



Notice of Extraordinary General Meeting

King Island Scheelite Limited ABN 40 004 681 734

Location	Level 9, 1 York Street Sydney NSW 2000
Date	6 March 2008
Time	11am

For personal use only

Table of contents

Chairman’s letter ----- 3

Definitions ----- 4

Notice of extraordinary general meeting ----- 7

Explanatory Memorandum ----- 9

Proxy Form-----12

Appointment of Corporate Representative -----14

For personal use only

Chairman's letter

Dear Shareholder

Extraordinary general meeting

This booklet contains a notice of an extraordinary general meeting of Shareholders of King Island Scheelite Limited (**Company**).

On 20 December 2007, the Company announced that it had entered into a series of formal agreements with Hunan Nonferrous Metals Corporation (**HNC**). These agreements implemented a heads of agreement between the parties signed in August 2007.

In summary, these agreements provide that:

- (a) an unincorporated joint venture will be formed between the Company's wholly owned subsidiary Australian Tungsten Pty Ltd (**ATPL**) and a subsidiary of HNC to redevelop the mine located on King Island, Tasmania;
- (b) the Company will issue 4,450,000 Ordinary Shares to HNC (equivalent to about 11.12% of the present undiluted issued capital) at \$1.00 per share;
- (c) The unincorporated joint venture will be funded equally by ATPL and HNC, with HNC providing debt funding to ATPL for ATPL to meet its funding obligations; and
- (d) the Company and ATPL will sell 50% of their interest in the assets related to the mine to a subsidiary of HNC.

To enable this transaction to proceed, and the Company to comply with its obligations under the ASX Listing Rules, the Company is seeking Shareholder approval for:

- 1 The Company and ATPL to sell a 50% interest in the assets of the mine to a subsidiary of HNC; and
- 2 the issue of 4,450,000 Ordinary Shares to HNC.

Further information in relation to the proposed transaction is set out in the attached Explanatory Memorandum.

The Directors believe that the participation of HNC in the joint venture will bring significant financial strength and technical expertise. This transaction represents a milestone in the future of the Company and marks the first step in the successful development of the King Island mine.

I look forward to welcoming you at the Company's extraordinary general meeting and thank you for your continuing support as a Shareholder.

Yours faithfully

Tony Haggarty
Chairman
King Island Scheelite Limited

Definitions

A number of capitalised terms are used throughout this Notice of Meeting and Explanatory Memorandum. Except to the extent the context otherwise requires:

Term	Definition
Asset Sale Agreement	the asset sale agreement between ATPL, KIS and HNC Australia dated 19 December 2007.
ASX	ASX Limited ACN 008 624 691.
ATPL	Australian Tungsten Pty Ltd ACN 097 562 653, a wholly owned subsidiary of the Company.
Board	the board of Directors.
Chief Executive Officer	Mr Nicholas Lambeth, whose chief executive officer's contract with the Company requires that certain performance based incentives are payable by the Company upon the achievement of Financial Close.
Company or KIS	King Island Scheelite Limited ABN 40 004 681 734.
Conversion Date	date of conversion of First Tranche Closing Performance Shares and Second Tranche Closing Performance Shares into Ordinary Shares.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	the directors of the Company.
Dolphin JV	the unincorporated joint venture between HNC Australia and ATPL formed for the purpose of redeveloping and operating the Grassy Mine.
Explanatory Memorandum	this explanatory memorandum accompanying the Notice of Meeting.
Financial Close	the achievement of KIS Funding and Financing Arrangements, as specified and approved at a general meeting of Shareholders held on 24 May 2005.
First Tranche Closing Performance Shares	8,000,000 fully paid shares closing performance shares issued by the Company with terms specified and approved at a general meeting of Shareholders held on 24 May 2005. These terms include the right to convert each First Tranche Closing Performance Share into one Ordinary Share, within 30 business days after receiving notice of Financial Close from the Company. The Company is required to provide this notice of Financial Close within 5 business days of that event occurring.
First Tranche Options	437,500 options granted by the Company with terms specified and approved at a general meeting of Shareholders held on 24 May 2005. These terms include the right to convert each option into one Ordinary Share at any time for a five year period commencing the First Tranche Closing Performance Shares Conversion Date, for an exercise price of \$0.00001 per Ordinary Share.
Former ATPL Shareholder	Ms Robyn Gibson, holder of 4,000,000 First Tranche Closing Performance Shares, and holder of 4,000,000 Second Tranche Closing Performance Shares; Ms Catherine Morrith, holder of 4,000,000 First Tranche Closing

Term	Definition
	Performance Shares, and holder of 4,000,000 Second Tranche Closing Performance Shares; or their respective associates including Mr Peter Gibson and Dr Robin Morritt.
Grassy Mine	the KIS owned mine located on King Island, Tasmania which is proposed to be redeveloped by the Dolphin JV.
Grassy Mine Assets	the assets that are the subject of the Asset Sale Agreement and are related to the Grassy Mine.
HNC	Hunan Nonferrous Metals Corporation Limited, a company incorporated in Hong Kong.
HNC Australia	HNC (Australia) Scheelite Pty Limited ACN 128 913 734, a wholly owned subsidiary of HNC.
KIS Funding and Financing Arrangements	Means the arrangements to provide funding sufficient to develop the Project, which may include, but are not limited to, equity funding, senior project debt, corporate debt, mezzanine debt, lease funding, project efficacy insurance, overrun insurance and equity reserves, as specified and approved at a general meeting of Shareholders held on 24 May 2005.
Land Sale Contract	the document entitled 'Contract for Sale of Real Estate' under which ATPL and HNC Australia agree to acquire Certificate of Title Volume 133061 Folios 1 and 2 from King Island Council.
Listing Rules	the official listing rules of the ASX.
Notice of Meeting	this notice of meeting.
Option Holder	Mr Ray Soper, holder of 196,875 First Tranche Options plus 253,125 Second Tranche Options; Mr Kerry Heywood, holder of 196,875 First Tranche Options plus 253,125 Second Tranche Options; or Mr Nigel Jones, holder of 43,750 First Tranche Options plus 56,250 Second Tranche Options.
Ordinary Shares	ordinary fully paid shares in the capital of the Company.
Ore Sorting Technology	patent application number 2007905472 lodged 5 October 2007 and titled 'Ore Sorting System and Method' and any other associated intellectual property and information (as defined in the agreement establishing the Dolphin JV).
Second Tranche Closing Performance Shares	8,000,000 fully paid shares issued by the Company with terms specified and approved at a general meeting of Shareholders held on 24 May 2005. These terms include the right to convert each Second Tranche Closing Performance Share into one Ordinary Share, within 30 business days after receiving notice of Financial Close from the Company. The Company is required to provide this notice of Financial Close within 5 business days of that event occurring.
Second Tranche Options	562,500 options granted by the Company with terms specified and approved at a general meeting of Shareholders held on 24 May 2005. These terms include the right to convert each option into one Ordinary Share at any time for a five year period commencing the Second Tranche Closing Performance Shares Conversion Date, for an exercise price of \$0.00001 per Ordinary Share.

For personal use only

For personal use only

Term	Definition
Shareholders	beneficial owners of Ordinary Shares.
Subscription Agreement	the subscription agreement between KIS and HNC dated 19 December 2007.
Transaction	the transaction contemplated by the Asset Sale Agreement, Subscription Agreement and the agreement establishing the Dolphin JV and any associated document or agreement necessary to implement those documents or the agreement reached between the Company and HNC.

Notice of extraordinary general meeting

King Island Scheelite Limited ABN 40 004 681 734

Notice is given that an extraordinary general meeting of King Island Scheelite Limited (**Company**) will be held at:

Location	Level 9, 1 York Street Sydney NSW 2000
Date	6 March 2008
Time	11am

Special Business

Resolution 1

Sale of a 50% interest in the Grassy Mine Assets

To consider and if in favour pass the following resolution as an ordinary resolution:

'That, subject to Resolution 2 being passed and pursuant to Listing Rule 11.2, Shareholders approve the sale of a 50% interest in the Grassy Mine Assets by the Company and ATPL to HNC Australia on the terms set out in the Explanatory Memorandum and the Asset Sale Agreement'

Voting restriction

In accordance with the requirements of ASX Listing Rule 11.2, the Company will disregard any votes cast in relation to Resolution 1 by HNC, a Former ATPL Shareholder, an Option Holder, the Chief Executive Officer, or a person who might obtain a benefit as part of the Transaction, and an associate of those persons.

However, the Company need not disregard any such vote if:

- (a) it is cast by any person referred to above as a 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 a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2

Issue of Ordinary Shares

To consider and if in favour pass the following resolution as an ordinary resolution:

'That, subject to Resolution 1 being passed and pursuant to Listing Rule 7.1, Shareholders approve the issue of 4,450,000 Ordinary Shares as part of the Transaction on the terms set out in the Explanatory Memorandum and the Subscription Agreement'

Voting restriction

In accordance with the requirements of ASX Listing Rule 7.3.8, the Company will disregard any votes cast in relation to Resolution 2 by HNC, a Former ATPL Shareholder, an Option Holder, the Chief Executive Officer, or a person who might obtain a benefit as part of the Transaction, and an associate of those persons.

However, the Company need not disregard any such vote if:

- (a) it is cast by any person referred to above as a 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 a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Dated 4 February 2008

By order of the board

Ian Morgan
Company secretary

Notes

- (a) A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) If you wish to appoint a proxy and are entitled to do so, then complete and return the enclosed proxy form by either:
 - (i) post to the registered office of the Company at Level 9, 1 York Street, Sydney NSW 2000; or
 - (ii) facsimile to the registered office of the Company – facsimile number +612 9241 6953; not less than 48 hours before the time for holding the meeting.
- (c) A corporation may elect to appoint a representative in accordance with section 250D of the Corporations Act in which case the Company will require written proof of the representative's appointment. Corporate representative appointments may be delivered at any time before the meeting to the Company at its registered office or may be handed in at the Extraordinary General Meeting itself. A corporate representative appointment form is also enclosed.
- (d) The Company has determined in accordance with Regulation 7.11.37, Corporations Regulation 2001, that for the purpose of voting at the meeting or adjourned meeting, shares will be taken to be held by those persons recorded in the Company's register of Members as at 11am on Tuesday 4 March 2008.
- (e) 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 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.
- (f) If you have any queries on how to cast your votes then call the Company Secretary on 612 9250 0111 during business hours.

Explanatory Memorandum

King Island Scheelite Limited ABN 40 004 681 734

Resolution 1: Sale of a 50% interest in the Grassy Mine Assets

Background

- 1 On 20 December 2007, the Company announced that it had entered into a number of formal agreements with HNC and HNC Australia that established an unincorporated joint venture (Dolphin JV) between ATPL and HNC Australia for the purpose of redeveloping the Grassy Mine.
- 2 The Grassy Mine is located on King Island in Tasmania and contains significant tungsten deposits. It is anticipated that the Dolphin JV will spend approximately \$110 million re-developing the mine including constructing a processing plant and associated infrastructure.
- 3 Further details of the Grassy Mine were announced on 20 December 2007 and this announcement may be downloaded from the Company's web-site at http://www.kingislandscheelite.com.au/pdf/KIS&HNC_JointVentureAgreement.pdf

The transaction

- 4 In conjunction with establishing the Dolphin JV, the Company, ATPL, HNC and HNC Australia have entered into an Asset Sale Agreement and a Subscription Agreement.
- 5 The Asset Sale Agreement provides that the Company and ATPL will sell 50% of their interest in the Grassy Mine Assets to HNC Australia.
- 6 The Grassy Mine Assets to be sold include tenements and related authorisations, all interests in land including certificate of title volume 112916 folio 90 (excluding the land to be acquired under the Land Sale Contract), and all contracts and other assets owned by the Company or ATPL which are directly referable to the redevelopment of the Grassy Mine (excluding the Ore Sorting Technology).
- 7 The consideration payable under the Asset Sale Agreement is as follows:
 - (a) \$10 is payable to ATPL by HNC Australia; and
 - (b) HNC Australia will assume 50% of any liability associated with the Grassy Mine Assets being sold.
- 8 Completion of the Asset Sale Agreement is conditional upon the following:
 - (a) obtaining the necessary foreign investment approvals from the Commonwealth Government in relation to the acquisition of the interest in the tenements and land by HNC Australia and the establishment of the Dolphin JV; and
 - (b) completion of the issue of shares under the Subscription Agreement.
- 9 HNC and the Company have entered into the Subscription Agreement which provides that HNC will subscribe for 4,450,000 Ordinary Shares at the price of \$1.00 per Ordinary Share. The issue of these Ordinary Shares under the Subscription agreement is subject to the satisfaction of various conditions including:
 - (a) holders of Ordinary Shares passing Resolution 2;
 - (b) obtaining the necessary foreign investment approvals from the Commonwealth Government in relation to the acquisition of the interest in the tenements and land by HNC Australia, the establishment of the Dolphin JV and the issue of the Ordinary Shares under the Subscription Agreement;
 - (c) entering into and completing the purchase of the land under the Land Sale Contract;

- (d) obtaining ministerial approval for the extension of the term and transfer of various exploration licences and the granting of a mining lease to allow the redevelopment of the Grassy Mine;
- (e) KIS procuring the grant of a licence to ATPL and HNC Australia for the use of the Ore Sorting Technology in conjunction with the redevelopment;
- (f) HNC obtaining any required approval from Chinese authorities;
- (g) North Mining Limited waiving its pre-emptive rights under a sale agreement with ATPL dated 18 February 2002;
- (h) Rio Tinto Exploration Pty Limited providing written confirmation on terms acceptable to HNC that it will not object to the mining tribunal against an application to transfer the 50% interest in Retention Licence 2/1998 to HNC Australia; and
- (i) HNC being satisfied with its due diligence investigations into the proposed redevelopment.
- 10 As part of the Transaction, HNC will be responsible for funding 50% of the development and construction costs of the redevelopment of the Grassy Mine. In addition, HNC, KIS and ATPL have entered into a loan agreement which provides that HNC will provide debt funding to ATPL to fund ATPL's 50% of the redevelopment costs. This loan will attract an interest rate of 8% per annum and repayments will be a proportion of the Company's share of the cash flow from the redeveloped Grassy Mine.

Why is Shareholder approval required?

- 11 ASX Listing Rule 11.2 provides that where the Company wishes to dispose of its main undertaking it must obtain the approval of holders of Ordinary Shares.
- 12 The Grassy Mine Assets are the main undertaking of the Company and ATPL. ASX Listing Rule 19.2 states that a disposal of part of the Company's main undertaking is deemed a 'disposal' for the purpose of ASX Listing Rule 11.2.
- 13 The passing of Resolution 1 is subject to Shareholders passing Resolution 2.

Management of KIS following completion of the transaction

- 14 Following completion of the Asset Sale Agreement and the issue of Ordinary Shares under the Subscription Agreement, a representative from HNC will join the Board of KIS.

Conversion of First Tranche Closing Performance Shares and Second Tranche Closing Performance Shares

- 15 Messrs Haggarty and Plummer, the Directors without a financial benefit from the Transaction apart from a financial benefit arising from interests in Ordinary Shares, have resolved that passing of Resolution 1 and Resolution 2, and completion of the Transaction, would qualify as Financial Close and permit the Conversion of 8,000,000 First Tranche Closing Performance Shares and 8,000,000 Second Tranche Closing Performance Shares into 16,000,000 Ordinary Shares.

Conversion of First Tranche Options and Second Tranche Options

- 16 The Board has resolved that passing of Resolution 1 and Resolution 2, and completion of the Transaction, would qualify as Financial Close and permit the granting of 437,500 First Tranche Options and 562,500 Second Tranche Options.

Board recommendation

- 17 Messrs Haggarty and Plummer, the Directors without a financial benefit from the Transaction apart from a financial benefit arising from interests in Ordinary Shares, recommend that Shareholders vote in favour of Resolution 1.

Resolution 2: Issue of Ordinary Shares

Why is Shareholder approval required?

- 18 As set out above, the Company and HNC have entered into a Subscription Agreement which provides that HNC will subscribe for 4,450,000 Ordinary Shares at the price of \$1.00 per Ordinary Share. The total to be paid by HNC for these Ordinary Shares is \$4,450,000.
- 19 Under ASX Listing Rule 7.1, the prior approval of shareholders is required for any issue of securities which will, when aggregated with the other securities issued by the Company in the previous 12 month period, exceed 15% of the number of securities on issue at the commencement of the 12 month period.
- 20 The issue of 4,450,000 Ordinary Shares to HNC under the Subscription Agreement will amount to approximately 11.12% of the present undiluted issued capital. Consequently, approval under ASX Listing Rule 7.1 is not strictly required for the issue.
- 21 Despite this, the Directors consider it appropriate to seek Shareholder approval of Resolution 2 so that, pursuant to ASX Listing Rule 7.1, the issue will not be included in the calculation of securities issued in the previous 12 months for the purpose of ASX Listing Rule 7.1, in the event that the Company wishes to issue Ordinary Shares in the future.
- 22 The passing of Resolution 2 is subject to Shareholders passing Resolution 1.

Information under ASX Listing Rule 7.3

- 23 ASX Listing Rule 7.3 requires the notice of meeting at which shareholder approval is sought under ASX Listing Rule 7.1 to include certain information regarding the Ordinary Shares proposed to be issued. This information is as follows:

Maximum number of Ordinary Shares to be issued by the Company	4,450,000 Ordinary Shares.
Date by which the Company will issue and allot the Ordinary Shares	Subject to completion of the Subscription Agreement and the Asset Sale Agreement occurring in accordance with their terms, the Company intends to issue and allot the Ordinary Shares immediately following completion of the Subscription Agreement and Asset Sale Agreement and in any event no later than three months after the date of the meeting.
Issue price of the Ordinary Shares	\$1.00 per Ordinary Share.
Persons to whom Ordinary Shares will be allotted	The Ordinary Shares will be allotted to HNC
Terms of the Ordinary Shares	The Ordinary Shares issued will rank equally in all respects with, and have identical terms to, the existing Ordinary Shares.
Use of funds	The funds will be used for identifying and pursuing new mining assets consistent with the Company's existing minerals exploration activities.

Board recommendation

- 24 Messrs Haggarty and Plummer, the Directors without a financial benefit from the Transaction apart from a financial benefit arising from interests in Ordinary Shares, recommend that Shareholders vote in favour of Resolution 2.

Proxy Form

The Company Secretary

King Island Scheelite Limited
Level 9
1 York Street
SYDNEY NSW 2000

I/We, _____ of _____
_____ (address) being a member/s of King Island Scheelite Limited (**Company**) hereby appoint _____
_____ (name)

of _____ (address) or failing him or her the
Chair of the Meeting as my/our proxy to vote on my/our behalf at the Extraordinary General Meeting of the
Company to be held at Level 9, 1 York Street, Sydney on 6 March 2008 at 11am and at any adjournment of that
meeting.

IMPORTANT: The Chair intends to vote undirected proxies **IN FAVOUR** of each resolution.

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do **NOT** wish to

direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the meeting, acting as your proxy, may exercise your
undirected proxy votes (if you do not specify below how your proxy is to vote below) even if he or she has an
interest in the outcome of each resolution which carries a voting exclusion providing that votes cast by him or her
other than as proxy holder will be disregarded because of that interest.

Should you desire to direct your proxy how to vote, place a mark in the appropriate boxes below. If you do not
instruct your proxy how to vote on a resolution you should mark the box above, leave the boxes below blank and
your proxy may vote as he or she thinks fit or abstain from voting. If you leave boxes unmarked for some
resolutions but not for all resolutions, your proxy will not be able to vote your shares in respect of the unmarked
resolutions and your votes will not be counted in calculating the required majority if a poll is called on the
unmarked resolution.

If two proxies are appointed, the proportion of my/our total voting rights that this proxy is authorised to exercise is
as follows:

_____ (number of votes or percentage of voting rights proxy is authorised to exercise).

PROXY EGM KING ISLAND SCHEELITE LIMITED 6 March 2008

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

	For	Against	Abstain ¹	Discretion
Resolution 1: <i>That, subject to Resolution 2 being passed and pursuant to Listing Rule 11.2, Shareholders approve the sale of a 50% interest in the Grassy Mine Assets by the Company and ATPL to HNC Australia on the terms set out in the Explanatory Memorandum and the Asset Sale Agreement.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2: <i>That, subject to Resolution 1 being passed and pursuant to Listing Rule 7.1, Shareholders approve the issue of 4,450,000 Ordinary Shares as part of the Transaction on the terms set out in the Explanatory Memorandum and the Subscription Agreement.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This proxy form must be signed by each appointing member (or member's attorney). Proxy forms submitted by a company must be executed in accordance with section 127 of the Corporations Act or signed by a duly authorised officer or attorney.

Dated this _____ day of _____ 2008

Authorised signature/s

Signed by Individual Member or Attorney:

Signed by Sole Director Company:

Individual Member/Attorney
(delete as appropriate)

Sole Director and Secretary

Signed by Company:

Director
(delete as appropriate)

Director/Company Secretary

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.

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.

¹ If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item.

Appointment of Corporate Representative

Pursuant to Section 250D of the Corporations Act 2001

_____ (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 Extraordinary General Meetings of: **KING ISLAND SCHEELITE LIMITED ABN 40 004 681 734**

(*) 2. To act as the Company's Representative at the Extraordinary General Meeting to be held at 11am on 6 March 2008 and any adjournment thereof.

Dated this _____ day of _____ 2008

Executed by the corporation in accordance with its Constitution/Section 127 of the Corporations Act 2001 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 Extraordinary General Meeting which this appointment accompanies or handed in at the Extraordinary General Meeting when registering as a company representative. In either case, the authority will be retained by the Company.