

## KARARA PARTNERS COMMENCE STUDIES TO EXPAND IRON ORE PRODUCTION

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to advise that the Karara Joint Venture has approved the commencement of scoping studies on a proposed expansion of the **Karara Iron Ore Project** in Western Australia from its start-up production level of 10Mtpa to potentially 16Mtpa. The initial phase will include scoping studies to evaluate options and identify the likely viability for expansion, ahead of moving to further stages of study.

Commencing this study now will allow the execution phase to follow-on closely from the current project. This would enable the Project Development Team for the Stage One construction phase to remain in place for the Stage Two expansion, which would result in significant cost savings in terms of consistency and continuity of knowledge and personnel, mobilization, personnel and logistics. This will benefit the Project in the current environment of increasing labour and cost pressures for construction and infrastructure projects in Western Australia.

The Karara Joint Venture has already made a significant up-front investment in the additional infrastructure capacity required to support the increased production rate as part of the Stage One Project.

The increased production can be accommodated by the existing Rail, Port, Water and Power capacity being developed as part of the Stage One Karara Project. This includes the state-of-the-art port facilities being developed at Geraldton, which means that the expansion will not be reliant on the completion of the new Port at Oakajee.

The 85km spur line being constructed from Karara to Morawa (and due for commissioning in Q3 of 2011) has a total capacity of 36Mtpa, while the rail upgrades currently being implemented by Westnet for the line from Morawa to Geraldton will also support the planned production capacity. The 180km long 330kV powerline currently being constructed to service the project can support production capacity of more than 36Mtpa, while the 140km water pipeline being built from Mingenev can support production of 16Mtpa.

Gindalbie Chairman, Mr George Jones said “We have always said that big, long life iron ore projects require a significant amount of upfront capital, however a well-planned initial investment can result in cost effective incremental expansions. Annual operating revenues will increase significantly with a very robust cash margin at current prices. This shows how robust a project Karara is and why we believe this investment in an immediate expansion of production capacity is clearly justified with the additional capital outlay to be rapidly repaid,”

“Importantly, by moving now to assess this expansion project, we will put ourselves in a position to utilize the expertise of part of the Project Development Team, resulting in significant cost savings in the current inflationary environment,” he added. “Funding alternatives for the expansion project will be considered once the Study is completed, however we would expect to be able to fund a significant proportion of the cost from the cashflow generated by the Stage One project.”

### ENDS

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