directors
King Island Scheelite Limited
Suite 26.01, 259 George Street
Sydney NSW 2001

Pitcher Partners Sydney Corporate
Finance Pty Ltd

Level 16, Tower 2 Darling Park
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Sydney NSW 2000

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The Independent Directors

INDEPENDENT EXPERT'S REPORT FOR NON-ASSOCIATED SHAREHOLDERS OF KING ISLAND SCHEELITE LIMITED

Introduction

King Island Scheelite Limited ("*KIS*" or "*the Company*") is an Australian public company which is listed on ASX Limited ("*ASX*"). KIS operates as a tungsten development company, focussing on the exploration, redevelopment and ultimately the production of tungsten from its 100% owned Dolphin mine ("*Dolphin Mine*") located on King Island, Tasmania, which is currently not operational ("*Dolphin Project*").

The Dolphin Mine originally operated between 1917 and 1992, when it was closed due to low tungsten prices which negatively affected the economic viability of the mine. In 2005, KIS acquired 100% of the shares in Australian Tungsten Pty Ltd ("*Australian Tungsten*") which owns 100% of the Dolphin Mine.

Since the acquisition of Australian Tungsten, KIS has focussed on a redevelopment plan for the Dolphin Project. In 2017, KIS completed and submitted a revised environmental assessment report which proposed the redevelopment of the mine through an 8-year open cut mine to the Environmental Protection Agency ("*EPA*"). The EPA granted the Company the necessary approvals in October 2017 to proceed with operations, subject to lodging the necessary management plans prior to operations commencing.

In April 2019, KIS signed its first offtake agreement with Wolfram Bergbau und Hütten AG (a wholly-owned subsidiary of the Stockholm-listed Sandvik AB) and completed its revised feasibility study and revised mineral reserve estimate in June 2019.

KIS is exploring joint venture partnerships and is in discussions with suppliers and financial institutions for project funding, targeting a financial close by the end of 2019. Management is budgeting capital expenditure of \$65.0 million and targeting a 15 month development period post financial close. This would result in recommencement of production in early 2021.

Proposed Transaction

KIS, through its wholly-owned subsidiary Australian Tungsten, has executed a loan agreement ("*Loan Agreement*") with CJRE Maritime Pty Ltd ("*CJRE*"), a related party of KIS, for \$2.0 million.

The proceeds of the loan will primarily be used to finance the working capital requirements of KIS' ongoing activities, allowing the Company to further progress negotiations with potential financiers and joint venture partners, to secure the funding required for the recommencement of production at the Dolphin Mine.

Under the terms of the Loan Agreement, CJRE proposes to register a mortgage over a property owned by Australian Tungsten, being Lot 1 on Plan 163390 located at Grassy Harbour Road, King Island, Tasmania (the “*Property*” and together the “*Proposed Transaction*”).

The Proposed Transaction is subject to approval by shareholders of KIS not associated with CJRE (“*Non-associated Shareholders*”).

Purpose of the Report

Pitcher Partners Sydney Corporate Finance Pty Ltd (“*Pitcher Partners*”) has been engaged to express an opinion on the Proposed Transaction.

Chapter 10 of the ASX Listing Rules requires the approval of Non-associated Shareholders of a company if the company proposes to acquire from or dispose of a substantial asset to a related party, substantial shareholder or their associates.

The granting of the Property as security under the Loan Agreement constitutes the disposal of a substantial asset to a related party for the purposes of ASX Listing Rule 10.1.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statements provided to the ASX (currently for the year ended 30 June 2019 for KIS). Under ASX Listing Rule 19, a related party includes the directors of a public company and their controlled entities, and the definition of disposal includes using an asset as collateral. CJRE is a related party of KIS and is controlled by its sole director, Christopher Ellis. Christopher Ellis is a director of KIS and the largest beneficial shareholder in KIS.

The Independent Directors of KIS have engaged Pitcher Partners to prepare an independent expert’s report (“*Report*”) to express an opinion on the fairness and reasonableness of the Proposed Transaction to Non-associated Shareholders for the purposes of ASX Listing Rule 10.1.

Summary of Findings

After considering the Proposed Transaction, Pitcher Partners has concluded that the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

Each KIS Shareholder should decide whether or not to approve the Proposed Transaction based on their own views of the Proposed Transaction and expectations about future market conditions, commodity prices, KIS’ performance, risk profile and investment strategy.

Fairness Assessment of the Proposed Transaction

In order to assess whether the Proposed Transaction is fair, we have compared the value of the security granted to CJRE to the value of the facility provided by CJRE under the Loan Agreement.

Pursuant to Regulatory Guide 111 “Content of expert reports” (“*RG 111*”), the Proposed Transaction is considered fair, as the maximum value of the financial benefits receivable by CJRE under the security would be equal to or less than the amount owing to CJRE under the Loan Agreement. Should the value of the proceeds from a sale of the Property be greater than the amount owing to CJRE, CJRE’s entitlement to the sale proceeds would be limited to the value of the amount owing.

Reasonableness Assessment of the Proposed Transaction

Under RG 111, the Proposed Transaction is reasonable if it is fair. For the purpose of assessing whether or not the Proposed Transaction is reasonable to Non-associated Shareholders, we have also considered the following likely advantages, disadvantages and other factors associated with the Loan Agreement, and consequently the Proposed Transaction.

Advantages

Alternative funding sources

KIS considers debt to be a desirable funding option based on the Company's current development timeline (refer to section 1.1), noting the anticipated financial close of project funding by the end of 2019. We understand that, at the date of this Report, KIS has no alternative debt funding offers from third parties that are not conditional on a prior equity raising. Hence, KIS may not be able to secure unconditional debt funding from an alternative financier. In addition, an alternative financier may require a higher interest rate or additional security.

Loan term and further advances

The Loan was advanced without the granting of security, pending approval by Non-associated Shareholders. Should the security not be approved by Non-associated Shareholders, the Loan term reduces from two years to one year. Furthermore, the Loan Agreement allows flexibility for CJRE to make further advances in excess of the current facility on the same terms. This provides KIS with more flexibility and potentially additional funding options if project funding is not raised by the end of 2019 as expected. Potential further financial support by CJRE is considered unlikely in the absence of approval of the security.

Potential conversion to shares

The Loan Agreement allows conversion of all or part of the Loan from debt to equity on election by CJRE and subject to approval by KIS and Non-associated Shareholders. This potential conversion would provide KIS with flexibility regarding further funding requirements and capital structure.

Transaction costs

The Loan Agreement specifies KIS must pay its own costs as well as the lenders reasonable legal and other transaction costs. Funding raised from third party lenders would typically include this same clause as well as requiring establishment or drawdown fees to be paid on borrowings. This would reduce the cash from borrowings available for working capital.

Interest rate

We note that the interest rate of the Loan Agreement appears reasonable compared to the terms of the \$2.0 million unsecured redeemable convertible notes ("*Notes*") issued by KIS in December 2015 and August 2016 as well as the pre-existing loan from CJRE to KIS executed on or about 22 October 2018 ("*Pre-existing Loan*"). Refer to section 3.4 for further information on the terms.

Disadvantages

Limited ability to secure further asset-based financing from non-related third parties

Under the Proposed Transaction, CJRE would have a mortgage over the Property, in addition to the two other properties owned by KIS through Australian Tungsten which secure the Pre-existing Loan ("*Pre-existing Mortgages*"). This will reduce KIS' ability to secure further asset-based finance from other parties.

Potential compensation

The Dolphin Project is located on Mining Lease 1/M2006 (“ML 1/M2006”) held by KIS through Australian Tungsten. KIS also holds Exploration License EL19/2001 (“EL19/2001”) covering prospective ground and has submitted a Mining Lease Application 2060P/M (“MLA 2060P/M”). The Property is located within the boundaries of ML 1/M2006. KIS, through Australian Tungsten, would retain title to ML 1/M2006 even if the Property was transferred to CJRE under the security. Compensation is payable by the lessee/licensee to the landowner for any compensable loss (excluding the value of any mineral in or under the land surface) at a rate specified in a compensation agreement (none currently in place as the landowner and lessee/licensee are both Australian Tungsten) or if there is no agreement, determined by the Mining Tribunal¹.

Ability to service the Loan payments

In the absence of additional funding, it is unlikely that KIS would be able to repay the Loan capital and fund the interest over an extended period whilst the Dolphin Mine is not operational. In isolation, the Loan Agreement would further pressurise KIS’ cashflows and negatively impact the balance sheet through the recognition of a \$2.0 million liability and encumbering of a significant portion of the Company’s assets. However, the Loan Agreement is required to fund working capital and ensure the Company can continue to progress negotiations with potential financiers and joint venture partners to secure the funding required for the recommencement of production at Dolphin Mine.

Control granted over majority of the Company’s assets

Granting of the Property as security to CJRE, and ultimately Christopher Ellis, in effect grants Mr Ellis greater influence over the Company through:

- His direct and indirect shareholding of 22.2%;
- The Loan Agreement and the Proposed Transaction; and
- The Pre-existing Loan and Pre-existing Mortgages.

Based on our fairness assessment and the qualitative factors identified above, in our opinion, the Proposed Transaction is reasonable to the Non-associated Shareholders.

Other factors

Additional funding required

Regardless of whether the Proposed Transaction is approved or not, KIS will require additional funding to commence mining operations at the Dolphin Mine. Further capital management initiatives (including an equity issue) are likely to be required.

Support of the Independent Directors

The Independent Directors have provided their support for the Proposed Transaction and have indicated that they unanimously recommend that shareholders vote in favour of the Proposed Transaction.

¹ Mineral Resources Development Act 1995, Section 144 Compensation for compensable loss
<https://www.legislation.tas.gov.au/view/html/inforce/current/act-1995-116#>

Other matters

Pitcher Partners has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in Appendix 1.

The decision of whether or not to accept the Proposed Transaction is a matter for each KIS shareholder to decide based on their own views of the Proposed Transaction, and expectations about future market conditions, KIS' performance, risk profile and investment strategy. If KIS shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

PITCHER PARTNERS SYDNEY CORPORATE FINANCE PTY LTD



Alan Max
Director



Rob Dando
Director

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1. BACKGROUND

1.1 Overview

KIS is an Australian public company which is listed on the ASX. KIS operates as a tungsten development company, focussing on the exploration, development and ultimately the production of tungsten from the Dolphin Project.

KIS' primary focus is the establishment of a redevelopment plan for the Dolphin Project, which has JORC² compliant mineral reserves of 3.0Mt at a grade of 0.73% WO₃ (at 0.2% WO₃ cut-off). Mineral resources, including the probable reserves, total 9.6Mt at a grade of 0.90% WO₃ (at 0.2% WO₃ cut-off). In 2017, KIS completed and submitted a revised environmental assessment report, which proposed the redevelopment of the mine through an 8-year open cut mine to the EPA. The EPA granted the Company the necessary approvals in October 2017, to proceed with operations, subject to lodging the necessary management plans prior to operations commencing.

In April 2019, KIS signed its first offtake agreement with Wolfram Bergbau und Hütten AG (a wholly-owned subsidiary of the Stockholm-listed Sandvik AB) and completed its revised feasibility study and revised mineral reserve estimate in June 2019.

KIS is exploring joint venture partnerships and is in discussions with suppliers and financial institutions for project funding, targeting a financial close by the end of 2019. Management is budgeting capital expenditure of \$65.0 million and targeting a 15 month development period post financial close. This would result in recommencement of production in early 2021.

1.2 Loan Agreement

The key terms of the Loan Agreement are as follows:

- Facility: Interest only, cash advance facility of \$2.0 million. CJRE may make further advances to Australian Tungsten from time to time on the same terms;
- Term: Two years, subject to shareholder approval of the granting of security, otherwise one year;
- Repayment: On expiry of the term. Early repayment of the facility is permitted at any time without penalty. Potential conversion of all or part of the amount owing to ordinary shares in KIS, at a 5% discount to the share price, at CJRE's election and subject to the Company's consent, and shareholder and regulatory approval;
- Interest Rate: Interest will be calculated monthly in arrears at the rate of BBSW plus 8%; and
- Mortgage as security: First registered mortgage over the Property.

² The JORC Code is produced by the Australasian Joint Ore Reserves Committee ("*the JORC Committee*"). The JORC Committee was established in 1971 and is sponsored by the Australian mining industry and its professional organisations. The JORC Code was first published in 1989, with the most recent revision being published late in 2012.

2. BASIS OF ASSESSMENT

2.1 ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from the Non-associated Shareholders of a company if the company proposes to acquire from or dispose of a substantial asset to a related party, substantial shareholder or their associates.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statements provided to the ASX (currently for the year ended 30 June 2019 for KIS). Under ASX Listing Rule 19, a related party includes the directors of a public company and their controlled entities, and the definition of disposal includes using an asset as collateral.

KIS and CJRE are related parties and the provision of the security under the Proposed Transaction constitutes the disposal of a substantial asset.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the Non-associated Shareholders.

Accordingly, the Independent Directors of KIS have engaged Pitcher Partners to prepare a Report stating, whether in its opinion, the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

2.2 ASIC Regulatory Guide 111

In preparing our Report we have had regard to the guidelines set out in the Australian Securities & Investments Commission (“ASIC”) RG 111. The ASX Listing Rules do not define the term “fair and reasonable”.

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of “fair and reasonable” are in the context of a takeover offer. RG 111 provides more limited guidance on transactions under Chapter 10 of the ASX Listing Rules.

Under RG 111, a proposed related party transaction is “fair” if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity.

RG 111 considers a proposed related party transaction to be “reasonable” if it is fair. It might also be “reasonable” if, despite being “not fair”, the expert believes there are sufficient reasons for members/shareholders to vote for the proposal. RG 111.62 lists the following factors that an expert might consider in deciding whether a proposed transaction is “reasonable”:

- a) The financial situation and solvency of the entity, including the factors set out in RG111.26, if the consideration for the financial benefit is cash;
- b) Opportunity costs;
- c) The alternative options available to the entity and the likelihood of those options occurring;
- d) The entity's bargaining position;
- e) Whether there is selective treatment of any security holder, particularly the related party;
- f) Any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target; and
- g) The liquidity of the market in the entity's securities.

Based on the above, Pitcher Partners has determined whether the Proposed Transaction is fair to the Non-associated Shareholders by comparing the value of the security granted to CJRE to the facility provided by CJRE.

In considering whether the Proposed Transaction is reasonable to the Non-associated Shareholders, we have considered other factors relating to the Proposed Transaction which are likely to be relevant to the Non-associated Shareholders in their decision of whether or not to approve the Proposed Transaction, including:

- Whether the Proposed Transaction is fair;
- The implications to KIS and Non-associated Shareholders if the Proposed Transaction is not approved; and
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG 111.

2.3 Purpose

This Report has been prepared by Pitcher Partners for inclusion in KIS' Notice of Annual General Meeting ("AGM") to assist Non-associated Shareholders to decide whether or not to approve the Proposed Transaction. The sole purpose of this Report is to express our opinion as to whether the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

The Report may not be used for any other purpose, or by any other party, and Pitcher Partners will not accept any responsibility for its use outside this purpose, or by any other party. No extract, quote or copy of this Report, in whole or in part, should be reproduced without the prior written consent of Pitcher Partners, as to the form and context in which it appears.

2.4 Limitations and Reliance on Information

Our opinion is based on market, economic and other factors existing at the date of this Report. Such conditions can change significantly in short periods of time.

Our Report is based upon financial and other information provided by KIS' and CJRE's representatives, contractors, advisors, agents and/or related parties ("*Providers*"). In forming our opinion, we have reviewed and relied upon this information, unless otherwise stated.

The information provided was evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable. Our enquiries and procedures do not constitute an audit, extensive examination, verification or a "due diligence" investigation. None of these assignments has been undertaken by Pitcher Partners for the purposes of this Report.

In forming the opinion expressed in this Report, the opinions and judgments of management of KIS has been considered. Although this information has been evaluated through analysis, enquiry and review to the extent practical, inherently such information is not always capable of independent verification.

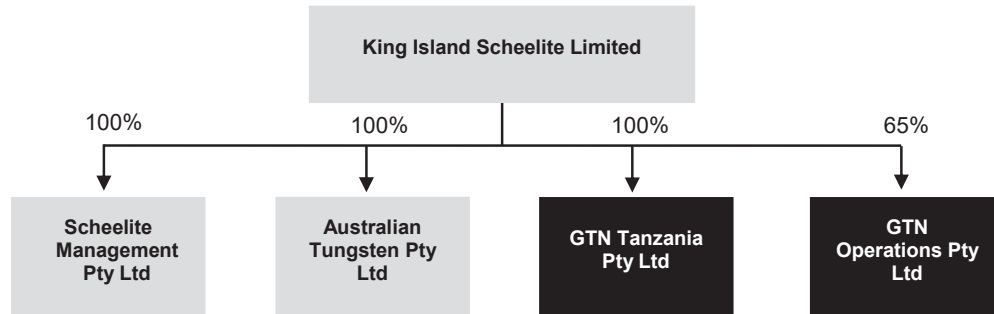
In forming our opinion, we have considered the interest of Non-associated Shareholders as a whole. This Report therefore does not consider the financial situation, objectives or needs of individual shareholders. It is not practical to assess the implications of the Proposed Transaction on individual shareholders as their financial circumstances are not known.

The decision of shareholders as to whether or not to approve the Proposed Transaction is a matter for individuals based on, amongst other things, their risk profile and investment strategy. Individual shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to approve or reject the Proposed Transaction may be influenced by his or her particular circumstances, we recommend that individual shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this Report as set out in Appendix 2 of this Report. We note that we have not undertaken to update this Report for events or circumstances arising after the date of this Report, other than those of a material nature and contemplated by RG 111 which occur prior to the date of the AGM.

3. OVERVIEW OF KIS

3.1 Corporate Structure



■ Australia

■ Tanzania

Source: KIS Annual Report June 2019

3.2 Financial Performance

The following table summarises KIS' audited consolidated statements of comprehensive income ("*Income Statements*") for financial years ended 30 June 2017 ("*FY17*"), 30 June 2018 ("*FY18*") and 30 June 2019 ("*FY19*"). All amounts are in whole Australian Dollars.

Statement of Comprehensive Income			
	30-Jun-17	30-Jun-18	30-Jun-19
	FY17	FY18	FY19
Months	12	12	12
Other income	113,299	56,996	1,000
Key management personnel expenses	(155,614)	(188,297)	(346,242)
Non-cash key management personnel expense	-	(250,800)	-
Administrative expenses	(340,805)	(409,957)	(738,162)
Depreciation expense	(12,492)	(10,336)	(112,534)
Exploration & evaluation expenses	(362,045)	(543,633)	(1,557,052)
Results from operating activities	(757,657)	(1,346,027)	(2,752,990)
Financial income – interest	19,477	10,304	8,585
Financial expense – interest	(116,158)	(9,722)	(129,958)
Net finance expense	(96,681)	582	(121,373)
Net loss attributable to members of the parent	(854,338)	(1,345,445)	(2,874,363)

Source: KIS Annual Report June 2018 & 2019

KIS does not generate any operating revenue (other income comprises royalty income and rental income in FY18 and in FY19 only compensation for pipeline access) and has generated an annual net loss of \$0.9 - \$2.9 million over the last three financial years.

Increased expenses in FY19 reflect the additional activities completed during the year such as the hiring of additional staff, completion of the feasibility study and costs relating to capital raising activities undertaken.

3.3 Financial Position

The following table summarises KIS' audited consolidated statement of financial position ("*Balance Sheet*") as at 30 June 2017, 30 June 2018 and 30 June 2019. All amounts are in whole Australian Dollars.

Statement of Financial Position			
	30-Jun-17	30-Jun-18	30-Jun-19
	FY17	FY18	FY19
Cash and cash equivalents	1,502,394	494,360	454,045
Prepayments and other receivables	155,279	148,016	139,609
Total current assets	1,657,673	642,376	593,654
Property, plant and equipment	1,134,820	1,124,484	3,759,135
Prepayments and other receivables	19,600	19,600	24,600
Total non-current assets	1,154,420	1,144,084	3,783,735
Total assets	2,812,093	1,786,460	4,377,389
Trade and other payables	183,241	295,118	333,456
Loan interest payable	-	-	7,457
Convertible notes	239,036	-	-
Total current liabilities	422,277	295,118	340,913
Loan from CJRE	-	-	2,700,000
Total non-current liabilities	-	-	2,700,000
Total liabilities	422,277	295,118	3,040,913
Net assets	2,389,816	1,491,342	1,336,476
Share capital	57,134,995	57,331,166	60,004,663
Other reserves	955,301	1,206,101	1,252,101
Accumulated losses	(55,700,480)	(57,045,925)	(59,920,288)
Total equity	2,389,816	1,491,342	1,336,476

Source: KIS Annual Report June 2018 & 2019

The recent increase in property, plant and equipment relates to the purchase of Portside Links (neighbouring property situated at Lot 1 on Sealed Plan 155074, 255 Grassy Harbour Road, Grassy) financed by the Pre-existing Loan from CJRE.

The increase in share capital and loan liability over recent years is explained further in section 3.4 below.

3.4 Recent Capital Raisings

Convertible Notes

In December 2015 and August 2016, KIS raised total funding of \$2.0 million through the issue of four \$0.5 million Notes from two major shareholders, one being an entity related to Christopher Ellis, director of KIS and a sole director of CJRE. The Notes were issued with a face value of \$0.5 million each, an 8% per annum interest rate and a maturity date of 31 December 2016. These Notes were convertible or repayable at the Company's sole discretion.

The Notes were converted as follows:

Tranche	Date	Notes (incl. accrued interest)	Share price	No. of shares
1	Dec-16	\$1.1 million	\$0.0468	23.4 million
2	Jun-17	\$0.8 million	\$0.0394	21.0 million
3	Dec-17	\$0.2 million	\$0.0324	7.7 million

Rights Issue

In July 2018, KIS announced a renounceable rights issue, offering 1-for-8 rights to all shareholders. KIS raised \$1,493,878 (before capital raising costs) to fund the ongoing feasibility study into the redevelopment of the Company's Dolphin Project, as well as ongoing working capital requirements and the costs of the offer. The new shares were issued at \$0.055 each, an 18% discount to the closing price of KIS shares on 18 June 2018, the last trading day before the announcement of the offer. The rights issue also contained 1 free attaching option for every 2 new shares taken up, exercisable at \$0.10 by 1 August 2021.

Share Placements

In November 2018, a share placement to professional and sophisticated investors raised \$1,375,000 of cash (before issue costs) upon which the Company issued 17,187,500 new shares at \$0.08 per share.

In April 2019, a share placement of 303,386 shares at \$0.07 was made to Arrowhead Capital Management in lieu of cash to pay for corporate advisory fees.

In July 2019, the Company made a share placement for \$200,000 (2,439,024 ordinary fully paid shares for \$0.082 per share) to Gekko Systems Pty Ltd, an unrelated entity.

Options

In November 2018, 2,000,000 options were granted to Mac Equity Partners in lieu of cash to pay a capital raising fee. Options are exercisable at \$0.10 by 1 August 2021.

Loan

At the Company's AGM held on 29 November 2018, the Non-associated Shareholders approved the Pre-existing Loan, being secured loan funding of \$2.7 million by CJRE. The purpose of the Pre-existing Loan was to fund the purchase of the Portside Links property adjoining the Dolphin Mine. The Pre-existing Loan was for a term of five years' at an interest rate of BBSW plus 6% for the first two years after commencement of production at the Dolphin Project and then BBSW plus 11% thereafter. First ranking mortgages over Portside Links and 20 Waratah Street Grassy, Tasmania (owned by Australian Tungsten) were provided as security.

In July 2019, KIS through Australian Tungsten, executed the Loan Agreement. Refer to section 1.2 for further details. The proceeds of the Loan will primarily be used to finance the working capital requirements of KIS' ongoing activities, allowing the Company to further progress negotiations with potential financiers and joint venture partners to secure the funding required for the recommencement of production at the Dolphin Mine.

3.5 Capital Structure

The table below sets out the top 20 largest beneficial holders of ordinary shares and their beneficial shareholdings as at 9 August 2019.

Shareholder	Number of Shares	% of Issued
CHRISTOPHER ELLIS	58,813,278	22.25%
MR RICHARD WILLMOT CHADWICK AND MRS GWENDA ANN CHADWICK	58,571,359	22.15%
MRS CATHERINE JEANE MORRITT	15,920,599	6.02%
MR ANTHONY JAMES HAGGARTY	14,998,952	5.67%
MR GIUSEPPE CORONICA & MRS YVONNE PRICE	8,640,000	3.27%
INVIA CUSTODIAN PTY LIMITED <PACIFIC ROAD PROVIDENT A/C>	6,276,237	2.37%
MR ANDREW PLUMMER	5,170,590	1.96%
HUNAN NONFERROUS METALS CORPORATION LIMITED	4,450,000	1.68%
MR JOHANN JACOBS	3,989,764	1.51%
MR & MRS AJ AND LM DAVIES	3,986,536	1.51%
CITICORP NOMINEES PTY LIMITED	3,226,023	1.22%
ELPHINSTONE HOLDINGS PTY LTD	3,125,000	1.18%
MR BRYANT JAMES MCLARTY	3,116,104	1.18%
TYSON RESOURCES PTY LTD	2,873,864	1.09%
SERLETT PTY LTD	2,711,241	1.03%
GEKKO SYSTEMS PTY LTD	2,439,024	0.92%
MR SCOTT GILCHRIST	2,268,755	0.86%
KESLI CHEMICALS PTY LTD	2,202,500	0.83%
CHELSEA SECURITIES LIMITED	2,161,818	0.82%
MR DONALD BOYD	2,044,337	0.77%
Other	57,395,322	21.71%
Total Shares on Issue	264,381,303	100.00%

Source: ASX Annual Report June 2019

The table below sets out the top 20 largest registered holders of ordinary shares and their shareholdings as at 9 August 2019.

Shareholder	Number of Shares	% of Issued
CITICORP NOMINEES	32,515,955	12.30%
CHRYSALIS	29,523,346	11.17%
INVIA CUSTODIAN PTY	29,331,144	11.09%
ABEX RESOURCE	29,240,215	11.06%
MRS CATHERINE JEANE	15,920,599	6.02%
MR ANTHONY JAMES	8,476,604	3.21%
MR GIUSEPPE	8,181,145	3.09%
HFTT PTY LTD	6,522,348	2.47%
INVIA CUSTODIAN PTY	6,276,237	2.37%
RANAMOK PTY LTD	5,170,590	1.96%
HUNAN NONFERROUS	4,450,000	1.68%
FINMIN SOLUTIONS PTY	3,989,764	1.51%
INVIA CUSTODIAN PTY	3,986,536	1.51%
ELPHINSTONE	3,125,000	1.18%
MR BRYANT JAMES	3,116,104	1.18%
TYSON RESOURCES PTY	2,873,864	1.09%
SERLETT PTY LTD	2,711,241	1.03%
GEKKO SYSTEMS PTY	2,439,024	0.92%
MR SCOTT GILCHRIST	2,268,755	0.86%
KESLI CHEMICALS PTY	2,202,500	0.83%
Other	62,060,332	23.47%
Total Shares on Issue	264,381,303	100.00%

Source: ASX Annual Report June 2019

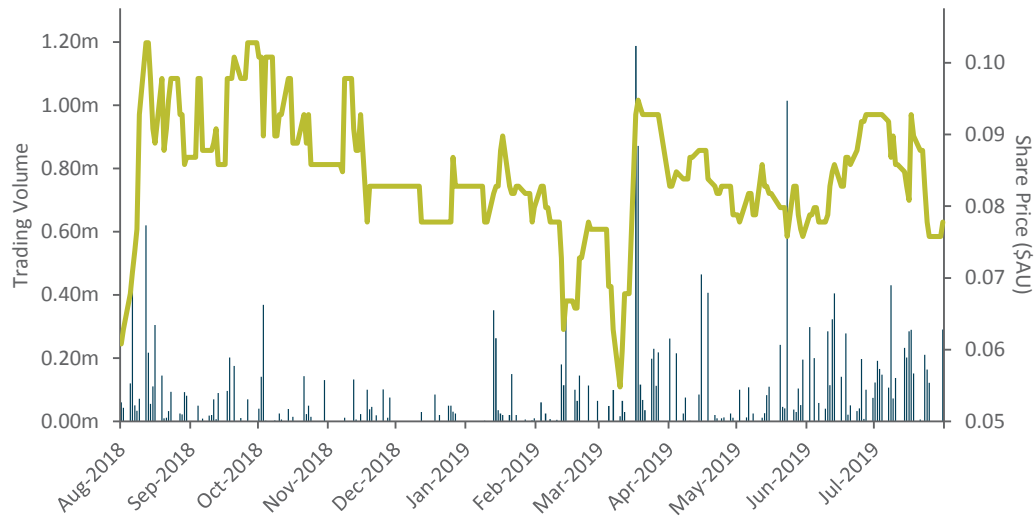
The effective shareholding of Christopher Ellis as at 9 August 2019 is summarised below:

Securities	Shareholding	Total	Shareholding %
Ordinary shares	58,813,278	264,381,303	22.2%
Unquoted options	3,000,000	16,000,000	
Quoted options	3,245,721	15,580,737	
Total effective shareholding	65,058,999	295,962,040	22.0%

KIS has 264 million shares on issue with the top 20 beneficial shareholders holding 78.29%.

3.6 Share Price Performance

The graph below illustrates the daily movements in KIS' share price and trading volumes for the period from 23 August 2018 to 22 August 2019.



Source: S&P Capital IQ

Note 1: We note that the ASX issued a letter to KIS on 3 September 2018 regarding the jump in share price during Aug/Sep 2018. KIS issued an announcement in reply to the ASX's letter, indicating that it was not aware of any information not announced to the market which could explain the recent trading in its securities.

Date	Key Announcement
12/08/2019	Annual Report June 2019
31/07/2019	Quarterly Activities and Cash Flow Reports June 2019
24/07/2019	King Island Scheelite Negotiates \$2M Loan
3/06/2019	Completion of Feasibility Study
30/04/2019	Quarterly Activities and Cash Flow Reports March 2019
8/04/2019	Initial Offtake Agreement Signed Leading European Refiner
13/02/2019	Interim Financial Statements 31 December 2018
29/01/2019	Quarterly Activities and Cash Flow Report December 2018
29/11/2018	Results of Annual General Meeting
12/11/2018	Strongly Supported Capital Raising
8/11/2018	Trading Halt
31/10/2018	Quarterly Activities and Cash Flow Reports Sep 2018
30/10/2018	Dolphin Geotechnical Drilling Update October 2018
9/10/2018	Purchase of Land Adjoining Dolphin Mine

Source: ASX Announcements

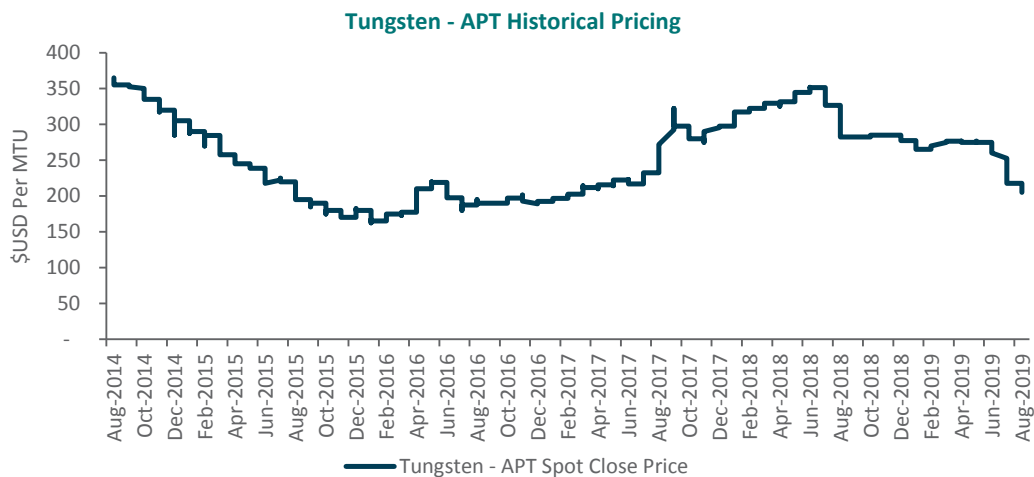
3.7 Industry

Tungsten is one of the most important refractory metals used in powder metallurgy and is found in many appliances including light bulbs, mobile phones, microwave ovens and other electrical consumer products. It can also be used for wall drills, circular knives and ballpoint pens. Tungsten has a silvery white luster, high density, high thermal and high thermal creep resistance, 0°C electrical conductivity and the second highest melting point of all elements after carbon.

Tungsten ores frequently only contain a few tenths of a percent of WO₃, whilst international ore concentrate trades require 65-75% WO₃. Hence, as an extremely high amount of gangue material must be separated, ore processing plants are generally located in close proximity to the mine to save on transportation costs.

There are two categories of tungsten resources, primary tungsten (ore concentrates of wolframite and scheelite) and secondary tungsten (scrap containing tungsten). The tungsten found at King Island is in the form of scheelite.

The market commonly relies on the Ammonium-Paratungstate (“APT”) quotation as a price guide for tungsten since APT is the product traded in the larger quantity, which may be produced from either tungsten concentrate or scrap metal³. The current APT price is US\$205.00 per MTU (as at 23 August 2019).



Source: S&P Capital IQ

World tungsten supply is dominated by production in and export from China. The Chinese Government has regulated the industry by limiting the number of mining and export licenses, imposing quotas on concentrate production and placing constraints on mining and processing⁴.

Country	Mine Production (MTU)		Reserves
	2017	2018 ^e	
China	67,000	67,000	1,900,000
Vietnam	6,600	6,000	95,000
Russia	2,090	2,100	240,000
Bolivia	994	1,000	NA
United Kingdom	1,090	900	43,000
Austria	975	980	10,000
Portugal	724	770	3,100
Rwanda	720	830	NA
Spain	564	750	54,000
Other Countries	1,300	1,400	1,000,000
Total	82,057	81,730	3,345,100

^e Estimated

Source: U.S. Geological Survey, Mineral Commodity Summaries, February 2019

³ International Tungsten Industry Association

⁴ U.S. Geological Survey, Mineral Commodity Summaries, February 2019

4. OVERVIEW OF CJRE

CJRE is an investment holding company, with Christopher Ellis as the sole shareholder.

Christopher Ellis is currently an executive director and major shareholder of KIS where related entities Citicorp Nominees Pty Ltd and Chrysalis Investments Pty Ltd are custodians. Christopher Ellis directly and indirectly holds 3,000,000 unquoted options (expiring 31 December 2022), 3,245,721 quoted options (expiring 1 August 2021) and 58,813,278 ordinary shares.

5. FAIRNESS ASSESSMENT

5.1 Summary

Pitcher Partners has assessed whether the Proposed Transaction is fair to the Non-associated Shareholders on the basis outlined in section 2.2.

5.2 Value of the security

In comparing the value of the security granted to CJRE to the value of the facility provided by CJRE, we have considered that the maximum value of the financial benefits payable to CJRE under the security would be equal to or less than the amount owing to CJRE. Should the value of the proceeds from a sale of the Property be greater than the amount owing to CJRE under the Loan Agreement, CJRE's entitlement to the sales proceeds would be limited to the value of the amount owing.

As the maximum value of the financial benefits payable to CJRE will be equal to or less than the value of the consideration provided by CJRE, pursuant to RG 111 the Proposed Transaction is fair.

6. REASONABLENESS ASSESSMENT

6.1 Summary

Under RG 111, the Proposed Transaction is reasonable if it is fair. For the purpose of assessing whether or not the Proposed Transaction is reasonable to Non-associated Shareholders, we have also considered the following likely advantages, disadvantages and other factors associated with the Proposed Transaction.

6.2 Advantages

Alternative funding sources

KIS considers debt to be a desirable funding option based on the Company's current development timeline (refer to section 1.1), noting the anticipated financial close of project funding by the end of 2019. We understand that, at the date of this Report, KIS has no alternative debt funding offers from third parties that are not conditional on a prior equity raising. Hence, KIS may not be able to secure unconditional debt funding from an alternative financier. In addition, an alternative financier may require a higher interest rate or additional security.

Loan term and further advances

The Loan was advanced without the granting of security, pending approval by Non-associated Shareholders. Should the security not be approved by Non-associated Shareholders, the Loan term reduces from two years to one year. Furthermore, the Loan Agreement allows flexibility for CJRE to make further advances in excess of the current facility on the same terms. This provides KIS with more flexibility and potentially additional funding options if project funding is not raised by the end of 2019 as expected. Potential further financial support by CJRE is considered unlikely in the absence of approval of the security.

Potential conversion to shares

The Loan Agreement allows conversion of all or part of the Loan from debt to equity on election by CJRE and subject to approval by KIS and Non-associated Shareholders. This potential conversion would provide KIS with flexibility regarding further funding requirements and capital structure.

Transaction costs

The Loan Agreement specifies KIS must pay its own costs as well as the lenders reasonable legal and other transaction costs. Funding raised from third party lenders would typically include this same clause as well as requiring establishment or drawdown fees to be paid on borrowings. This would reduce the cash from borrowings available for working capital.

Interest rate

We note that the interest rate of the Loan Agreement appears reasonable compared to the terms of the \$2.0 million Notes issued by KIS in December 2015 and August 2016 as well as the Pre-existing Loan. Refer to section 3.4 for further information on the terms.

6.3 Disadvantages

Limited ability to secure further asset-based financing from non-related third parties

Under the Proposed Transaction, CJRE would have a mortgage over the Property, in addition to the Pre-existing Mortgages. This will reduce KIS' ability to secure further asset-based finance from other parties.

Potential compensation

The Dolphin Project is located on ML 1/M2006 held by KIS through Australian Tungsten. KIS also holds EL19/2001 covering prospective ground and has submitted MLA 2060P/M. The Property is located within the boundaries of ML 1/M2006. KIS, through Australian Tungsten, would retain title to ML 1/M2006 even if the Property was transferred to CJRE under the security. Compensation is payable by the lessee/licensee to the landowner for any compensable loss (excluding the value of any mineral in or under the land surface) at a rate specified in a compensation agreement (none currently in place as the landowner and lessee/licensee is both Australian Tungsten) or if there is no agreement, determined by the Mining Tribunal.

Ability to service the Loan payments

In the absence of additional funding, it is unlikely that KIS would be able to repay the Loan capital and fund the interest over an extended period whilst the Dolphin Mine is not operational. In isolation, the Loan Agreement would further pressurise KIS' cashflows and negatively impact the balance sheet through the recognition of a \$2.0 million liability and encumbering of a significant portion of the Company's assets. However, the Loan Agreement is required to fund working capital and ensure the Company can continue to progress negotiations with potential financiers and joint venture partners to secure the funding required for the recommencement of production at Dolphin Mine.

Control granted over majority of the Company's assets

Granting of the Property as security to CJRE, and ultimately Christopher Ellis, in effect grants Mr Ellis greater influence over the Company through:

- His direct and indirect shareholding of 22.2%;
- The Loan Agreement and the Proposed Transaction; and
- The Pre-existing Loan and Pre-existing Mortgages.

Based on our fairness assessment and the qualitative factors identified above, in our opinion, the Proposed Transaction is reasonable to the Non-associated Shareholders.

6.4 Other factors

Additional funding required

Regardless of whether the Proposed Transaction is approved or not, KIS will require additional funding to commence mining operations at the Dolphin Mine. Further capital management initiatives (including an equity issue) are likely to be required.

Support of the Independent Directors

The Independent Directors have provided their support for the Proposed Transaction and have indicated that they unanimously recommend that shareholders vote in favour of the Proposed Transaction.

APPENDIX 1 – FINANCIAL SERVICES GUIDE

Pitcher Partners Sydney Corporate Finance Pty Ltd (“*Pitcher Partners*”) is an authorised representative of Pitcher Partners Sydney Wealth Management Pty Ltd (“*Licence Holder*”) in relation to Australian Financial Services Licence (“*AFSL*”) No. 336950.

Pitcher Partners may provide the following financial services to wholesale and retail clients as an authorised representative of the Licence Holder:

- Financial product advice in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, deposit and payment products, life products, retirement savings accounts and superannuation (collectively “*Authorised Financial Products*”); and
- Applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

1. Financial Services Guide

The Corporations Act 2001 requires Pitcher Partners to provide this Financial Services Guide (“*FSG*”) in connection with its provision of an Independent Expert’s Report (“*Report*”) which is included in the Notice of Annual General Meeting provided by KIS.

2. General Financial Product Advice

The financial product advice provided in our Report is known as “general advice” because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

3. Remuneration

Pitcher Partners’ client is the Company to which it provides the Report. Pitcher Partners receives its remuneration from the Company. Our fee for the Report is based on a time cost or fixed fee basis. This fee has been agreed in writing with the party who engaged us. Neither Pitcher Partners nor its Directors and employees, nor any

related bodies corporate (including the Licence Holder) receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of Pitcher Partners or related entities but any bonuses are not directly connected with any assignment and in particular not directly related to the engagement for which our Report was provided.

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

4. Independence

Pitcher Partners is required to be independent of the Company.

Neither Pitcher Partners, the Licence Holder, any related entities, any Director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of the Proposed Transaction, other than a fee in connection with the preparation of our Report for which professional fees in the order of \$15,000 (excluding GST) will be received.

No pecuniary or other benefit, direct or indirect, has been received by Pitcher Partners, the Licence Holder, any related entities, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

5. Complaints Resolution

Pitcher Partners is only responsible for its Report and this FSG. Complaints or questions about the Notice of Annual General Meeting should not be directed to Pitcher Partners which is not responsible for that document.

Both Pitcher Partners and the Licence Holder may be contacted as follows:

- By phone: (02) 9221 2099
- By fax: (02) 9223 1762
- By mail: GPO Box 1615
SYDNEY NSW 2001

If you have a complaint about Pitcher Partners' Report or this FSG you should take the following steps:

- Contact the Enquiries and Complaints Officer of the Licence Holder on (02) 9221 2099 or send a written complaint to the Licence Holder at Darling Park, Level 16, Tower 2, 201 Sussex Street, Sydney NSW 2000. We will try to resolve your complaint quickly and fairly.
- If you still do not get a satisfactory outcome, you have the right to complain to the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or call on 1800 931 678. We are a member of this scheme.
- The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.
- The Licence Holder, as holder of the AFSL, gives authority to Pitcher Partners to distribute this FSG.

APPENDIX 2 – SOURCES OF INFORMATION

- King Island Scheelite Annual Report 30 June 2018 and 30 June 2019
- Loan Agreement incorporating the Proposed Transaction
- Draft Notice of Annual General Meeting of Shareholders of King Island Scheelite
- International Tungsten Industry Association
- United States Geological Survey Mineral Commodity Summaries, February 2019
- S&P Capital IQ
- ASX Announcements
- Discussions with KIS management

APPENDIX 3 – DISCLOSURES

Qualifications and Independence

Alan Max, Director, B. Com (Hons) FCA and Rob Dando, Director, BSc ACA, have many years of experience in the preparation of valuations and the provision of corporate finance advice.

Pitcher Partners Sydney Corporate Finance Pty Ltd (*"Pitcher Partners"*) is an authorised representative of Pitcher Partners Sydney Wealth Management Pty Ltd (*"Licence Holder"*) in relation to Australian Financial Services Licence (*"AFSL"*) No. 336950.

Prior to accepting this engagement, Pitcher Partners considered its independence with respect to KIS and all other parties involved in the Proposed Transaction with reference to ASIC Regulatory Guide 112 "Independence of experts" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. There are no conflicts of interest between Pitcher Partners, the Licence Holder, any related entities, any Director thereof, nor any individual involved in the preparation of the Report with respect to KIS and all other parties involved in the Proposed Transaction.

Pitcher Partners has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Pitcher Partners will receive a fee for this engagement based upon time spent at our normal hourly rates or at a fixed rate. The fee is not contingent upon the conclusion, content or future use of our valuation report.

Limitations and reliance on information

In the preparation of this report, Pitcher Partners has relied on certain assumptions and information provided by representatives of KIS. Pitcher Partners has not carried out any form of audit or any other verification procedures on the accounting, financial, business or other records or information received. Pitcher Partners takes no responsibility for any errors or inaccuracies in the information presented or the conclusions expressed in this report which arise as a result of errors or inaccuracies in the information or assumptions received by Pitcher Partners.

This Report has been prepared by Pitcher Partners for inclusion in KIS' Notice of Annual General Meeting (*"AGM"*) to assist Non-associated Shareholders to decide whether or not to approve the Proposed Transaction. The sole purpose of this Report is to express our opinion as to whether the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

The Report may not be used for any other purpose, or by any other party, and Pitcher Partners will not accept any responsibility for its use outside this purpose, or by any other party. No extract, quote or copy of this Report, in whole or in part, should be reproduced without the prior written consent of Pitcher Partners, as to the form and context in which it appears.

KIS has indemnified Pitcher Partners against all losses, claims, demands, damages, costs, expenses and liabilities arising out of or related to the performance of its services which arise from reliance on information provided by KIS and material information KIS had in its possession which was not provided to Pitcher Partners.

Consents

Pitcher Partners consents to the issuing of this report in the form and context which it is included in the Notice of AGM to be sent to the KIS shareholders. Neither the whole nor part of this Report nor any reference thereto may be included in or attached to any other document, resolution, letter or statement without the prior written consent of Pitcher Partners as to the form and content in which it appears.

PROXY FORM

STEP 1 APPOINT A PROXY

Shareholder Details

Name(s):

Address:

Contact Telephone Number:

Contact Email Address:

Contact Name (if different from above):

I/We, being a member/s of King Island Scheelite Limited ABN 40 004 681 734 (**Company**) hereby appoint _____(insert name / address)

or failing him or her the Chairman of the Meeting¹ as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at Suite 26.01, Level 26, Suncorp Place, 259 George Street, Sydney NSW 2000, commencing at 11.00AM AEST Tuesday 8 October 2019, and at any adjournment of that meeting.

¹If you appoint a proxy, the Company encourages you to direct your proxy how to vote on each item of business. Other than the Chairman (as expressly authorised by this proxy), the Directors and other Key Management Personnel of the Consolidated Entity and their Closely Related Parties (see the Notice of Meeting and overleaf) will not cast any votes in respect of Resolution 1 that arise from undirected proxies that they hold.

The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

Chairman of the Meeting is authorised to exercise proxies on remuneration related matters (Resolution 1): If I/we have appointed the Chairman of the Meeting as my/our proxy or the Chairman of the Meeting becomes my/our proxy by default, by signing and submitting this form I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel for the Company, which includes the Chairman.

If you have appointed the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default), and you wish to give the Chairman specific voting directions on an item, you should mark the appropriate box/es opposite those items in step 2 below (directing the Chairman of the Meeting to vote for, against or to abstain from voting).

If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in computing the required majority on a poll.

PROXY FORM ANNUAL GENERAL MEETING

STEP 2 VOTING INSTRUCTIONS

This proxy is to be used in respect of all / _____% (*number*) of the Ordinary Shares I / we hold.

I/We instruct my/our proxy to vote as follows (the Resolutions are numbered as in the Notice of Annual General Meeting):

	For	Against	Abstain
To consider and, if thought fit, to pass, with or without amendment, the following Resolutions:			
Resolution 1: To adopt the Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2: To re-elect Johann Jacobs as a director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3: To elect Gregory Hancock as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4: To ratify a prior issue of shares for a cash placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5: To ratify a prior issue of options for capital raising fee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6: To ratify a prior issue of shares for corporate advisory fee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7: To ratify a prior issue of shares for a cash placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8: To approve 10% Placement Facility (special resolution).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9: To approve granting a Guarantee and Mortgage to a company related to Chris Ellis a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10: To approve granting Options to Greg Hancock a director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(insert name / address)

STEP 3 SIGNATURE OF SHAREHOLDER

Dated: _____ 2019

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature

Director

Signature

Director/Company Secretary

Instructions for Completing Proxy Form

- (a) A member entitled to attend and vote at a Meeting is entitled to appoint a proxy to attend and vote on behalf of that member.
- (b) You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on one item, your vote on that item will be invalid.
- (c) Any undirected proxies held by the Chairman of the Meeting, other directors or other Key Management Personnel or any of their Closely Related Parties will not be voted on Resolution 1 unless the vote is cast by the Chairman of the Meeting pursuant to an express authorization on the Proxy Form made by a Shareholder who is entitled to vote on Resolution 1.
- (d) Key management personnel of the Consolidated Entity are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly. The Remuneration Report identifies the Consolidated Entity's Key Management Personnel for the financial year to 30 June 2019. Their Closely Related Parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.
- (e) A duly appointed proxy need not be a member of the Company. This form should be signed by the member. If a joint holding, either member may sign. If signed by the member's attorney, the power of attorney must have been previously noted by the Company or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the member's constitution and the Corporations Act.
- (f) Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - (i) directors of the company;
 - (ii) a director and a company secretary of the company; or
 - (iii) for a proprietary company that has a sole director who is also the sole company secretary – that director.
- (g) For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.
- (h) Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
- (i) Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
- (j) To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form by:
 - (i) Hand delivery to the Company's registered office at Suite 26.01, Level 26, Suncorp Place, 259 George Street, Sydney NSW 2000;
 - (ii) Scanning and emailing to kis@kisltd.com.au; or
 - (iii) Post to King Island Scheelite Limited, GPO Box 5154 Sydney NSW 2001so that it is received not later than 11.00AM AEST, Sunday 6 October 2019.
- (k) Proxy forms received later than this time will be invalid.
- (l) Chapter 2C of the Corporations Act requires information about you as a member (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. You can access your personal information by contacting the Company at the address or telephone number shown on this form.

APPOINTMENT OF CORPORATE REPRESENTATIVE

Pursuant to Section 250D of the *Corporations Act*

_____ (ABN/ACN/ARBN)

(Insert name of Shareholder/Body Corporate & ACN/ARBN)

Hereby Authorises

(Insert name of appointee)

- (*) 1. To act as the Company’s representative at all General Meetings of King Island Scheelite Limited ABN 40 004 681 734.
- (*) 2. To act as the Company’s Representative at the Annual General Meeting to be held at 11.00AM AEST Tuesday 8 October 2019 and any adjournment thereof.

Dated this _____ day of _____ 2019

Executed by the corporation in accordance with its Constitution/Section 127 of the *Corporations Act* in the presence of:

(*) Director (*) Sole Director & Sole Secretary

(*) Director/Secretary

Affix Common Seal here (optional)

(*) Delete if not applicable

This authority may be sent to the registered office or share registry office of the Company in advance of the meeting as set out in the Notice of Annual General Meeting which this appointment accompanies or handed in at the Annual General Meeting when registering as a company representative. In either case, the authority will be retained by the Company.