



KEY RAIL HAULAGE AGREEMENT SIGNED FOR KARARA IRON ORE PROJECT

10-YEAR ABOVE RAIL HAULAGE AGREEMENT SIGNED WITH QR NATIONAL FOR UP TO 10MTPA

Australian iron ore producer Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) and leading freight haulage business QR National Limited (ASX: **QRN**) are pleased to announce the signing of a Rail Haulage Agreement (“RHA”) which represents a key component of the long term logistics solution for the **Karara Iron Ore Project** in Western Australia.

The Karara Joint Venture Company, Karara Mining Limited (“KML”), has signed a long-term RHA with QR National Freight’s subsidiary Australia Western Railroad Pty Ltd (“AWR”) to transport up to **10Mtpa of magnetite concentrate and/or hematite direct shipping ore (“DSO”) over a period of 10 years**. KML’s tonnage obligations commence on a staged basis from January 2012 through to May 2012.

With escalation, the RHA will generate approximately \$900 million in revenue for QR National.

Under the agreement, QR National Freight will invest in excess of A\$200 million in new locomotives, wagons and upgraded administration and maintenance facilities at the Narngulu East Facility near Geraldton.

Once ramp-up is completed, the rail haulage services provided by QR National Freight will involve four trains per day with 100 wagons per train.

Conditions precedent to the RHA are the signing of rail access agreements with rail owner Westnet and a direct agreement with KML’s security trustee, all of which are in advanced stages of negotiation, and KML obtaining the consent of its financiers to the final form of the RHA.

KML and QR National Freight have also signed a separate Relationship Agreement to work together on any future expansions.

Gindalbie’s Managing Director, Mr Tim Netscher, said the signing of a long-term commercial agreement with the above rail operator represented a major milestone for the Karara Project, locking in the ore haulage component of the logistics chain. He said he expects the below rail contract to be concluded shortly.

“This represents the culmination of commercial negotiations which commenced last year following the Heads of Agreement signed in April for bulk haulage services for the Karara Project,” Mr Netscher said. “This is an important step in the long term commercial relationship between QR National Freight and the Karara Project and we look forward to working constructively and cooperatively into the future.”

“Work on the Karara Project is moving very rapidly with approximately 1300 people currently working on the construction of the processing plant, mining operations and all of the supporting infrastructure such as the rail spur, high voltage power line, water pipeline and Geraldton Port. This work not only sets up Karara for its start-up and expansion phases but brings vital infrastructure to Gindalbie’s doorstep in the Mid West and enhances the opportunities to develop standalone projects on the Company’s 1900sqkm tenement holding.”

Executive Vice President and CEO QR National Freight Ken Lewsey said QR National Freight had a long-standing presence in WA and currently employs about 1000 people in Western Australia.

“We have a strong capability in the iron ore market in Western Australia, as the largest haulier of iron ore outside the Pilbara,” he said.

“This is a major milestone in the iron ore growth strategy for QR National Freight. We’re on track to treble our iron ore tonnages in the next three years and we’re focussed on a strong growth trajectory beyond that.”

“QR National Freight is committed to growth in the Mid West region. The Karara rail haulage task is creating valuable jobs and economic development for the region.”

KML recently commenced railing and shipping operations for hematite ore under an initial sales agreement with Sinosteel Midwest Corporation as part of a trial mining exercise. More than 100,000 tonnes of DSO has so far been hauled by QR National Freight and since May haulage has exceeded the 60,000t per month target.

As part of the longer term DSO operations, civil and mining contractor Brierty Limited (ASX: BYL) was last week awarded a four-year, \$185 million contract for DSO mining services operations at Karara’s Blue Hills North and Terapod deposits including drill and blast, load and haul, crushing and screening, road haulage and train loading. Brierty has already mobilised to site and begun work on that DSO mining contract.

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