

## **\$120M KARARA POWER LINE CONTRACT TO DOWNER EDI** *POWER INFRASTRUCTURE PART OF EXPANSION CAPACITY PLAN*

Gindalbie Metals Limited (ASX: **GBG**) is pleased to advise that more substantial progress has been made in the development of the \$1.975 billion Karara Iron Ore Project, with the award of a \$120 million contract to Downer EDI for the construction of the key power transmission line.

Under the terms of the contract awarded by Karara Mining Limited, Downer EDI Engineering Power Pty Ltd will construct a 180km, 330kV power transmission line from the Karara Project to Eneabba. At Eneabba, the transmission line will connect to Western Power's South West Interconnected Service, allowing Karara to draw power under its 15-year supply agreement with Verve Energy.

Construction of the line has already commenced with Downer EDI completing the footings for more than 60 of the transmission line tower bases under an early works agreement.

Gindalbie Managing Director, Mr Garret Dixon, said Downer EDI was well placed to deliver Karara's power transmission requirements with extensive experience in power line construction and a strong relationship with Western Power.

The high voltage power line represents one of the key pieces of infrastructure investment – together with rail, water and port facilities - where additional capacity is being built into the Stage One project with a view to the potential future expansion of Karara's production level.

The original Karara Bankable Feasibility Study envisaged a 132kV transmission line, which would have provided sufficient capacity for the Stage One production of approximately 10Mtpa of magnetite concentrate and hematite ore. However the 330kV transmission line now being built, and budgeted for in the revised \$1.975 billion construction cost estimate announced in May, will provide Karara with enough transmission capacity to underpin production of more than 36Mtpa.

The transmission line construction agreement is the latest in a rapidly growing list of major contracts and orders already in place for the Karara Project, including the recent award of an \$86 million contract to Macmahon for earthworks and track laying for the 85km rail spur line.

Mr Dixon said the Downer EDI contract ensured Karara would have adequate transmission capacity to meet its production potential of more than 30Mtpa for more than 30 years.

"This contract is another example of how rapidly Karara is being transformed into a world-scale iron ore producer," Mr Dixon said. "With our funding arrangements in place and negotiation on a host of other key contracts well advanced, the Karara project is on track to achieve its target of first production next year."

"The project is also ideally placed for potential expansion, thanks to the decision to invest in much of the additional infrastructure upfront. The cost and time savings as a result of this strategy will be significant, ultimately reducing expenses and improving project returns."

**ENDS**

**Released by :**

Nicholas Read / Paul Armstrong  
Read Corporate  
Telephone: (+61-8) 9388 1474  
Mobile: (+61) 419 929 046

**On behalf of:**

Mr Garret Dixon  
Managing Director

Gindalbie Corporate

Mr David Southam  
Chief Financial Officer

Mr Michael Weir  
Investor Relations Manager  
Telephone: (+61-8) 9480 8700  
[www.gindalbie.com.au](http://www.gindalbie.com.au)

#### **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 the mid-2011 to be followed by production of high grade magnetite concentrate 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.

#### **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 up to 11Mtpa of iron products commencing in 2011, comprising 8Mtpa of high-grade magnetite concentrate, a value-added product, and up to 3Mtpa 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.