

MEDIA REPORT – CONTRACTS FOR STEEL SUPPLY TO KARARA IRON ORE PROJECT

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) provides the following response to the inaccurate article on page 1 of today’s edition of *The Australian* newspaper (“Chinese favouritism row over made-to-measure contracts”).

Gindalbie, and its operating company Karara Mining Limited (KML), emphasise that at no time have they ever given Chinese companies an advantage in tendering for the supply of any product to the Project.

Accusations that Gindalbie issued different specifications to Australian and Chinese steel-makers, making it easier for Chinese suppliers to win the tender, are completely wrong.

KML asked Australian and Chinese steel-makers to quote on products that were exactly the same in every respect.

On issuing the detailed specifications to bidders, the document that was sent to Chinese steel-makers was marked “Chinese Supply” and referenced a requirement to meet both Chinese and other International Standards of which they would be familiar. The one sent to Australian steel-makers referenced a requirement to meet Australian and other recognised standards such as the International Standards Organisation. There was no reference whatsoever to a requirement for Australian suppliers to meet Chinese Standards. Under the standards provided to all bidders the end product received by KML would be identical.

Contrary to the report in *The Australian*, the separate specification sheet assisted Australian bidders, rather than excluded them.

Gindalbie advised *The Australian* newspaper yesterday of the information detailed above, and that no advantage whatsoever had been given to Chinese manufacturers.

However, *The Australian* clearly chose to ignore this fundamental fact in compiling its report. Gindalbie does not know why *The Australian* chose to do this.

In addition, Gindalbie advises that approximately 40 per cent of the steel used at Karara has been sourced from Australia, with contracts assessed on the basis of price, capability of supplier and quality. Some of the prices tendered for these contracts by Australian steel contractors were higher than those of other international suppliers, but Australian suppliers were chosen after quality and capability were also taken into account. Of the approximately 60 per cent that came from Ansteel, the competing Australian bids were on average three times more expensive.

Gindalbie Chairman George Jones said that, contrary to *The Australian’s* report, Gindalbie and KML had outstanding records on the issue of local content at Karara.

“Karara’s use of Australian-made products, including steel, is nothing short of outstanding by any comparison,” Mr Jones said.

“The Company is extremely proud of its success in securing Australian products for this Australian project.

“Under the Karara Joint Venture agreement with Ansteel there are no requirements whatsoever that Chinese suppliers or contractors of any sort be given a preferred position or competitive advantage of any nature. The only requirement of the Karara tendering process is that it is open and fair in every respect.

“Australian content currently makes up more than 90 per cent of the \$1.8 billion construction cost to date, including \$1.3 billion spent in WA. Furthermore, our Local Preference Policy has meant \$154 million has been spent directly in WA’s Mid West region with the engagement of more than 290 local businesses.

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