

ASX RELEASE

Wednesday 29th May 2013

Rights Issue Cleansing Notice under section 708AA(2)(f) Corporations Act (Notice)

King Island Scheelite Limited (KIS) is announcing later today on Wednesday 29th May 2013 that it will undertake a non-renounceable rights issue of, subject to rounding, 38,614,916 fully paid ordinary KIS shares to its shareholders (**Issue**) on the basis of an entitlement to subscribe for 2 ordinary KIS shares (**New Shares**) for every 5 ordinary KIS shares held at the Record Date, being Thursday 6th June 2013 with each such share being issued at an issue price of \$0.051 to raise approximately \$1,969,000 (**Offer**).

The Company states that it will offer the New Shares for issue without disclosure to investors under section 708AA(2)(f) of the *Corporations Act 2001* (**Corporations Act**) as notionally modified by ASIC Class Order 08/35 (**CO 08/35**).

Further details regarding the Offer are set out in the Information Booklet to be lodged later today on Wednesday 29th May 2013 with the ASX.

For the purposes of section 708AA(7) Corporations Act, KIS advises:

- (a) the New Shares will be offered for issue without disclosure under Chapter 6D of the Corporations Act as notionally modified by CO 08/35;
- (b) this Notice is given under section 708AA(2)(f) Corporations Act as notionally modified by CO 08/35;
- (c) as at the date of this Notice, KIS has complied with the provisions of:
 - (i) Chapter 2M Corporations Act as they apply to KIS; and
 - (ii) section 674 Corporations Act,
- (d) as at the date of this Notice, there is no excluded information of the type referred to in section 708AA(8) and 708AA(9) Corporations Act as notionally modified by CO 08/35; and
- (e) information regarding the potential effect of the issue of New Shares pursuant to the Offer on the control of KIS, and the consequences of that effect is set out below.

The following individual shareholders will take up their entitlements and underwrite approximately \$1,640,000: Mr Richard Willmot Chadwick and Mrs Gwenda Ann Chadwick, Chrysalis Investments Pty Ltd, Mr Giuseppe (Joe) Coronica and FinMin Solutions Pty Ltd.

Entities associated with the KIS directors and certain other shareholders have agreed they will take up their entitlements. Further details regarding the Offer are set out in the Information Booklet.

Effect of the Offer on Control

It is not possible to predict the effect of the Offer on the control of KIS. There are a number of possible outcomes that may arise and the effect on control will, largely, depend on the extent to which Eligible Shareholders take up their Rights and apply for Top Up Shares.

If all Eligible Shareholders take up their Rights, each Eligible Shareholder's percentage ownership interest (and voting power) in KIS would remain and the effect on the control of KIS would be negligible. Eligible Shareholders that do not take up their Rights in full would have their voting power diluted.

The voting power of Ineligible Shareholders will be diluted.

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If no Eligible Shareholders (other than the Underwriters) take up their Rights (which the board considers unlikely), then the Underwriters would be required to subscribe or procure subscriptions from others, for all the New Shares.

If this occurs, and the Underwriters subscribe for New Shares, Mr Richard Willmot Chadwick and Mrs Gwenda Ann Chadwick, and Chrysallis Investments (an entity associated with director, Chris Ellis) would each increase their voting power to 17.84% and each other shareholder (except the Underwriters) would have their voting power diluted.

Notwithstanding this, the board considers that such an effect is acceptable in the circumstances as it would only occur where all Eligible Shareholders have had an equitable opportunity to participate in the Offer (including through the Top Up Facility).

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