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ASX Announcement

King Island Scheelite and Hunan Nonferrous Metals Corp sign joint venture agreements to re-develop the King Island scheelite mine (Project)

In August of this year King Island Scheelite Ltd (ASX:KIS) and Hunan Nonferrous Metals Corp (HNC) announced that the two companies had signed a Principles of Agreement which outlined how the two companies proposed to jointly re-develop the King Island scheelite mine located on King Island, Tasmania. In summary, this agreement anticipated that

- KIS will issue 4,450,000 ordinary shares to HNC, which will be equivalent to about 10% of issued KIS capital. This placement will be at the price of \$1.00 per share;
- one representative from HNC will join the KIS Board;
- HNC will contribute 50% of the construction and development costs of the Project;
- HNC will provide debt funding to KIS to fund the remaining 50% of the Project. This loan will attract an interest rate of 8%, and repayments of the loan will be matched to a proportion of KIS's share of the cash flow from the Project;
- an unincorporated Joint Venture will be created to share equally ongoing revenue, operating costs and post construction capital costs;
- KIS will manage the construction and operation of the Project; and
- output from the Project will be sold on the most favourable terms available in the market.

KIS is pleased to announce that the POA has been converted into a series of formal agreements which both parties signed in Sydney yesterday evening. These agreements reflect the provisions of the POA. An unincorporated joint venture to be known as the Dolphin Joint Venture (DJV) has been established with subsidiaries of KIS and HNC as equal partners.

The agreements are subject to approval by the Australian Foreign Investment Review Board, the relevant Chinese authorities and KIS shareholders.

These final approvals are expected to be received in the first quarter of 2008. Construction of the Project will begin immediately thereafter with the commencement of detailed engineering and the procurement of long lead time items of processing plant equipment. Construction is estimated to take approximately 21 months, and first production of tungsten concentrate is planned for the fourth quarter of 2009.

As previously announced, the DJV partners anticipate spending a total of \$110 million in re-development of the mine, processing plant and associated infrastructure. The initial phase of the project will result in the production of an average of 300,000 mtu (an mtu being 10 kg) of WO₃ per annum for 11 years, with production varying according to head grade mined from the pit. The potential for further project life beyond that period will be the subject of studies by the JV partners in the future. These studies will focus on known resources below the currently planned pit, as well as exploration targets that have been identified in the surrounding tenements currently held by KIS but which will form part of the DJV.

Following the signing of the agreements the Chairman of KIS, Tony Haggarty, said "This is by far the most significant milestone to date for both KIS and the King Island Project. These agreements mark the start of the physical development of this exciting project, and with the partnership of HNC bringing financial strength and technical expertise the future looks very bright indeed for both the Project and KIS. The King Island deposit remains one of the premier tungsten deposits in the world, and both KIS and HNC very much look forward to unlocking its contained value, and to exploring options to add even more value to the Project."

For additional information about King Island Scheelite please visit the company's website – www.kingislandscheelite.com.au

For further information, please contact:

Tony Haggarty
Chairman
King Island Scheelite
(02) 9250 0111

Nick Lambeth
Chief Executive Officer
King Island Scheelite
(03) 63316053 / 0447 385515

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