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**GINDALBIE**  
METALS LTD



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Gindalbie Metals Limited (ASX Code: GBG) has received final Federal Government environment approval for its Karara Iron Ore Project in Western Australia. What does this decision mean for the project?

**CEO Garret Dixon**

This is what we have been working towards for several years and is a major achievement by our team. Under the approvals system, while we received State environmental approval in September, the Karara project had to be referred to the Federal Government as it is a major project – just like Gorgon. The Federal Government then granted its approval last week. That approval was the final major approval required to commence construction work on-site at Karara. From a market perspective this removes another major risk hurdle, providing certainty for investors that the Karara Project is real and happening.

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How quickly can construction commence?

**CEO Garret Dixon**

It has already started. We commenced mobilization of people and equipment on Monday morning and on-site clearing started yesterday (Wednesday). Major construction projects like this tend to snowball once they have started, so you are going to see a very rapid build-up of activity, with the landscape changing on an almost daily basis. We expect to have in the vicinity of 500 people working on the site by January, building up to approximately 1000 by mid next year.

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While we have been awaiting approvals, we have not been idle and a lot of development work has already been advanced off-site. We have spent approximately \$200 million on long-lead items such as primary and secondary crushers, high pressure grinding rolls, ball mills and power transformers. The supply of all of these items is progressing on schedule. We have also started building the Lochada Camp, a construction camp based on private farming land between Karara and the town of Morawa. This camp will be used to house part of the initial construction workforce for Karara, and later for the workers building some of the lineal infrastructure like the rail spur and power line.

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What are your key developmental priorities and expected timetable to first production?

**CEO Garret Dixon**

Now that we have got our approval the fun really starts. Without a doubt our key areas of focus during the construction stage will be cost and schedule. We are building a major project that not only involves a very large processing plant, but includes significant supporting infrastructure such as power lines, rail spur, water pipelines and port facilities. We will manage all of these things concurrently to meet our target of producing the first hematite ore in the first half of 2011 and the first magnetite concentrate by mid-2011.

In my view the secret to success is to have an experienced team with a hands on approach to management. I am very confident of our ability to meet our targets because of the excellent team of people we have pulled together, headed by Steve Murdoch, the Chief Operating Officer of our joint venture company Karara Mining Limited, and Peter McBain, who leads the Project Development Team.

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Construction contracts totalling A\$400 million are to be awarded. Can you provide some more detail around these and the likely timing?

**CEO Garret Dixon**

Three major contract packages will be the first cabs off the rank. These are the earthworks and concrete package for the concentrator, construction of the main Karara Village and development work at Geraldton Port. Other major contract packages will include construction steel works, the rail spur line, the water pipeline and power transmission line.

For all of our contractors and suppliers we have implemented a Local Preference Policy, with an order of preference starting with the Mid West region, WA and then Australia. Contractors will also be required to adhere to the Local Preference Policy for any sub-contracting that may result from their packages. This way, we will ensure that the Mid West region gains as much economic benefit out of the construction of this project as possible.

Probably the single-biggest award will be the mining contract, which will likely be awarded in the March Quarter 2010.

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What progress has been made toward ensuring the appropriate and necessary infrastructure is in place for the project?

**CEO Garret Dixon**

Bulk commodities are all about infrastructure – there is no point having a world-class resource if you can't get it to a port and to the customer. One thing we did very early in the life of Karara was to ensure we had adequate infrastructure solutions in place. One of the advantages of Karara is our location in the southern portion of the Mid West region which means we are very close to existing infrastructure. For example, we will build a 330kv power line from Karara to the township of Eneabba which means we can tap into the State Power Grid, where our power is provided by the State Government utility Verve Energy under a 15-year supply deal that was signed almost two years ago. We are only 80 kilometres from an existing rail network, so we will build a spur line that can connect into that. For water we will draw from an aquifer near the town of Mingenew that has adequate capacity for our needs and many other users in the Mid West.

Early on in the life of Karara we made a long term commitment to the Geraldton Port, which meant we were not reliant on the development of Oakajee to get into production. This long term commitment has enabled us to get capacity at Geraldton suitable for our start-up production rate of approximately 10 million tonnes per annum. Longer term we fully support the development of Oakajee because it give us the ability to increase the production at Karara to its full potential of +30Mtpa for +30 years, to really take advantage of the multi-billion-tonne orebody.

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The Karara Project is now full steam ahead, but with the benefit of hindsight, are there things that you would have changed?

**CEO Garret Dixon**

While things never seem to happen quickly enough, our progress should be viewed against the environment in which we are working. Without doubt, the approvals process could be, and is being, improved. I am just glad we have overcome the major hurdles and can get on with building Karara. The Global Financial Crisis has served to highlight just how good Karara is in comparison to many other projects that have not been able to proceed. It has also highlighted the value of having a partner of the quality of Ansteel. When I look back, I would certainly not change our development approach, our JV partner nor would I swap the Karara orebody and project as it is truly world class.

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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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