

## RAIL ACCESS AGREEMENT SIGNED FOR KARARA PROJECT

### **\$450M BELOW RAIL UPGRADE AND IMPROVEMENT CONTRACT SIGNED WITH WESTNET RAIL**

Australian iron ore producer Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to announce the signing of a key long-term rail access agreement for the **Karara Iron Ore Project** in Western Australia.

The Karara Joint Venture Company, Karara Mining Limited (“KML”), has signed a long-term agreement with WestNet Rail, the lease-holder and operator of the existing 200km rail narrow gauge rail line that runs from Morawa to Geraldton. The agreement is conditional on satisfaction of certain conditions precedent.

The agreement includes provision for WestNet Rail to undertake a major approximately \$450 million upgrade of the existing 200km long Mid West rail line to Geraldton, providing capacity for Karara’s Stage One production of 10Mtpa and the anticipated Stage Two expansion to 16Mtpa, which is currently the subject of a feasibility study. The Stage Two expansion can be accommodated through Geraldton without the need for the Oakajee Port development.

In June KML signed a conditional Rail Haulage Agreement with QR National Freight to transport **magnetite concentrate over a period of 10 years**. (see ASX Release – 6 June 2011)

KML is currently constructing a new 85km spur line from the Karara Project site to Tilley Siding, near Morawa, to interconnect with the existing rail network. The existing line requires a significant upgrade to be able to accommodate the 10Mtpa of iron ore products to be railed and shipped by the Stage 1 Karara Project.

Under the 15-year access agreement, WestNet Rail will undertake rail upgrade works including installation of dual gauge sleepers similar to those being installed on the 85km spur line.

KML are required to provide \$300 million in security and WestNet Rail is required to confirm its debt financing is in place prior to commencement of the agreement to support the upgrade works. KML will shortly sign a facility agreement for US\$300 million in bank guarantees as part of a Facility Framework Agreement (see ASX *Announcement – 26 April 2011*) and WestNet Rail expects to be able to confirm that its debt financing is in place within 60 days.

As well as the rail access tariff KML will pay a capital recharge fee over the life of the contract. It is anticipated that unit operating costs for Karara will reduce as production is increased, with some costs such as the rail capital charge reduced when train paths exceed the base of four train paths per day.

The agreement also encompasses commercial terms for additional train paths to be used for expansion of either DSO or magnetite production from the Karara Project. In addition, as previously reported, the 85km Karara spur line and significant parts of the WestNet Rail line are being constructed to be ultimately capable of handling up to +30Mtpa of capacity to support the future growth of the Karara Project.

WestNet Rail has already commenced early work on the rail upgrade, with ongoing work to be scheduled to facilitate the required train paths to support initial ramp-up tonnages of ore from the Karara Project once commissioning commences in 2012. The rail upgrades are expected to be progressed in line with Karara’s ramp-up schedule, with full capacity reached in December 2012.

Gindalbie’s Managing Director, Mr Tim Netscher, said the signing of long-term commercial agreements with above and below rail operators (once all conditions are satisfied) locked in a fully integrated rail solution for the Karara Project.

“We have now locked away yet another key operational contract, as the project capital construction program continues to advance towards first magnetite shipment date of June 2012,” Mr Netscher said.

“This is a great outcome for the Karara Project and for the Mid West iron ore industry, with both QR and WestNet Rail committing to a significant investment in upgrading and enhancing the rail infrastructure in the Mid West

region," he added. "We look forward to constructive and cooperative long-term relationships with both QR and WestNet Rail."

**ENDS**

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