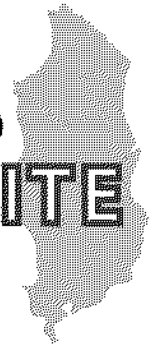


KING ISLAND
SCHEELITE



3 January 2007

Company Announcements
Australian Stock Exchange Limited
Sydney NSW 2000

Dear Sirs,

Re: Share Purchase Plan

Attached is a Share Purchase Plan letter which includes the terms of the SPP. This letter, together with the attached application form, has been sent to all King Island Scheelite shareholders today.

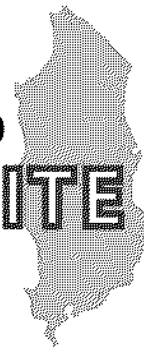
The Share Purchase Plan was announced to the ASX on 11 December 2006.

Yours sincerely

Nick Lambeth
Chief Executive Officer

2 January 2007

KING ISLAND SCHEELITE



Dear Shareholder

The Directors of King Island Scheelite Limited ("KIS") are pleased to announce an offer under the KIS Share Purchase Plan ("SPP") to eligible KIS shareholders.

This SPP is being offered concurrently with a placement to certain investors. It provides shareholders with an opportunity to acquire shares in KIS ahead of the anticipated joint venture with Xiamen Tungsten Co. Ltd ("XTC") to re-develop the King Island scheelite mine and re-commence tungsten production in Tasmania.

The enclosed documents are important and I urge you to give them your full consideration.

Invitation to Participate in the King Island Scheelite Share Purchase Plan

This SPP entitles shareholders in the company, irrespective of the size of their shareholding, to purchase up to \$4,999.50 worth of ordinary shares in King Island Scheelite free of brokerage. An application form is also enclosed, should you wish to participate. If fully subscribed, the offer under this SPP will raise approximately \$3,835,000 through the issue of 3,486,015 shares.

The right to participate in this initial offer under this SPP is available exclusively to persons who are registered as holders of fully paid ordinary shares in King Island Scheelite Limited at 5:00pm on the record date of the 11 December 2006 and whose registered address is in Australia, New Zealand or any other jurisdiction in which it is lawful for the company to offer shares under this SPP.

The issue price of \$1.10 represents:

- a discount to the last closing sale price prior to the initial announcement date (11 December 2006) of \$1.15 per share;
- a 2.7 % discount to the weighted average market price of the ordinary shares sold during the course of trading on the Australian Stock Exchange (ASX) for the five trading days immediately preceding 11 December 2006; and
- a 6.8 % discount to the weighted average market price of the ordinary shares sold during the course of trading on the ASX for the month immediately preceding 11 December 2006.

This SPP will afford shareholders the opportunity to acquire additional shares during an active period for the company. With this in mind, the directors have decided to offer shareholders the opportunity to acquire further shares at a discount to recent prices.

Whilst my fellow directors and I have confidence in the future of the company, it would be remiss of me if I did not also draw your attention to the fact that owning shares in a resources development company such as KIS is considered a speculative form of investment and that the future price of KIS shares can rise or fall depending on the company's success and fluctuations on the stock market generally.

Shareholders should be aware that there is a risk that the market price of the KIS shares may change between the date of this offer and the date when the new shares are issued to you under this SPP. The value of the shares you receive may rise or fall accordingly.

Additional information and key dates

Further information on the Company is contained on the King Island Scheelite website, <http://www.kingislandscheelite.com.au>. The timetable for the implementation of this share purchase plan is as follows:

Event	Day	Date
Announce Share Purchase Plan	Monday	11 December 2006
Record Date to identify eligible shareholders entitled to participate in the offer under this share purchase plan	Monday	11 December 2006
Date of Offer	Tuesday	2 January 2007
Despatch of Offer to eligible Shareholders	Tuesday	9 January 2007
Opening Date	Tuesday	9 January 2007
Closing Date	Tuesday	23 January 2007
Issue and allot Shares	Monday	29 January 2007
Apply to ASX for quotation of Shares	Monday	29 January 2007

The Company reserves the right to close the offer early or extend the closing date. If you would like to participate in this SPP, please return your completed application form together with your cheque representing the purchase price by 23 January 2007.

Please note that the maximum investment per shareholder is \$4,999.50 (representing 4,545 shares at a purchase price of \$1.10 per share). The minimum number that can be applied for is 455 shares at a total cost of \$500.50. Shareholders may also apply for any number of shares between the maximum and the minimum. Shares allotted under this SPP will be issued no later than 29 January 2007.

A full copy of the Terms of the King Island Scheelite Shareholder Share Purchase Plan is available on request from the company. If you have any questions regarding this SPP, please call the company on (02) 9250 0111 during business hours.


The rights attaching to the SPP Shares are identical in all respects to existing fully paid ordinary shares in the capital of the company. The total number of issued fully paid shares in the capital of the company as at the record date was 35,970,026. Currently the company has 767 shareholders. If all such shareholders participate in this SPP, this can still only result in the issue of 3,486,015 shares, with the non-acceptance and return of late applications.

If fully subscribed, the offer under this SPP could raise approximately \$3,835,000. The intended use of the funds raised, pursuant to the issue of the SPP Shares, is for working capital to make the next steps in advancing toward finalization of:

- The Joint Venture between XTC and KIS;
- The Feasibility Study after XTC's review;
- Required Development Approvals; and
- Financing arrangements.

Yours sincerely

King Island Scheelite Limited



Tony Haggarty
Chairman

KING ISLAND
SCHEELITE

King Island Scheelite Limited

ABN 40 004 681 734

Computershare

Please return completed form to:
Computershare Investor Services Pty Limited
GPO Box D182 Perth
Western Australia 6840 Australia
Enquiries (within Australia) 1300 557 010
(outside Australia) 61 3 9415 4000
Facsimile 61 8 9323 2033
web.queries@computershare.com.au
www.computershare.com
Securityholder Reference Number (SRN)



000001

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SAM

MR JOHN SAMPLE

FLAT 123

SAMPLE STREET

SAMPLE STREET

SAMPLE STREET

SAMPLETOWN VIC 3030



I 1234567890 I N D

Entitlement Number:

Record Date: 11 December 2006

Offer Closes: 5.00pm WDST 23 January 2007

Price per Share: A\$1.10

SHARE PURCHASE PLAN APPLICATION FORM

IMPORTANT:

This is an important document which requires your immediate attention. If you are in any doubt as to how to deal with this form please consult a professional adviser.

Pursuant to the terms and conditions of the King Island Scheelite Limited Share Purchase Plan ("SPP") contained in the letter to King Island Scheelite Limited shareholders dated 2 January 2007, King Island Scheelite Limited is offering eligible shareholders the opportunity to purchase Shares up to a maximum value of A\$4,999.50 per eligible shareholder, subject to a minimum application of A\$500.50. **If you do not wish to purchase additional shares under this offer there is no need to take action.**

By making your payment, you agree to be bound by the Constitution of King Island Scheelite Limited and agree that the submission of this payment constitutes an irrevocable offer to you by King Island Scheelite Limited to subscribe for King Island Scheelite Limited Shares on the terms of the SPP. In addition, by submitting this Application Slip you certify that the aggregate of the application price paid by you for:

- the Shares the subject of this Application Slip; and
- any other shares and interests in the class applied for by you under the Share Purchase Plan or any similar arrangement in the 12 months prior to the date of submission of this Application Slip, does not exceed \$5,000.00.

METHOD OF ACCEPTANCE

Your cheque, Bank Draft or Money Order should be in Australian dollars and drawn on an Australian bank made payable to 'King Island Scheelite Limited' for the relevant amount and crossed 'Not Negotiable'. Please ensure you submit the correct amount. Incorrect payments may result in your application being rejected.

Your application slip and cheque, Bank Draft or money order must be received by the share registry before the close of the offer 5.00pm (WDST) on 23 January 2007. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. New Zealand holders will need to affix the appropriate postage. Your Application Slip should be returned in the envelope provided or delivered to Computershare Investor Services Pty Limited ("CIS") at the address shown on the reverse of this form. Refer overleaf for instructions.

King Island Scheelite Limited may make determinations in any manner it thinks fit, in relation to any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP whether generally or in relation to any participant or application. Any determinations by King Island Scheelite Limited will be conclusive and binding on all eligible shareholders and other persons to whom the determination relates. King Island Scheelite Limited reserves the right to waive strict compliance with any provision of the terms and conditions of the SPP, to amend or vary those terms and conditions and to suspend or terminate the SPP at any time. Any such amendment, variation, suspension or termination will be binding on all eligible shareholders even where King Island Scheelite Limited does not notify you of that event.

This offer is non-renounceable - No Signature is required
Return Application Slip and Cheque, Bank Draft or Money Order in the envelope provided
Applications can only be accepted in the name printed on this form

K I S

S P R M

310906



King Island Scheelite Limited
ABN 40 004 681 734

Please see overleaf for Payment Options



Entitlement Number: <xxxxxxxxxx>

I/We wish to purchase shares:

Offer A 455 shares or A\$500.50 or Offer B 1,819 shares or A\$2,000.90 or Offer C 3,182 shares or A\$3,500.20 or Offer D 4,545 shares or A\$4,999.50

* These share amounts may be subject to scale-back in accordance with the terms of the SPP.

Payment Details

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

Make your cheque or bank draft payable to King Island Scheelite Limited

Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

1234567890123456+1234567890-1234+12

Instructions

Payment Details

Make your cheque, bank draft or money order payable to King Island Scheelite Limited in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank. Please ensure you submit the correct amount. Incorrect payments may result in your application being rejected.

Complete cheque details in the boxes provided.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Share Purchase Plan Application Slip where indicated. Cash will not be accepted. A receipt for payment will not be forwarded.

Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

Lodgement of Application

Application Slips must be received at the Perth office of CIS by no later than 5.00pm (WDST) on 23 January 2007. You should allow sufficient time for this to occur. The postal acceptance rule does not apply to the Share Purchase Plan. A reply paid envelope is enclosed for shareholders in Australia. New Zealand holders will need to affix the appropriate postage.

Return the Application Slip with cheque(s) attached:



By Mail
King Island Scheelite Limited
Computershare Investor Services Pty Limited
GPO BOX D182
Perth, Western Australia 6840
AUSTRALIA



In Person
Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth, Western Australia 6000

Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning this form or your entitlement, please contact CIS on 1300 557 010.

This form may not be used to notify your change of address. For information, please contact CIS on 1300 557 010 or visit www.computershare.com (certificated/issuer sponsored holders only).

CHESS holders must contact their Controlling Participant to notify a change of address.