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Gindalbie Metals Ltd  
London House, Level 9  
216 St Georges Terrace  
Perth, WA 6000

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The President of AnSteel, Gindalbie's 12% shareholder and Karara Iron Ore Project partner, Dr Zhang Xiaogang is in Perth this week. Is there a particular reason behind his visit?

**CEO Garret Dixon**

Dr Zhang arrives in Perth mid-week at the specific request of Western Australian Premier Colin Barnett. As we all know, the mining industry in WA is very closely aligned to developments in China. Dr Zhang is here to have direct dialogue with the Government regarding delays in the environmental approvals process and also to explain the strength of the Chinese economy and to re-affirm his company's commitment and support for both Gindalbie and the development of the Karara Project. The WA Government, and particularly the Premier, has been a champion of the project as one which will deliver considerable benefits to the State.

The Karara Project is very fortunate to have such a strong partner in AnSteel, whose support for this project has not wavered. The benefit of having China's second-largest steel company as our partner is enormous, given they bring an offtake agreement, equity funding, project funding plus 75 years experience in mining and processing magnetite. AnSteel is also the largest iron ore miner in China.

There is no doubt that the Global Financial Crisis has created many difficulties for Australian resource companies and the development of new projects. Karara is certainly in the fortunate position of being able to continue through these troubled times. The AnSteel President is here to show that iron ore is still

a very strong growth business going forward, although perhaps for only a few selected players like Gindalbie and the Karara Project.

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It seems likely that iron ore prices will fall this year. What impact would this have on margins at the Karara Project? Have you reached agreement on your price contracts for the Karara magnetite and hematite production with AnSteel?

**CEO Garret Dixon**

We too believe there will be some contraction in iron ore prices this year, but really that doesn't affect the way we view the overall economics of the Karara Project. This is because we have modelled and done all of our feasibility work on long-term average iron ore prices - which are well below current contract prices - and the project is very robust over its 30 to 40-year mine life.

Our joint venture arrangements with AnSteel are structured so that Karara's hematite and magnetite product prices will be directly linked to an international benchmark, with no discounts. All the iron ore that the joint venture produces will be sold to AnSteel, and they'll also take 100% of the hematite, the magnetite concentrate and the pellets produced from the Project.

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Gindalbie is still awaiting AnSteel's FIRB approval for the recent equity placement. What is the current status of the FIRB approval process? Have some of the recent Australian Federal Government decisions around Chinese investment in the local resource sector given you cause for concern?

**CEO Garret Dixon**

Certainly there's been a lot of news and political debate about Chinese investment and I think there's been a bit of fear of Australian resources being 'owned' by the Chinese. Frankly, I think that fear is unwarranted. The reality is Chinese investment in Australia is still very small. The latest official Australian Government figures show total Chinese investment of about \$6.2 billion, compared to \$445 billion for the US and \$410 billion for the UK. The latest unofficial data suggests Chinese investment has risen to around \$30-\$40 billion, but even that is only about 1% of total foreign investment.

The delays with FIRB approval have certainly been disappointing from our point of view. We are concerned about the time it is taking as AnSteel has now withdrawn and resubmitted their application in accordance with FIRB's request. We firmly believe the application will be approved, and Gindalbie remains strongly supportive of AnSteel in securing approval, which we hope will be within this latest 30-day period.

This project and this investment ticks all the boxes on the benefits to Australia under the Government's investment guidelines. AnSteel's investment will see a new project developed - one that will create more than 1500 new construction jobs, 500 long term jobs, generate new taxes and royalties and support new common user infrastructure. As a magnetite project, it is also not really competing against other Australian iron ore miners, but against overseas markets like Brazil. The magnetite concentrate that we will sell has not previously been sold from Australia.

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What update can you give on the progress of approvals with the EPA?

**CEO Garret Dixon**

This is the other major approval that we've been waiting for. Again, this process has taken longer than we had hoped, in fact more than three years. But we have been working closely with the WA Government and I'm pleased to say the Premier himself has been taking a keen interest in our project and has been helping to push the process forward. The EPA Board met to consider our project during January and we've been waiting since then for their recommendation to be released. On our latest news, we expect their recommendation to be out as soon as next week or certainly within the next few weeks. Unfortunately it is a process that is largely out of our control, but we certainly see the end is in sight.

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What work have you been able to undertake on the Project whilst awaiting these approvals? Has your broader development timetable changed as a result of these delays?

**CEO Garret Dixon**

While there's been some frustration with the delays we certainly haven't been idle while waiting for the approvals. We've been working very hard on the procurement of all the major long lead items and I'm pleased to say that process has now been completed with most orders placed. In addition to that, we've been progressing with the front end engineering design of the concentrator and that's moving ahead on schedule. Some parts of that project have been completed and some parts will shortly be heading into detail design phase. We've also been using this time to further our negotiations on the infrastructure required for the project including the transmission lines, the rail developments and finalisation of our agreements at Geraldton Port.

The delay with FIRB and EPA approvals – and the subsequent delays to getting on site to start construction – means we are now anticipating first hematite production in the second half of 2010 and production from the flagship magnetite phase in the first half of 2011.

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The West Australian Government has assumed control for the development of the deep-water port at Oakajee. Pending receipt of the necessary approvals, port construction could commence in 2010-11 with exports commencing in 2013-14. Does this timetable still fit with your intention to use these facilities?

**CEO Garret Dixon**

We've been very pleased with the WA Government showing real leadership with the Oakajee Port. It has taken some time to go through tender process and what we see now is a strong direction being provided by the Government. We also see the commitments by the WA Government to provide financial support as being extremely important to the project overall and have given it much greater certainty.

The start-up phase of Karara at about 10 million tonnes a year will be satisfied using Geraldton Port. But with Oakajee coming on-stream in 2014, this really

fits very well with our expanded capacity plans. Construction at Oakajee will allow us to lift production to 30 million tonnes and beyond and really unlock the potential of Karara.

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Thank you Garret.

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For further information on Gindalbie Metals Limited visit [www.gindalbie.com.au](http://www.gindalbie.com.au) or call Garret Dixon or Michael Weir on +61 8 9480 8700.

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