

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 9.00 am AEDT on Wednesday 2 November 2016.

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Refer to the Explanatory Notes for further information on the proposed Resolutions.

Date: Wednesday 7 September 2016

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. ACCOUNTS AND REPORTS

To receive and consider the Financial Statements, Directors' Report and Auditor's Report for the Company for the financial year ended 30 June 2016.

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

The statutory annual 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 statutory annual report free of charge you can contact the Company by telephoning +61 2 8622 1400.

1.2. ADOPTION OF THE REMUNERATION REPORT

Resolution 1

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 2016.

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 adopting the Remuneration Report.
- 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.

1.3. RE-ELECTION OF DIRECTOR – MR JOHANN JACOBS

Resolution 2

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, be 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 Mr Jacobs' re-election.

2. ITEMS OF SPECIAL BUSINESS

2.1. APPROVAL OF 10% PLACEMENT FACILITY

Resolution 3

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 approving the 10% placement facility.

2.2. APPROVAL OF ISSUE OF SHARES ON CONVERSION OF ABEX CONVERTIBLE NOTES

Resolution 4

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

*That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of Shares on conversion of up to two convertible notes, each with a face value of A\$500,000 convertible into Shares to Abex Resource Holdings Pty Ltd (**Abex**) (**Abex Convertible Notes**) calculated as follows:*

- (a) *Face value of the Abex Convertible Notes being converted plus interest accrued / Conversion Price; and*
- (b) *Conversion Price is the lower of:*
 - (i) *the VWAP of the Company's Shares over the 30 Trading Days ending on Trading Day before the date of the conversion notice, discounted by 15%; and*
 - (ii) *if at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%*

and otherwise in accordance with the terms of the Abex Convertible Notes on and subject to the terms and conditions set out in the Explanatory Notes accompanying this Notice.

The Chairman of the Meeting intends to vote all available proxies in favour of approving the issue of Shares on conversion of the Abex Convertible Notes.

2.3. APPROVAL OF ISSUE OF SHARES ON CONVERSION OF CHRYSALIS CONVERTIBLE NOTES

Resolution 5

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

*That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of Shares on conversion of up to two convertible notes, each with a face value of A\$500,000 convertible into Shares to Chrysalis Investments Pty Ltd (**Chrysalis**) (**Chrysalis Convertible Notes**) calculated as follows:*

(a) *Face value of the Chrysalis Convertible Notes being converted plus interest accrued / Conversion Price; and*

(b) *Conversion Price is the lower of:*

(i) *the VWAP of the Company's Shares over the 30 Trading Days ending on Trading Day before the date of the conversion notice, discounted by 15%; and*

(ii) *if at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%*

and otherwise in accordance with the terms of the Chrysalis Convertible Notes on and subject to the terms and conditions set out in the Explanatory Notes accompanying this Notice.

The Chairman of the Meeting intends to vote all available proxies in favour of approving the issue of Shares on conversion of the Chrysalis Convertible Notes.

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. VOTING EXCLUSIONS

5.1. Resolution 1

The Company will disregard any votes cast on Resolution 1 (Adoption of Remuneration Report) by a member of the Key Management Personnel whose remuneration is disclosed in the Remuneration Report and any Closely Related Party of such a member, unless:

- (a) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on the resolution; or
- (b) the person is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote; and
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

5.2. Resolution 3

The Company will disregard any votes cast on Resolution 3 (Approval of 10% Placement Facility) by:

- (a) a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and

- (b) an Associate of that person.

However, the Company need not disregard a vote if:

- (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.

5.3. Resolution 4

The Company will disregard any votes cast on Resolution 4 by:

- (a) Abex;
- (b) Mr Richard Willmot Chadwick;
- (c) Mrs Gwenda Ann Chadwick; and
- (d) an Associate of Abex.

However, the Company need not disregard a vote if:

- (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.

5.4. Resolution 5

The Company will disregard any votes cast on Resolution 5 by:

- (a) Chrysalis;
- (b) Mr Christopher Ellis; and
- (c) an Associate of Chrysalis.

However, the Company need not disregard a vote if:

- (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.

6. 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 Info@kisltld.com.au;
- Posting to King Island Scheelite Limited, GPO Box 5154 Sydney NSW 2001; or
- Facsimile to King Island Scheelite Limited on facsimile number +61 2 8622 1401

so that it is received not later than 9.00 am AEDT, Monday 31 October 2016.

7. DATE FOR DETERMIING 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 End of Day on Monday 31 October 2016 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.

8. 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 2.00 pm AEDT on Wednesday 28 September 2016.

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

8.1. 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.

8.2. REMUNERATION REPORT (RESOLUTION 1)

The Remuneration Report of the Company for the financial year ended 30 June 2016 is set out in the Company's 2016 Annual Report which is available on the Company's website www.kingislandscheelite.com.au

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 2016. 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 the adoption of the Remuneration Report.

8.3. RE-ELECTION OF DIRECTOR RETIRING BY ROTATION (RESOLUTION 2)

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 under 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, FCA, FAICD

Appointed 30 November 2012

Mr Jacobs has over 35 years' experience in the resources industry in Australia, South Africa and Indonesia. He was, until 4 June 2014, Non-Executive Chairman of ASX listed Magnis Resources Ltd (ASX: MNS) (formerly Uranex Limited), where he continues as a Non-Executive Director. In addition, he is Non-Executive Director of Australian Zircon NL. He was a non-executive director of TW Holdings Limited (ASX: TWH) (resigned 18 November 2014). Mr Jacobs is a Fellow member of the Institute of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.

Recommendation

Messrs Davies and Ellis unanimously recommend that Shareholders **vote in favour** of the re-election of Mr Johann Jacobs.

8.4. APPROVAL OF 10% PLACEMENT FACILITY (RESOLUTION 3)

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital 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 shareholder 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 8.4.1 (c) of the Notice.

The effect of Resolution 3 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 3 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).

8.4.1. 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 only has quoted shares on issue and no quoted options or convertible securities.

(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 shares on issue 12 months before the date of issue or agreement:

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

8.4.2. Number of Shares on Issue

At the date of the Notice, the Company has 165,251,702 Shares on issue.

8.4.3. 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 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.

8.4.4. 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 understanding),

(10% Placement Period).

8.4.5. 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 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 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' 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 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) The table 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.

			Variables		
			50% decrease in Issue Price	Issue Price	100% Increase in Issue Price
Issue price examples			\$0.027	\$0.054	\$0.108
Variable 'A' in ASX Listing Rule 7.1A.2	Number of Shares examples				
Current Variable A	165,251,702	10% Voting Dilution	16,525,170	16,525,170	16,525,170
		Funds raised	\$446,180	\$892,359	\$1,784,718
50% increase in Current Variable A	247,877,553	10% Voting Dilution	24,787,755	24,787,755	24,787,755
		Funds raised	\$669,269	\$1,338,539	\$2,677,078
100% increase in Current Variable A	330,503,404	10% Voting Dilution	33,050,340	33,050,340	33,050,340
		Funds raised	\$892,359	\$1,784,718	\$3,569,437

(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 5.4 cents (\$0.054), being the closing price of the Shares on the ASX on 5 September 2016.
- (e) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 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 15 October 2015.
- (l) As required to be disclosed under Listing Rule 7.3A.6(a), there are no Equity Securities issued during the 12 months preceding the date of the Meeting.

- (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.

8.4.6. Recommendation

The Directors unanimously recommend that Shareholders **vote in favour** of the approval of the 10% Placement Facility.

8.5. APPROVAL OF ISSUE OF SHARES ON CONVERSION OF ABEX CONVERTIBLE NOTES (RESOLUTION 4)

8.5.1. Background

On 16 December 2015, the Company successfully obtained \$1,000,000 committed funding up to 31 December 2016 through the issue of two \$500,000 unsecured redeemable convertible notes to Abex (**Abex Convertible Notes**) (two convertible notes totalling \$1,000,000).

The Company drew down \$500,000 in December 2015 and the remaining \$500,000 in August 2016.

The Company's sole discretion to convert or repay the Abex Convertible Notes was originally agreed to mature on 31 December 2016.

In accordance with the Deed of Variation, the maturity date for the Abex Convertible Notes has been extended to 31 December 2017.

The balance of the Abex Convertible Notes is to be converted or repaid by 31 December 2017, at the Company's sole discretion.

The principal terms of the Abex Convertible Notes are as follows:

- (a) face value of \$500,000 for each Abex Convertible Note;
- (b) interest rate of 8% per annum;
- (c) the Noteholder agrees to any interest payable on the Abex Convertible Notes being satisfied by the issue of Shares in accordance with (f) below, where the Abex Convertible Notes are converted to Shares;
- (d) the notes are unsecured;
- (e) the maturity date is 31 December 2017 or on being repaid, whichever is earlier;
- (f) Conversion or repayment is at the Company's sole discretion:
 - (1) The number of Shares to be issued on conversion of Abex Convertible Notes is calculated as follows:

$$\frac{\text{Face value of the Abex Convertible Notes being converted plus interest accrued}}{\text{Conversion Price}}$$
 - (2) Conversion Price is the lower of:
 - i) the VWAP of the Company's Shares over the 30 Trading Days ending on Trading Day before the date of the conversion notice, discounted by 15%; and
 - ii) if at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and

conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%; and.

- (g) the Company may convert all of the Abex Convertible Notes, part of an Abex Convertible Note or some of the Abex Convertible Notes.

8.5.2. Interests of Directors and Recommendations

Resolution 4 seeks Shareholder approval for Shares issued and allotted on conversion of the Abex Convertible Notes.

Messrs Davies and Ellis unanimously recommend that all Shareholders **vote in favour** of Resolution 4. While Abex is not a related party of the Company, Mr Jacobs is a director of Abex and does not wish to make a recommendation in respect of Resolution 4.

8.5.3. Shareholder Approval for Resolution 4

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any Equity Securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

If Resolution 4 is approved by Shareholders, the Company will be entitled to issue Shares on the conversion of the Abex Convertible Notes without using the Company's 15% annual placement capacity.

The Abex Convertible Notes may be converted at any time, after approval by Shareholders, in whole or in part, subject to the terms of each redeemable convertible note subscription deed entered into by the Company and Abex.

In accordance with the Deed of Variation entered into, the Company has issued a conversion notice to Abex and intends to issue the following Shares on the first Trading Day following the Meeting, if Shareholders approve Resolution 4:

Noteholder	Maximum number of Shares to be issued	Maximum total Shares following issue
Abex	11,746,000	37,729,239

Further details regarding the potential dilutive effect on non-associated Shareholders are set out in section 8.5.4 of the Notice.

Resolution 4 seeks approval by Shareholders pursuant to ASX Listing Rule 7.1 for the issue of Shares on the conversion of the Abex Convertible Notes already issued by the Company.

Shareholders in general meeting have not previously approved the issue of the Abex Convertible Notes, or the issue of Shares on the conversion of the Abex Convertible Notes.

If Resolution 4 is approved, any Shares issued on conversion will have the benefit of the exception in ASX Listing Rule 7.2 (Exception 4).

8.5.4. Technical information required under ASX Listing Rule 7.3 in respect of Shares issued on conversion of the Abex Convertible Notes

ASX Listing Rule 7.3 requires the following information to be provided to Shareholders so they can assess the merits of Resolution 4:

- 1. Maximum number of Shares that would be issued to Abex is calculated using the following formula*

- (a) Face value of the Abex Convertible Notes being converted plus interest accrued / Conversion Price; and
- (b) Conversion Price is the lower of:
 - (i) the VWAP of the Company's Shares over the 30 Trading Days ending on Trading Day before the date of the conversion notice, discounted by 15%; and
 - (ii) if at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%.

2. The date by which the Company will issue the Securities

Notwithstanding the Company intends to issue up to 11,746,000 Shares on the first Trading Day following the Meeting, the date by which the Company may issue Shares on the conversion of the Abex Convertible Notes is any Trading Day from the day of the Meeting until 31 December 2017.

3. The issue price of the Securities

Issue Price is the lower of:

- (a) the VWAP of the Company's Shares over the 30 Trading Days ending on Trading Day before the date of the conversion notice, discounted by 15%; and
- (b) if at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%.

The issue price for the 11,746,000 Shares to be issued on the first Trading Day following the meeting is \$0.055 per Share. Following the issue, the residual face value on the Notes is \$401,950, which the Company must elect to convert or repay by 31 December 2017.

4. Names of the persons to whom the entity will issue the Securities

The Shares would be issued to Abex or Abex's nominee(s).

5. The terms of the Securities

Securities are ordinary fully paid shares issued and allotted by the Company.

6. The intended use of funds raised

The use of the funds raised was to fund the Dolphin Project. Refer to section 8.7 of the Notice for more details.

7. Issue date or a statement that the issue will occur progressively

The Company intends to issue up to 11,746,000 Shares (on conversion of the Abex Convertible Notes) on the first Trading Day following the Meeting.

Subsequent Share issues will occur progressively (subject to the considerations outlined in section 8.5.5 below).

8. Voting Exclusion Statement

A voting exclusion statement is included in section 5.3 of the Notice.

9. Maximum Potential Dilution Examples

The following table sets out the potential dilutive effect on non-associated Shareholders using two different issue prices:

	Variables	
	VWAP	50% decrease in VWAP
\$ per Share	\$0.0550	\$0.0275
Non-associated Shareholder's voting power before conversion	84.28%	84.28%
Non-associated Shareholder's voting power after conversion	76.96%	72.22%
Difference	7.32%	12.06%

The table assumes that:

- the Company has elected to convert all of the face value and accrued interest on the Abex Convertible Notes, not just the Shares to be issued on the Trading Day following the Meeting;
- no additional Shares are issued and the Company does not raise any capital between the date of this Notice and when the Shares are issued to Abex;
- the face value and interest payable on the Abex Convertible Notes are converted into Shares at the same conversion rate; and
- the VWAP on 5 September 2016 is 5.5 cents (\$0.055) per Share, and the Shares are issued at a 15% discount to the VWAP in accordance with the terms of the Abex Convertible Notes.

8.5.5. Technical information regarding the takeover prohibition in the Corporations Act (in respect of Shares issued on conversion of the Abex Convertible Notes)

Shares can be issued under the Abex Convertible Notes in two circumstances:

- upon conversion at the Company's election; and
- as satisfaction of an interest payment.

Subject to certain exceptions, including:

- Shareholder approval (item 7 of section 611 Corporations Act); and
- Less than 3% increased voting power after a 6-month period commencing with at least 19% voting power (item 9 section 611 Corporations Act),

Abex cannot increase its voting power in the Company from 20% or below to more than 20% (section 606(1)(c)(i) Corporations Act).

Notwithstanding that the Company is seeking Shareholder approval under Resolution 4 for the issue of Shares on conversion of full face value and accrued interest on the Abex Convertible Notes, the maximum number of Shares that could be issued to Abex immediately following the Meeting without further Shareholder approval or without relying on the 3% creep rule (to increase voting power above 20%) is as follows:

Noteholder	Shares to be issued	Total Shares following issue	Maximum voting power
Abex	11,746,000	37,729,239	19.99%

The table assumes that:

- (a) no additional Shares are issued and the Company does not raise any capital between the date of this Notice and when the Shares are issued to Abex; and
- (b) the face value and interest payable on the Abex Convertible Notes are converted into Shares at the same conversion rate.

The Company intends to issue up to 11,746,000 Shares (on conversion of the Abex Convertible Notes) on the first Trading Day following the Meeting.

Subsequent Share issues will occur progressively, subject to the maximum permitted by Part 6.1 and Part 6.2 Corporations Act and no later than 31 December 2017 at the Company's election.

Shareholders should note that Abex and its Associates may independently increase or decrease their voting powers prior to the issue of Shares on conversion of the Abex Convertible Notes. Any increase or decrease prior to the issue of Shares under the Abex Convertible Notes will have a corresponding impact on the calculation of the maximum increase in the voting powers, and the total voting powers, of Abex, and its Associates.

8.5.6. Information about Abex

Abex is a company in which:

- (a) Mr Richard Willmot Chadwick and Mrs Gwenda Ann Chadwick jointly control; and
- (b) Mr Johann Jacobs, a director of the Company, is also a director of Abex.

Mr and Mrs Chadwick are substantial shareholders in the Company and at the date of this Notice, hold 25,983,239 Shares (15.7% of the Company's Shares).

8.6. APPROVAL OF ISSUE OF SHARES ON CONVERSION CHRYSALIS CONVERTIBLE NOTES (RESOLUTION 5)

8.6.1. Background

On 16 December 2015, the Company successfully obtained \$1,000,000 committed funding up to 31 December 2016 through the issue of two \$500,000 unsecured redeemable convertible notes to Chrysalis (**Chrysalis Convertible Notes**) (two convertible notes totalling \$1,000,000).

The Company drew down \$500,000 in December 2015 and the remaining \$500,000 in August 2016.

The Company's sole discretion to convert or repay the Chrysalis Convertible Notes was originally agreed to mature on 31 December 2016.

In accordance with the Deed of Variation, the maturity date for the Chrysalis Convertible Notes has been extended to 31 December 2017.

The balance of the Chrysalis Convertible Notes is to be converted or repaid by 31 December 2017, at the Company's sole discretion.

The principal terms of the Chrysalis Convertible Notes are as follows:

- (a) face value of \$500,000 for each Chrysalis Convertible Note;
- (b) interest rate of 8% per annum;
- (c) the Noteholder agrees to any interest payable on the Chrysalis Convertible Notes being satisfied by the issue of Shares in accordance with(f) below, where the Chrysalis Convertible Notes are converted to Shares;
- (d) the notes are unsecured;

- (e) the maturity date is 31 December 2017 or on being repaid, whichever is earlier;
- (f) Conversion or repayment is at the Company's sole discretion:
 - (1) The number of Shares to be issued on conversion of Chrysalis Convertible Notes is calculated as follows:

$$\frac{\text{Face value of the Chrysalis Convertible Notes being converted plus interest accrued}}{\text{Conversion Price}}$$
 - (2) Conversion Price is the lower of:
 - i) the VWAP of the Company's Shares over the 30 Trading Days ending on Trading Day before the date of the conversion notice, discounted by 15%; and
 - ii) if at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%; and
- (g) the Company may convert all of the Chrysalis Convertible Notes, part of a Chrysalis Convertible Note or some of the Chrysalis Convertible Notes.

8.6.2. Interests of Directors and Recommendations

Resolution 5 seeks Shareholder approval for Shares issued and allotted on conversion of the Chrysalis Convertible Notes.

Messrs Davies and Jacobs unanimously recommend that all Shareholders **vote in favour** of Resolution 5. Mr Ellis does not make a recommendation in relation to Resolution 5, given he controls Chrysalis.

8.6.3. Shareholder Approval for Resolution 5

Subject to certain exceptions, which are not applicable in this case, ASX Listing Rule 10.11 prohibits an entity from issuing or agreeing to issue Equity Securities to a related party without approval by shareholders.

Directors of the Company are defined as related parties to the Company.¹

If Resolution 5 is approved by Shareholders, the Company will be entitled to issue Shares in accordance with the Chrysalis Convertible Notes without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1. Refer to section 8.5.3 of the Notice for more details.

The Chrysalis Convertible Notes may be converted at any time, after approval by Shareholders, in whole or in part, subject to the terms of each redeemable convertible note subscription deed entered into by the Company and Chrysalis.

In accordance with the Deed of Variation entered into, the Company has issued a conversion notice to Chrysalis and intends to issue the following Shares on the first Trading Day following the Meeting, if Shareholders approve Resolution 5:

¹ Section 228 Corporations Act

Noteholder	Maximum number of Shares to be issued	Maximum total Shares following issue
Chrysalis	11,651,000	37,729,220

Further details regarding the potential dilutive effect on non-associated Shareholders are set out in section 8.6.4 of the Notice.

Resolution 5 seeks Shareholder approval, for the purpose of ASX Listing Rule 10.11 and for all other purposes, for the issue of Shares on the conversion of the Chrysalis Convertible Notes already issued by the Company.

Shareholders in general meeting have not previously approved the issue of the Chrysalis Convertible Notes, or the issue of Shares on the conversion of the Chrysalis Convertible Notes.

If Resolution 5 is approved, any Shares issued on conversion will have the benefit of the exception in ASX Listing Rule 10.12 (Exception 7).

8.6.4. Technical information required under ASX Listing Rule 10.13 in respect of Shares issued on conversion of the Chrysalis Convertible Notes

ASX Listing Rule 10.13 requires the following information to be provided to Shareholders so that they can assess the merits of Resolution 5:

1. Name of the person

The related party is Mr Christopher Ellis, a director of the Company.

2. Maximum number of Shares that would be issued to Chrysalis is calculated using the following formula

- (a) Face value of the Chrysalis Convertible Notes being converted plus interest accrued / Conversion Price; and
- (b) Conversion Price is the lower of:
 - (i) the VWAP of the Company's Shares over the 30 Trading Days ending on Trading Day before the date of the conversion notice, discounted by 15%; and
 - (ii) if at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion is within three months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%.

3. The date by which the Company will issue the Securities

The Company intends to issue up to 11,651,000 Shares (on conversion of the Chrysalis Convertible Notes) on the first Trading Day following the Meeting.

Subsequent Share issues will occur progressively (subject to the considerations set out in section 8.6.5 below).

4. The issue price of the Securities

Issue (Conversion) Price is the lower of:

- (a) the VWAP of the Company's Shares over the 30 Trading Days ending on Trading Day before the date of the Conversion Notice, discounted by 15%; and
- (b) if at any time during the conversion period, the Company raises at least \$10,000,000 in gross proceeds through equity markets (**Capital Raise**) and conversion is within three

months of the Capital Raise, the price that is equal to the issue price under the Capital Raise discounted by 15%.

The issue price for the 11,651,000 Shares to be issued on the first Trading Day following the meeting is \$0.055 per Share. Following the issue, the residual face value on the Notes is \$407,175, which the Company must elect to convert or repay by 31 December 2017.

5. Voting Exclusion Statement

A voting exclusion statement is included in section 5.4 of the Notice.

6. The intended use of funds raised

The use of the funds raised was to fund the Dolphin Project. Refer to section 8.7 of the Notice for more details.

7. Maximum Potential Dilution Examples

The following table sets out the potential dilutive effect on non-associated Shareholders using two different issue prices:

	Variables	
	VWAP	50% decrease in VWAP
\$ per Share	\$0.0550	\$0.0275
Non-associated Shareholder's voting power before conversion	84.22%	84.22%
Non-associated Shareholder's voting power after conversion	76.92%	72.18%
Difference	7.30%	12.04%

The table assumes that:

- the Company has elected to convert all of the face value and accrued interest on the Chrysalis Convertible Notes, not just the Shares to be issued on the Trading Day following the Meeting;
- no additional Shares are issued and the Company does not raise any capital between the date of this Notice and when the Shares are issued to Chrysalis;
- the face value and interest payable on the Chrysalis Convertible Notes are converted into Shares at the same conversion rate; and
- the VWAP on 5 September 2016 is 5.5 cents (\$0.055) per Share, and the Shares are issued at a 15% discount to the VWAP in accordance with the terms of the Chrysalis Convertible Notes.

8.6.5. Technical information regarding the takeover prohibition in the Corporations Act (in respect of Shares issued on conversion of the Chrysalis Convertible Notes)

Shares can be issued under the Chrysalis Convertible Notes in two circumstances:

- upon conversion at the Company's election; and
- as satisfaction of an interest payment.

Subject to certain exceptions, including:

- Shareholder approval (item 7 of section 611 Corporations Act); and

- (b) Less than 3% increased voting power after a 6-month period commencing with at least 19% voting power (item 9 section 611 Corporations Act),

Chrysalis cannot increase its voting power in the Company from 20% or below to more than 20% (section 606(1)(c)(i) Corporations Act).

Notwithstanding that the Company is seeking Shareholder approval under Resolution 5 for the issue of Shares on conversion of full face value and accrued interest on the Chrysalis Convertible Notes, the maximum number of Shares that could be issued to Chrysalis immediately following the Meeting without further shareholder approval or without relying on the 3% creep rule (to increase voting power above 20%) is as follows:

Noteholder	Shares to be issued	Total Shares following issue	Maximum voting power
Chrysalis	11,651,000	37,729,220	19.99%

The table assumes that:

- (a) no additional Shares are issued and the Company does not raise any capital between the date of this Notice and when the Shares are issued to Chrysalis; and
- (b) the face value and interest payable on the Chrysalis Convertible Notes are converted into Shares at the same conversion rate.

The Company intends to issue up to 11,651,000 Shares (on conversion of the Chrysalis Convertible Notes) on the first Trading Day following the Meeting.

Subsequent Share issues will occur progressively, subject to the maximum permitted by Part 6.1 and Part 6.2 Corporations Act and no later than 31 December 2017 at the Company's election.

Shareholders should note that Chrysalis and its Associates may independently increase or decrease their voting powers prior to the issue of Shares under the Chrysalis Convertible Notes. Any increase or decrease prior to the issue of Shares under the Chrysalis Convertible Notes will have a corresponding impact on the calculation of the maximum increase in the voting powers, and the total voting powers, of Chrysalis and its Associates.

8.6.6. Information about Chrysalis

Chrysalis is a trustee of the Ellis Family Trust in which Mr Christopher Ellis, a Director is a beneficiary. Mr Ellis holds all of the shares in Chrysalis and is the sole director and secretary.

Chrysalis is a substantial shareholder in the Company, and at the date of this Notice holds 26,078,220 Shares (15.8% of the Company's Shares).

Chrysalis is a related party of the Company as an entity controlled by Mr Ellis, a Director of the Company. However, Messrs Davies and Jacobs are satisfied that Shareholder approval for the issue of the Chrysalis Convertible Notes is not required for the purposes of Chapter 2E of the Corporations Act. Messrs Davies and Jacobs consider that the terms of the Chrysalis Convertible Notes are reasonable in the circumstances as if the Company and Chrysalis were dealing at arm's length, given that the Chrysalis Convertible Notes are on the same terms as the Abex Convertible Notes.

8.7. Statement of Cash Flows

The table below shows details of cash consideration received from issues of Abex Convertible Notes and Chrysalis Convertible Notes by the Company during the preceding 12 months, amount of that cash that has been spent, what it was spent on, and the intended uses for the remaining cash:

	Actual 1 July 2015 to 30 June 2016	Intended use after 30 June 2016
	\$000	\$000
Available cash		
Cash balance opening	1,568	1,275
Cash raised from the issue of Convertible Notes by the Company	1,000	1,000
Royalties received	94	112
Research & development rebate	75	-
Interest received	17	16
Total	2,754	2,403
Less Cash expenditure		
Dewatering	80	84
Project Management	146	60
Mine planning and geological work	149	42
Metallurgical & laboratory testing	32	-
Power investigations	24	-
Environmental	53	35
Water and tailings management	43	-
Other feasibility study work	69	6
Fund general working capital requirements	883	896
Total	1,479	1,123
Cash balance closing	1,275	1,280

9. 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.

10. GLOSSARY

Abex means Abex Resource Holdings Pty Limited ACN 146 565 906, a company in which:

- (a) Mr Richard Willmot Chadwick and Mrs Gwenda Ann Chadwick hold a relevant interest; and
- (b) Mr Johann Jacobs, a director of the Company, is also a director of Abex.

Abex Convertible Notes means the two convertible notes issued by the Company to Abex in accordance with the redeemable convertible note subscription deeds dated 16 December 2015, varied on 29 June 2016 and on or about 18 August 2016, and summarised in section 8.5.1 of the Notice.

AEDT means Australian Eastern Daylight Time.

AEST means Australian Eastern Standard Time.

AGM or **Annual General Meeting** means the annual general meeting to commence 9.00 am AEDT on Wednesday 2 November 2016 and notified to the Company's Shareholders by this Notice.

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.

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

Chrysalis means Chrysalis Investments Pty Limited ACN 064 046 224 as trustee for The Ellis Family Trust, a trust in which Mr Christopher Ellis, a Director, holds a relevant interest.

Chrysalis Convertible Notes means the two convertible notes issued by the Company to Chrysalis in accordance with the redeemable convertible note subscription deeds dated 16 December 2015, varied on 29 June 2016 and on or about 31 August 2016, and summarised in section 8.6.1 of the Notice.

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.

Deed of Variation means each deed dated on or about 31 August 2016 between the Company and each of Abex and Chrysalis under the terms of which the maturity date for the Convertible Notes was extended to 31 December 2017 and the Company was given the right to elect to convert part of a Convertible Note and reissue the note with a face value of the residual amount outstanding.

Director means a director of the Company.

End of Day means on any Trading Day, 7.00pm Sydney time or such other time as ASX Settlement may from time to time determine.

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.

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.

Meeting means the AGM.

Notice means this notice of Annual General Meeting.

Remuneration Report means the remuneration report which forms part of the Directors' Report of the Company for the financial year ended 30 June 2016 and which is set out in the 2016 Annual Report.

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.

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.

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

11. 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 1400

Facsimile: + 61 2 8622 1401

www.kingislandscheelite.com.au

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12. 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 9.00 am AEDT on Wednesday 2 November 2016, 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. 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 (Remuneration Report) 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 Wednesday 2 November 2016

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.	☐	☐	☐
Resolution 2: To re-elect Johann Jacobs as a Director of the Company.	☐	☐	☐
Resolution 3: To approve 10% Placement Facility (special resolution).	☐	☐	☐
Resolution 4: To approve issue of shares on conversion of Abex Convertible Notes	☐	☐	☐
Resolution 5: To approve issue of shares on conversion of Chrysalis Convertible Notes	☐	☐	☐

(insert name / address)

STEP 3 SIGNATURE OF SHAREHOLDER

Dated: _____ 2016

Individuals and joint holders

Signature

Signature

Companies (affix common seal if appropriate)

Director

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 (Remuneration Report), 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 2016. 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 Info@kisltd.com.au;
 - (iii) Post to King Island Scheelite Limited, GPO Box 5154 Sydney NSW 2001; or
 - (iv) Facsimile to King Island Scheelite Limited on facsimile number +61 2 8622 1401,so that it is received not later than 9.00 am AEDT, Monday 31 October 2016.
- (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.

13. 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 9.00 am AEDT on Wednesday 2 November 2016 and any adjournment thereof.

Dated this _____ day of _____ 2016

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.