

15 October 2008

Chairman's Address

Welcome to this, our fourth AGM as King Island Scheelite Ltd.

This year has seen a very significant milestone achieved in our plan to re-develop the Company's King Island Scheelite mine. That milestone is the financing of the project and I warmly welcome Hunan Nonferrous Metals Corp as a substantial shareholder and 50/50 joint venture partner with the Company in the mine re-development.

Following the signing of a non-binding letter of intent earlier in 2007, the Company entered into a Principles of Agreement (POA) with HNC on 13 August last year. This POA outlined how the Company and HNC intended to re-develop the King Island Project.

On the 19 December 2007 this POA was converted into a series of binding agreements, where:

- HNC would subscribe to 4.45 million fully paid ordinary shares in the Company (Shares), at an issue price of \$1.00 per Share. This placement would be approximately 10% of the Company's issued capital immediately after the placement is made;
- One representative from HNC would be invited to join the Company's Board;
- An unincorporated joint venture, to be called the Dolphin Joint Venture (DJV) would be formed, with the Company and HNC each holding an equal share of the DJV. Capital costs, operating costs and product produced by the DJV would be shared equally between the DJV Partners;
- HNC would provide debt funding to the Company to meet the Company's 50% share of construction and other pre-production costs. Repayment of this debt would be linked to the Company's 50% share of net cash flow from the Project;
- A fully owned subsidiary of KIS, Scheelite Management Pty Ltd, would manage the construction and operation of the Project; and

- Both KIS and HNC would market their respective shares of output from the Project on the most favourable terms available to each.

These agreements contain a number of conditions precedent which have now been satisfied or waived. The last of these was the receipt of approvals from the Chinese authorities for HNC to invest in the project, and these were obtained in early September.

I am therefore pleased to be able to say that, with financial backing for the Project secured, we are poised to enter the development phase of the re-development of the King Island mine.

Also as part of the joint venture arrangements between the Company and HNC, in September HNC subscribed for 4.45 million shares in the Company at \$1.00 each. The Board also welcomes the appointment of Mr Zeng as a director of the Company as HNC's representative.

Exploration

In December 2007 the Company conducted a high resolution aeromagnetic survey of the area surrounding the proposed mine site on King Island. This survey covered the Dolphin and Bold Head scheelite mining areas, as well as some area off-shore.

Prospective areas and drill-ready exploration targets were identified within close proximity to the planned processing plant site, including:

- West Dolphin - Located immediately west of the existing Dolphin pit, this area is interpreted to host potential strike extensions to Dolphin. Previous operators of the mine undertook limited diamond drilling in this area, but did not fully drill-test the approximately 250m by 200m prospective contact area.
- South Bold Head - Interpretation of the magnetic data in conjunction with gravity data indicates that Mine Series rocks may be found at relatively shallow depths immediately above a granite body. Key mineralisation bounding faults extending between the historic Bold Head and Dolphin mining areas cut the approximately 500m long target area.

- South Dolphin - Mine Series rocks and key mineralising faults are interpreted to occur under Grassy Bay immediately off-shore from Dolphin. It is possible that mineralisation could plunge a significant distance to the south east.

The Company plans to drill test at least some of these targets in the coming year.

Tungsten Market

The international demand for tungsten concentrates remains healthy, with a number of processors expressing interest in purchasing output from the Project.

The average price of concentrates as quoted by Metal Pages for the 2008 financial year was US\$197 per metric tonne unit (or "mtu", equivalent to 10kg) of tungsten tri-oxide (2007: US\$210 / mtu). The Australian dollar however firmed significantly against the US dollar, reaching levels of 96 cents at the end of June 2008. However, since June 2008 the Australian dollar has weakened considerably, and has recently seen levels below 70 cents.

Outlook

The Company has now finalised the joint venture arrangements with HNC, and the DJV partners are now in a position to move forward with the Project. We will shortly commence work on engineering and other construction activities of the Project. Previous studies have indicated that the Project will take approximately 21 months to construct before entering production.

We look forward to the development of this exciting project, and the transformation it will have on King Island Scheelite Limited.



AJ Haggarty

Chairman

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