

# KING ISLAND SCHEELITE



27 March 2007

## ASX Announcement

### King Island Scheelite and Hunan Nonferrous Metals Corp enter into a non-binding Letter of Intent to re-develop the King Island scheelite mine

King Island Scheelite Ltd (ASX:KIS) has entered into a non-binding Letter of Intent (LOI) with Hunan Nonferrous Metals Corp (HNC) to facilitate the re-development of the King Island scheelite mine located on King Island, Tasmania.

The non-binding LOI, which is subject to HNC's due diligence, is structured to support KIS's financing requirements to re-develop the mine. In particular, the LOI includes provisions to provide KIS with concentrate pricing support and a measure of equity funding so as to facilitate appropriate project finance. In addition, the LOI envisages HNC entering into a long term off-take agreement with KIS to purchase 50% of the concentrate that will be produced by the project. KIS and HNC have committed to a timetable that provides that a final agreement will be in place by the end of July 2007.

Commenting on this LOI, KIS Chairman Tony Haggarty said "We are pleased to have a major tungsten industry participant like HNC as a partner in helping KIS re-develop the King Island mine. With their support we can take the next steps in securing a mixture of debt and equity necessary for development, and unlock the value of the deposit."

#### About Hunan Nonferrous Metals Corp Ltd

HNC is listed on the Hong Kong stock exchange (code 2626). It has a market capitalization of HKD6.5 billion (approximately A\$1 billion), and reported turnover of 8.1 billion RMB (approximately A\$1.3 billion) in its most recent half year report. HNC has embarked on a programme of strategic overseas investments, most recently concluding an agreement with Compass Resources Ltd.

HNC is 52.67% owned by Hunan Nonferrous Metals Holding Group Co Ltd, which is the largest integrated producer of nonferrous metals (excluding aluminium) in China. It is a vertically integrated business that includes exploration, mining, processing, refining and down stream value adding of minerals. It both holds major reserves and is a significant producer in global terms of lead, zinc, tungsten, molybdenum, antimony, bismuth and fluorite. It has headquarters in Changsha, Hunan province, China.

For additional information about King Island Scheelite please visit the company's website – [www.kingislandscheelite.com.au](http://www.kingislandscheelite.com.au)

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