

# KARARA

IRON ORE PROJECT  
a Gindalbie-AnSteel Joint Venture

## KARARA CONTRACTS AND ORDERS APPROACH \$1 BILLION

### *\$700M IN CONTRACTS AWARDED TO DATE AS CONSTRUCTION GATHERS PACE*

Gindalbie Metals Limited (ASX: GBG – “Gindalbie”) is pleased to announce the Karara Iron Ore Project will reach a key milestone in coming months with the value of service contracts and orders expected to reach a **total of \$1 billion**.

Orders in recent months for items such as a dual wagon tipper, water pipeline, magnetic separators, rail and pressure filters have lifted the total commitments for Karara to approximately \$700 million as activity on site at Karara, 225km east of Geraldton, continues to gather pace.

The award of a further \$300 million of major new construction, equipment and services contracts in coming months will see the project hit the \$1 billion milestone and cement Karara’s position as the most advanced major project development in the Mid West region of WA.

Some of the major new service and construction contracts expected to be awarded include a facilities management contract to manage the Karara and Lochada accommodation villages, the construction of the 85km Karara rail spur connecting the project with the existing rail line near Morawa, the installation of the 140km water pipeline from Mingenew to site, civil work at Geraldton Port and the construction of access roads.

The new contracts are in addition to the major contracts already awarded by the Karara Joint Venture which include:

... Karara camp and accommodation village	Doric Constructions	\$70 million
... Earthworks and concrete construction	NRW Holdings	\$120 million
... Management and construction services	WorleyParsons and AMEC Minproc	\$140 million

“The award of these substantial new contracts demonstrates our confidence in the Project and our commitment to progress full steam ahead at Karara, even as we finalise the debt funding arrangements and recently announced equity raising,” said Gindalbie’s Managing Director, Mr Garret Dixon.

“The award of these contracts brings to the forefront the flow-on benefits to the broader economy which major mining projects such as Karara generate for Australian workers and businesses right across the country,” he added.

Gindalbie and its partner Ansteel are currently finalising the security arrangements and final documentation for the US\$1.2 billion Karara Project Loan facility and the recently announced \$175 million equity raising to underpin project construction and working capital, both of which are subject to shareholder approval at meetings which have been convened respectively for 16 June and 28 June.

### **Construction Update**

Construction activities at the Karara Project are proceeding on schedule.

NRW Holdings has mobilised to site and started work on the major earthworks and concrete package, which encompasses site earthworks and concrete foundations, as well as construction of site drains, site roads, a retention pond and the all-weather airstrip.

Construction of the airstrip, which will be capable of accommodating up to 50-seat aircraft, is scheduled for completion in August, allowing daily flights directly to site.

EDI Downer has commenced work on the tower footings for the 330kV power transmission line from Karara to Eneabba, which will provide direct connection of the Project to the South West power grid.

The 300-person Lochada Village, located between Karara and Morawa, is now fully operational. Construction of the main 1650-person Karara Village is progressing, with the first 300 rooms expected to be available for occupancy from later this month.

All the long lead items, including primary crusher, secondary crusher, tower mills, high pressure grinding rolls and ball mills have either been completed or are progressing on schedule.

**ENDS**

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**About Gindalbie Metals Ltd (ASX: GBG)**

Gindalbie is well advanced towards achieving its vision of becoming a leading independent Australian iron ore company with a diversified portfolio of magnetite and hematite production assets, located in the Mid West region of Western Australia.

The initial focus of Gindalbie's growth strategy is the Karara Iron Ore Project, located 225km east of Geraldton, where it will deliver initial production of Direct Shipping Ore (DSO) hematite in mid-2011 to be followed by production of high grade magnetite concentrate and blast furnace quality pellets in the second half of 2011. Karara is being developed through a 50:50 Joint Venture with Ansteel, one of China's leading steel and iron ore producers.

Gindalbie's longer term growth will be propelled by the exploration and development of its extensive 1,900 sq km tenement portfolio, which includes numerous prospective magnetite and hematite exploration targets expected to deliver a long-term pipeline of growth opportunities.

**About Ansteel**

Ansteel is currently China's second-largest steel producer and the biggest iron ore miner. It is the major producer in the north-east region of China, with crude steel production of 35 million tonnes and plans to increase output to approximately 50Mtpa. Ansteel is considered to be one of the country's key growth companies and has strong government support in securing new sources of long-term iron ore supply through international investment.

Ansteel has developed a new integrated iron and steel making facility at Bayuquan, adjacent to the Port of Yingkou, approximately 100km south-west of its current steel making facilities in the city of Anshan. The new facility has the capacity to produce 6.5Mtpa of finished steel products. Once the Karara Project is in production, its products will be the key feed source for Bayuquan.

*For further information, visit [www.ansteelgroup.com](http://www.ansteelgroup.com)*

**About Karara**

With a multi-billion-dollar capital investment, the Karara Project will deliver major economic benefits for the Mid West region and the State of Western Australia, generating some 1,500 construction jobs and 600 direct and indirect long-term jobs.

The Project will initially produce 10Mtpa of iron products commencing in 2011, comprising 8Mtpa of high-grade magnetite concentrate, a value-added product, and 2Mtpa of Direct Shipping Ore (DSO). Karara has the potential to produce more than 30Mtpa over a mine life estimated at more than 30 years.

Karara will initially generate around A\$1 billion in annual export revenues, building to A\$3 billion annually as the project grows, equating to \$40 million in Government revenues rising to \$120 million annually. Iron products will initially be exported through Geraldton Port, with Karara also able to commit foundation tonnages to underpin the development of the new multi-billion dollar Oakajee Port.