

Allens Arthur Robinson 

Date 18 September 2008

ABN 47 702 595 758

Page 1 of 24

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Corner Hunter and Phillip Streets
Sydney NSW 2000
Australia
Tel +61 2 9230 4000
Fax +61 2 9230 5333

From Alex Ding / Emma Leske

To **Company Announcements Office**, Australian
Securities Exchange, Sydney

Correspondence
GPO Box 50
Sydney NSW 2001
Australia
DX 105 Sydney

Fax 1300 135 638

www.aar.com.au

Fax enquiries ring +61 2 9230 4631

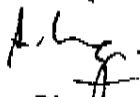
Dear Sir/Madam

**Hunan Nonferrous Metals Corporation Limited – Notice of initial
substantial holder in relation to King Island Scheelite Limited
(ASX Code: KIS)**

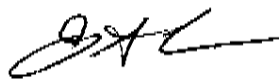
We act for Hunan Nonferrous Metals Corporation Limited (*HNC*).

In accordance with section 671B(1) of the Corporations Act, on behalf of HNC, we attach a copy of a notice of initial substantial holder in relation to King Island Scheelite Limited dated 18 September 2008.

Regards



Alex Ding
Partner
Alex.Ding@aar.com.au
Tel +61 2 9230 4017



Emma Leske
Lawyer
Emma.Leske@aar.com.au
Tel +61 2 9230 4559

Our Ref AHDS:205826895

ewlm A0111123028v1 205826895 18.9.2008

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Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme King Island Scheelite Limited

ACN 004 881 734

1. Details of substantial holder (1)

Name

This notice is given by Hunan Nonferrous Metals Corporation Limited (*HNC*) on its own behalf and on behalf of:

- each of its controlled entities (*HNC Controlled Entities*) as named in Annexure A;
- Hunan Nonferrous Metals Holding Group Co., Ltd. (*HNG*); and
- State-owned Assets Supervision and Administration Commission, Hunan Province Office (*SASACHP*).

ACN/ARSN (if applicable)

N/A

The holder became a substantial holder on 16/09/2008

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Fully Paid Ordinary Shares (<i>KIS Shares</i>)	4,450,000	4,450,000	10.01% (based on 44,465,001 <i>KIS</i> Shares on issue)

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
HNC	Registered holder of securities issued on 16/09/08 pursuant to the subscription agreement dated 19/12/07 a true copy of which is annexed to this notice and marked "B".	4,450,000 <i>KIS</i> Shares
HNG	Taken under s608(3)(b) of the Corporations Act to have a relevant interest in the <i>KIS</i> Shares in which HNC has a relevant interest, by virtue of having control of HNC	4,450,000 <i>KIS</i> Shares
SASACHP	Taken under s608(3)(b) of the Corporations Act to have a relevant interest in the <i>KIS</i> Shares in which HNC has a relevant interest, by virtue of having control of HNG which in turn controls HNC	4,450,000 <i>KIS</i> Shares
Each of the HNC Controlled Entities named in Annexure A.	Taken under s608(3)(a) of the Corporations Act to have a relevant interest in the <i>KIS</i> Shares in which HNC has a relevant interest, by virtue of: <ul style="list-style-type: none"> • HNG being an associate of each HNC Controlled Entity pursuant to s12(2)(a) of the Corporations Act, as it indirectly controls each of those entities; and • HNG having control of, and a relevant interest of more than 20% of the voting shares in, HNC 	4,450,000 <i>KIS</i> Shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Each person named in section 3 above	HNC	HNC	4,450,000 <i>KIS</i> Shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)	Class and number of securities
HNC	16/09/08	\$4,450,000	4,450,000 KIS Shares
Each other person named in section 3	16/09/08	None – a deemed relevant interest	4,450,000 KIS Shares

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6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
Each of the HNC Entities named in Annexure A	Each is a subsidiary of Hunan Nonferrous Metals Corporation Limited

7. Addresses

The addresses of persons named in this form are as follows:

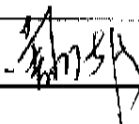
Name	Address
HNC	No. 342 Laodong West Road, Changsha, Hunan Province, People's Republic of China 410015
HNG	No. 342 Laodong West Road, Changsha, Hunan Province, People's Republic of China 410015
SASACHP	No. 351 Wuyi Avenue, Changsha City, Hunan, People's Republic of China.
Each of the HNC Controlled Entities	See Annexure A

Signature

print name Zeng Shao Xiong

capacity

sign here



date 18/09/2008

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

Annexure A

This is Annexure A of 1 page referred to in the Form

603 Notice of initial substantial holding

Signed by me and dated 18 September 2008

肖少凡, Director

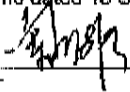
Controlled Entities of Hunan Nonferrous Metals Corporation Limited

Domestic	Controlled entities	% Owned/Interest		Address
		Direct	Indirect	
Mainland China	Zhuzhou Cemented Carbides Group Corp., Ltd.	99.28%		Non-ferrous Tower A, No. 342 Laodong West Road, Changsha, Hunan Province, People's Republic of China 410015
Mainland China	Zhuzhou Smelter Group Co., Ltd.	63.31%		As above
Mainland China	Hsikwangshan Twinkling Star Antimony Co., Ltd.	100%		As above
Mainland China	Hunan Shizhuyuan Nonferrous Metals Co., Ltd.	100%		As above
Mainland China	Hunan Zhuye Torch Metals Co., Ltd.	83.28%	27.92%	As above
Mainland China	Shanghai Jinhuoju Metals Ltd.		31.20%	As above
Mainland China	Foshan CityNanhai Jinhuoju Metals Ltd.		31.20%	As above
Mainland China	Chenzhou Huoju Kuangye Ltd.		31.20%	As above
Mainland China	Hunan Zhuye Torch Metals Import and Export Company Limited		31.20%	As above
Hong Kong	Torch Metals Limited		21.84%	Room 1705, 17 th Floor, Jubilee Centre, No. 46, Gloucester Road, Wan Chai, Hong Kong
Hong Kong	Torch Zinc Limited		28.08%	As above
Mainland China	Zhuzhou Quanxin Industry Co., Ltd.		58.29%	As above
Mainland China	Shanghai Zhuye Nonferrous Metals Co., Ltd.		28.08%	As above
Mainland China	Foshan CityNanhai Zhuye Nonferrous Metals Co., Ltd.		28.08%	As above
Mainland China	ZCC Import and Export Company Limited		99.24%	As above
Mainland China	Hunan Diamond Sintered Carbide Tools Company Limited		26.75%	As above
Mainland China	Chenzhou Diamond Tungsten Products Company Limited		98.51%	As above
Mainland China	Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited		49.64%	As above
Mainland China	Zhuzhou Diamond Cutting Tools Company Limited		41.90%	As above
Australia	HNC (Australia) Resources Holding Pty Ltd (ACN 124 647 534)	100%		Suite 606, 99 Bathurst Street, Sydney NSW 2000 Australia
Australia	HNC (Australia) Resources Pty Ltd (ACN 124 647 829)		100%	As above
Australia	HNC (Australia) Scheelite Pty Limited (ACN 128 913 271)		100%	As above

Annexure B

This is Annexure B (Subscription Agreement) of 18 pages referred to in the Form 603 Notice of initial substantial holding

Signed by me and dated 18 September 2008



曾少雄, Director

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Ramy Fan

Subscription agreement

King Island Scheelite Limited ACN 004 681 734

Hunan Nonferrous Metals Corporation Limited

Table of contents

Parties	1
Background	1
Agreed terms	1
1 Definitions and interpretation	1
1.1 Definitions	1
1.2 Interpretation	4
2 Equity investment	4
2.1 HNC Subscription	4
2.2 New Director	4
2.3 Conduct of KIS after subscription	5
3 Conditions Precedent to Completion	5
3.1 Conditions Precedent	5
3.2 Obligations in respect of Conditions Precedent	7
3.3 Waiver of Conditions Precedent	7
3.4 Termination if Conditions Precedent not fulfilled	7
3.5 Stamp duty Condition Precedent	7
4 Completion	8
4.1 Time and place	8
4.2 Obligations of HNC on Completion	8
4.3 Obligations of KIS on Completion	8
4.4 Obligations on Completion	8
4.5 Obligations of KIS post-Completion	8
5 Warranties and representations	9
5.1 Mutual warranties and representations	9
5.2 KIS' warranties and representations	9
5.3 Application of warranties	10
5.4 Breach of warranties	10
5.5 Indirect or consequential loss or damage	10
6 General	10
6.1 Amendments	10
6.2 Assignment	10
6.3 Counterparts	10

6.4	No merger	11
6.5	Entire agreement	11
6.6	Further assurances	11
6.7	No waiver	11
6.8	Governing law and jurisdiction	11
6.9	Governing language	11
6.10	Severability	11
6.11	Costs	12
6.12	Stamp Duty	12

Schedule 1	-----	13
Company Details		13

Schedule 2	-----	14
Application for Allotment of Shares (clause 4.2(a))		14

Execution	-----	15
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Subscription agreement

Dated *19/12/07*

Parties

KIS **King Island Scheelite Limited ACN 004 681 734**

of Level 9, 1 York Street, Sydney, New South Wales 2000

HNC **Hunan Nonferrous Metals Corporation Limited**

of Non-ferrous Tower A, No. 342 Laodong West Road, Changsha, Hunan Province, China 410015

Background

- A KIS' details are set out in Schedule 1.
- B KIS has agreed to issue, and HNC has agreed to subscribe for, the Subscription Shares on the terms of this document.

Agreed terms

1 **Definitions and interpretation**

1.1 **Definitions**

In this document:

Term	Definition
Asset Sale Agreement	means the asset sale agreement entered or to be entered into between KIS, ATPL and HNC Australia on or about the date of this document.
ASX	means ASX Limited ACN 008 624 691.
ATPL	means KIS' wholly owned subsidiary, Australian Tungsten Pty Ltd ACN 097 562 653.
ATPL Vendors	means Robyn Elizabeth Gibson and Catherine Jeanne Morritt.
Breaching Party	has the meaning set out in clause 5.4(a).
Business Day	means a day that is not a Saturday, Sunday or public holiday in Sydney, NSW, Australia or Changsha, Hunan Province, China.
Completion	means completion of the issue of the Subscription Shares under this document on the Completion Date.

Term	Definition
Completion Date	means 17 March 2008 or another date agreed in writing by the parties.
Conditions Date	means: <ul style="list-style-type: none"> (a) in the case of clauses 3.1(a), (c), (d), (e), (f), (g), (h), (i), (k), (l) and (m), 17 March 2008; (b) in the case of clause 3.1(b), 21 December 2007; and (c) in the case of clause 3.1(j), the date that is 2 Business Days after HNC's receipt of notification from the Tasmanian Commissioner of State Revenue of the amount of stamp duty that has been assessed as being payable on the Asset Sale Agreement under the <i>Duties Act 2001</i> (Tas), or another date agreed in writing by the parties.
Conditions Precedent	means the conditions precedent set out in clause 3.1.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Encumbrance	means any mortgage, charge, pledge or lien, and any security interest or a preferential or adverse interest of any kind.
HNC Australia	means HNC's wholly owned subsidiary, HNC (Australia) Scheelite Pty Ltd ACN 128 913 271.
Insolvency Event	means any of the following events occurring in relation to a party: <ul style="list-style-type: none"> (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party; (b) the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act; (c) the party stops or suspends or threatens to stop or suspend payment of all or a class of its debts; (d) the party ceases to carry on business; or (e) an application or order is made for the administration, winding up or liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.
Issue Price	means \$1 per share.
Joint Venture	means the unincorporated joint venture to be established between ATPL and HNC Australia under the

Term	Definition
	Joint Venture Agreement.
Joint Venture Agreement	means the joint venture agreement entered or to be entered into between ATPL and HNC Australia and the manager of the Joint Venture on or about the date of this document.
Land	has the meaning set out in the Asset Sale Agreement.
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.
Mining Act	means <i>Mineral Resources Development Act 1995</i> (Tas).
Minister	means the minister responsible for administering the Mining Act.
New Director	has the meaning set out in clause 2.2(a).
Non-Breaching Party	means the party that is not the Breaching Party.
Ore Sorting Technology	means patent application number 2007905472 lodged 5 October 2007 and titled 'Ore Sorting System and Method' and any other associated Intellectual Property (as defined in the Joint Venture Agreement) and information.
Share Sale Deed	means the document of that name between the ATPL Vendors, Robin Frederick Charles Morritt, Peter Andrew Gibson, KIS and ATPL dated 17 March 2005 as varied by Deed of Variation between those parties under which KIS acquired the shares in ATPL from the ATPL Vendors.
Subscription Amount	means \$4,450,000.
Subscription Shares	means 4,450,000 ordinary shares in KIS.
Tenements	has the meaning set out in the Asset Sale Agreement.
Transaction Documents	means: <ul style="list-style-type: none"> (a) this document; (b) the Asset Sale Agreement; (c) the Joint Venture Agreement; (d) the Management Agreement (as defined in the Asset Sale Agreement); (e) the Cross Charge (as defined in the Asset Sale Agreement); (f) the Loan Agreement (as defined in the Asset Sale Agreement); (g) the Charge (as defined in the Asset Sale Agreement); (h) the Guarantee (as defined in the Asset Sale Agreement); and (i) the Share Mortgage (as defined in the Asset Sale Agreement).

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1.2 Interpretation

In this document:

- (a) a singular word includes the plural and vice versa;
- (b) a word which suggests one gender includes the other gender;
- (c) a reference to a clause, schedule, annexure or party is a reference to a clause of, and a schedule, annexure or party to, this document and references to this document include any schedules or annexures;
- (d) a reference to a party to this document or any other document or agreement includes the party's successors, permitted substitutes and permitted assigns;
- (e) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (f) a reference to a document or agreement (including a reference to this document) is to that document or agreement as amended, supplemented, varied or replaced;
- (g) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
- (h) if any day on or by which a person must do something under this document is not a Business Day, then the person must do it on or by the next Business Day; and
- (i) a reference to '\$' or 'dollar' is to Australian currency.

2 Equity investment

2.1 HNC Subscription

Subject to satisfaction or waiver of each of the Conditions Precedent, HNC agrees to subscribe for the Subscription Shares and KIS agrees to issue the Subscription Shares to HNC at the Issue Price and otherwise on the terms in this document.

2.2 New Director

- (a) Subject to clause 2.2(b), with effect on and from the date of Completion, and for so long as HNC holds at least 2,250,000 ordinary shares in KIS, HNC is entitled to appoint a person as a director of KIS (and KIS acknowledges that HNC may also nominate an alternate director) (**New Director**).
- (b) Subject to clause 2.2(d), KIS will appoint the New Director (and any alternate director) if:
 - (i) HNC gives to KIS written notice of the identity of its proposed New Director (and any alternate director) at least 2 Business Days before the relevant date that the appointment is to take effect; and
 - (ii) the board of directors of KIS approves that proposed New Director (and any alternate), whose approval may not be unreasonably withheld.

- (c) In the event that the board of directors of KIS does not approve the proposed New Director (or any alternate director) put forward by HNC under clause 2.2(b), then clause 2.2(b) will apply again from the date of the board's decision and will continue to apply until HNC provides a nominee that is acceptable to the board of directors of KIS.
- (d) HNC acknowledges that, under rule 13.2 of KIS' Constitution, any director appointed under this clause holds office only until the next annual general meeting of KIS and is then eligible for re-election at that meeting. If the HNC appointed director fails to be re-elected or is otherwise removed from the board of directors of KIS, then clause 2.2(b) will apply from the date of the removal of the HNC nominee from the board and will continue to apply until there is a HNC nominee appointed to the board of directors of KIS.

2.3 Conduct of KIS after subscription

The parties agree and acknowledge that KIS:

- (a) may use the funds raised under this document at its discretion except it must not use the funds for the return of capital or the payment of dividend to its shareholders;
- (b) may choose to raise additional equity from other investors by the issue of shares at the same time as the issue of shares under this document at the Issue Price;
- (c) subject to clause 2.3(a) and 2.3(b), will continue to operate as an independent company free to conduct business and pursue opportunities (including to raise additional equity or debt funds from other investors) at the discretion of the directors and shareholders of KIS except that it must for at least 24 months following Completion, maintain minerals exploration, development and mining as its principal business activity; and
- (d) in circumstances where it undertakes a placement of its ordinary shares, must offer HNC the opportunity (but not the obligation) to subscribe for so many ordinary shares as is necessary for HNC to maintain at least the same percentage holding of ordinary shares in KIS as HNC holds immediately before the time at which the placement of ordinary shares is undertaken.

3 Conditions Precedent to Completion

3.1 Conditions Precedent

Each of the following conditions is a Condition Precedent:

- (a) the Treasurer of the Commonwealth of Australia:
 - (i) ceasing to be empowered under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) to prohibit:
 - (A) the issue to HNC of the Subscription Shares;
 - (B) the acquisition by HNC Australia of a 50% interest in the Tenements and the Land; and
 - (C) the establishment by HNC Australia of the Joint Venture with ATPL; or
 - (ii) giving written notice of a decision that the Australian Commonwealth Government has no objection to:

- (A) the issue to HNC of the Subscription Shares;
- (B) the acquisition by HNC Australia of a 50% interest in the Tenements and the Land; and
- (C) the establishment by HNC Australia of the Joint Venture with ATPL,
that notice being either free from conditions or subject to conditions that are acceptable to the parties;
- (b) each of the Transaction Documents being executed and delivered by the parties to those documents;
- (c) waiver in writing by the ATPL Vendors of their rights under clause 10.2 of the Share Sale Deed;
- (d) ATPL, HNC Australia and King Island Council entering into and completing the purchase of land under the Land Sale Contract;
- (e) the Minister granting, or indicating his intention to grant, a mining lease to ATPL and HNC Australia (as tenants in common in equal shares) in respect of the area covered by mining lease application 1M/2006 in accordance with the relevant provisions of the Mining Act;
- (f) the Minister granting to ATPL an extension of the term of Exploration Licence 16/2002 on terms acceptable to the parties and the Minister approving or consenting, or indicating his approval or consent, to the transfer by ATPL of a 50% interest in Exploration Licence 16/2002, Exploration Licence 19/2001 and Retention Licence 2/1998 to HNC Australia in accordance with the relevant provisions of the Mining Act;
- (g) North Mining Limited agreeing in writing to the waiver of its pre-emptive rights under clause 9.1 of the King Island Scheelite Sale Agreement between it and ATPL dated 18 February 2002 in relation to Retention Licence 2/1998 (including the area covered by mining lease application 1M/2006) on terms satisfactory to the parties;
- (h) Rio Tinto Exploration Pty Limited providing written confirmation on terms acceptable to HNC that it will not object to the Mining Tribunal (as defined in the Mining Act) against an application for approval to transfer a 50% interest in Retention Licence 2/1998 to HNC Australia, nor otherwise oppose the transfer by ATPL of this interest to HNC Australia;
- (i) KIS procuring the grant of a licence to ATPL and HNC Australia (as the participants in the Joint Venture) for the use by them of the Ore Sorting Technology for no fee to KIS or any of its related bodies corporate and otherwise on terms acceptable to ATPL and HNC Australia;
- (j) HNC being satisfied with the stamp duty assessed as being payable on the Asset Sale Agreement under the *Duties Act 2001* (Tas) by the Tasmanian Commissioner of State Revenue;
- (k) HNC obtaining on terms acceptable to it all corporate and governmental approvals required under any Chinese laws regulations or policies relevant to it and HNC Australia and necessary to enable it and HNC Australia to carry out their obligations under the Transaction Documents;

- (l) KIS obtaining on terms acceptable to it all shareholder and ASX approvals necessary to enable it, ATPL and KIS Management Pty Ltd to carry out their obligations under the Transaction Documents; and
- (m) HNC being satisfied with the outstanding issues described in bold in the document entitled "Table of Planning and Environmental Issues arising out of due diligence review" emailed to KIS and ATPL's Tasmanian legal advisers on 11 December 2007.

3.2 Obligations in respect of Conditions Precedent

Each party must:

- (a) co-operate with the other parties and use its best endeavours to ensure that the Conditions Precedent are fulfilled as soon as reasonably possible;
- (b) sign and deliver all documents and do everything necessary or desirable to carry out its obligations under clause 3;
- (c) keep the other parties regularly informed of the status of any discussions or negotiations with relevant third parties regarding the Conditions Precedent; and
- (d) promptly notify the other parties when any Conditions Precedent have been satisfied or have become incapable of being fulfilled.

3.3 Waiver of Conditions Precedent

- (a) The Condition Precedent in clause 3.1(a) and (j) cannot be waived.
- (b) The Conditions Precedent in clauses 3.1(b) to (i) may only be waived if both parties agree in writing to waive them.
- (c) The Condition Precedent in clause 3.1(k) and (m) can only be waived by HNC.
- (d) The Condition Precedent in clause 3.1(l) can only be waived by KIS.

3.4 Termination if Conditions Precedent not fulfilled

Subject to clause 3.5 and except in the case of the Condition Precedent set out in clause 3.1(j) which is addressed in clause 3.5, if any other Condition Precedent is not satisfied (or waived under clause 3.3) on or before the Conditions Date which applies to that Condition Precedent, then any party may terminate all rights and obligations under this document by written notice to the other parties, and this document will have no further force and effect other than for rights and obligations:

- (a) under this clause and clauses 1 and 6; and
- (b) that accrue on or before the date of termination.

3.5 Stamp duty Condition Precedent

If HNC does not inform KIS that it is satisfied or not satisfied with the amount of stamp duty that has been assessed as being payable on the Asset Sale Agreement under the *Duties Act 2001* (Tas) on or before the Conditions Date for clause 3.1(j), HNC agrees that the Condition Precedent set out in clause 3.1(j) is satisfied. If HNC informs KIS that it is not satisfied with the stamp duty assessment on or before the Conditions Date for clause 3.1(j), the parties agree that the Condition Precedent set out in clause 3.1(j) is not satisfied, and this document is automatically

terminated and this document will have no further force and effect other than for rights and obligations:

- (a) under this clause and clauses 1 and 6; and
- (b) that accrue on or before the date of termination.

4 Completion

4.1 Time and place

Completion will take place at the offices of KIS at 1.00pm on the Completion Date.

4.2 Obligations of HNC on Completion

On Completion, HNC will:

- (a) deliver to KIS an application for the issue of the Subscription Shares in the form contained in Schedule 2;
- (b) pay the Subscription Amount by telegraphic transfer or in otherwise immediately available funds as directed by KIS; and
- (c) deliver to KIS the New Director's written consent to his or her appointment as a director of KIS.

4.3 Obligations of KIS on Completion

On Completion, KIS will (and must cause the directors of KIS to):

- (a) approve the Issue of the Subscription Shares to HNC;
- (b) issue the Subscription Shares to HNC;
- (c) direct that appropriate entries in KIS' register of members be made and that HNC be provided with a holding statement or similar document that lawfully evidences HNC's title to the Subscription Shares; and
- (d) subject to clause 2.2(a), appoint the New Director.

4.4 Obligations on Completion

The parties acknowledge that:

- (a) the obligations in clauses 4.2 and 4.3 are interdependent;
- (b) all actions performed on Completion are taken to have occurred simultaneously; and
- (c) Completion does not occur unless all of the obligations of KIS and HNC under clauses 4.2 and 4.3 are complied with or waived in writing by the other party.

4.5 Obligations of KIS post-Completion

As soon as practicable after Completion, KIS must:

- (a) apply to ASX for, and use its best endeavours to obtain, official quotation on the financial market operated by ASX of the Subscription Shares; and
- (b) lodge a notice with ASX that complies with subsection 708A(5) of the Corporations Act.

5 Warranties and representations

5.1 Mutual warranties and representations

Each party represents and warrants to the other that, as at the date of this document and as at Completion:

- (a) **(status)** it is a company limited by shares, properly incorporated and validly existing under the laws of the country in which it was incorporated, and an Insolvency Event does not affect the party;
- (b) **(power)** it has full legal capacity and power to enter into, exercise its rights and perform its obligations under this document;
- (c) **(authorisation)** all conditions and things (including shareholder approvals) required by applicable law to be fulfilled or done in order to enable it lawfully to enter into, and exercise its rights and perform its obligations under this document have been fulfilled or done;
- (d) **(obligations binding)** this document constitutes legally binding obligations enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally); and
- (e) **(no violation, breach or contravention)** the execution, delivery and performance by the party of its obligations under this document does not and will not violate, breach or result in any contravention of any law, regulation, authorisation, ruling, consent, judgment, order, decree of any governmental agency, the constitution of the party or any document or agreement that is binding on the party (except in the case of KIS, subject to obtaining the waiver in clause 3.1(c)).

5.2 KIS' warranties and representations

In addition to the warranties given by it in clause 5.1, KIS represents and warrants to HNC that:

- (a) subject to obtaining the waiver in clause 3.1(c), KIS has full and unrestricted power to issue the Subscription Shares to HNC;
- (b) full beneficial and legal ownership of the Subscription Shares will, on Completion, vest in HNC free from Encumbrances;
- (c) the Subscription Shares will, on issue, be fully paid up and validly issued, and will rank equally in all respects with existing ordinary shares of KIS then on issue;
- (d) as at the date of this document and as at Completion, there are no actions, claims or proceedings which are pending, threatened or subsisting against KIS which are material and which have not been disclosed to HNC;
- (e) as at the date of this document and as at Completion, all information which has been disclosed by KIS under its continuous disclosure obligations under the Corporations Act and the listing rules of ASX was true and correct at the time it was disclosed;

- (f) as at the date of this document and as at Completion KIS does not have any information which a reasonable person would expect to have a material effect on the price or value of KIS' securities which has not been disclosed to ASX;
- (g) as at the date of this document and as at Completion, the information that is set out in Schedule 1 of this Agreement is true and correct; and
- (h) as at the date of this document and as at Completion, KIS has satisfied all conditions necessary to enable it to lodge with ASX a notice under section 708A(5) of the Corporations Act.

5.3 Application of warranties

Each warranty:

- (a) does not merge on, and remains in full force after Completion; and
- (b) must be construed independently and is not limited by reference to any other warranty.

5.4 Breach of warranties

- (a) If a party breaches any of its respective warranties (**Breaching Party**), it must promptly give the Non-Breaching Party written notice containing full details of the relevant fact, matter or circumstance giving rise to that breach.
- (b) A Non-Breaching Party may, on or before Completion, terminate this document for a material breach by a Breaching Party of a warranty in clause 5.1 or 5.2.

5.5 Indirect or consequential loss or damage

Regardless of any other term in this document, neither party will be under any liability to the other party in respect of any indirect or consequential loss or damage (including for loss of business revenue, loss of profits or failure to realise expected profits or savings) in connection with the arrangements contemplated by this document, whether the claim is based on breach of contract, warranty, negligence or any other cause of action.

6 General

6.1 Amendments

This document may only be amended by written agreement between all parties.

6.2 Assignment

A party may only assign this document or a right under this document with the written consent of the other party.

6.3 Counterparts

This document may be executed in any number of counterparts. All counterparts together make one instrument.

6.4 No merger

The rights and obligations of the parties under this document do not merge on completion of any transaction contemplated by this document.

6.5 Entire agreement

- (a) This document supersedes all previous agreements about its subject matter and embodies the entire agreement between the parties.
- (b) To the extent permitted by law, any statement, representation or promise made in any negotiation or discussion, has no effect except to the extent expressly set out or incorporated by reference in this document.

6.6 Further assurances

Each party must do all things reasonably necessary to give effect to this document and the transactions contemplated by it.

6.7 No waiver

- (a) The failure of a party to require full or partial performance of a provision of this document does not affect the right of that party to require performance subsequently.
- (b) A single or partial exercise of or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy.
- (c) A right under this document may only be waived in writing signed by the party granting the waiver, and is effective only to the extent specifically set out in that waiver.

6.8 Governing law and jurisdiction

New South Wales law governs this document. Each party irrevocably submits to the non-exclusive jurisdiction of the New South Wales courts and courts competent to hear appeals from those courts.

6.9 Governing language

This document has been negotiated and agreed in the English language, which will be the governing and determining language of this document. In the event of any conflict between the English language version of this document and any Chinese or other language translation created by the parties, the English language version will prevail.

6.10 Severability

- (a) A clause or part of a clause of this document that is illegal or unenforceable may be severed from this document and the remaining clauses or parts of the clause of this document continue in force.
- (b) If any provision is or becomes illegal, unenforceable or invalid in any jurisdiction, it is to be treated as being severed from this document in the relevant jurisdiction, but the rest of this document will not be affected.

6.11 Costs

Each party bears its own costs in relation to the preparation and signing of this document.

6.12 Stamp Duty

HNC pays all stamp duty and other taxes of a similar nature (including fines, penalties and interest) on this document and on any instrument or other document executed to give effect to this document.

For personal use only

Schedule 1

Company Details

Name	King Island Scheelite Limited		
ACN	004 681 734		
Registered Office	Level 9, 1 York Street, Sydney, New South Wales, 2000		
Date of Registration	15 December 1966		
Place of Registration	Victoria		
Business Address	Level 9, 1 York Street, Sydney, New South Wales, 2000		
Directors	Anthony Haggarty, Andrew Plummer and Robin Morritt		
Secretary	Ian Morgan		
Issued share capital (as at the date of this document and as at Completion)	1	40,015,001 fully paid ordinary shares;	
	2	8,000,000 fully paid first tranche closing performance shares (convertible into fully paid ordinary shares in accordance with their terms of Issue); and	
	3	8,000,000 fully paid second tranche closing performance shares (convertible into fully paid ordinary shares in accordance with their terms of issue).	
Options (as at the date of this document and as at Completion)	1	437,500 first tranche options (convertible into fully paid ordinary shares in accordance with their terms of Issue); and	
	2	562,500 second tranche options (convertible into fully paid ordinary shares in accordance with their terms of issue).	

Schedule 2

Application for Allotment of Shares (clause 4.2(a))

Application for allotment of shares

King Island Scheelite Ltd ACN 004 681 734

Applicant	Hunan Nonferrous Metals Corporation Limited of Non-ferrous Tower A, No. 342 Laodong West Road, Changsha, Hunan Province, China 410015
Shares (number and type)	4,450,000 fully paid, ordinary
Issue Price	\$1 per share
Application	<p>The Applicant:</p> <ul style="list-style-type: none"> (a) applies for the allotment of the Shares at the Issue Price, in the capital of the Company; (b) will hold the Shares legally and beneficially; (c) attaches \$4,450,000 payable on allotment; and (d) agrees to be bound by the Constitution of the Company and the terms of issue of the Shares on becoming a shareholder in the Company.

Dated 2008.

EXECUTED by

Hunan Nonferrous Metals Corporation Limited by:

DO NOT EXECUTE: EXAMPLE ONLY

▲ _____
Director

▲ _____
Director/Secretary

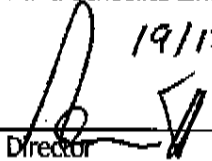
▲ _____
Full name of Director

▲ _____
Full name of Director/Secretary

Execution

EXECUTED as an agreement.

EXECUTED by
King Island Scheelite Limited ACN 004 681 734 by:

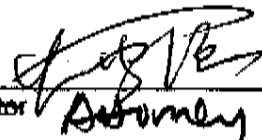
19/12/2007
A 
Director

A ROBIN FC MORRIS
Full name of Director



A Director/Secretary

A IAN HENRY MORGAN
Full name of Director/Secretary

EXECUTED by
Hunan Nonferrous Metals Corporation Limited by:

A 
Director Attorney

A XUEQIANG FAN
Full name of Director Attorney

A 
Director/Secretary Witness

A EDWINA SINCLAIR
Full name of Director/Secretary Witness

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