

LANDMARK \$570M KARARA MAGNETITE MINING CONTRACT AWARDED TO DOWNER EDI MINING

OPEN PIT MINING OF MAGNETITE ORE SET TO COMMENCE IN Q1 2012 AND RAMP UP TO 30Mtpa

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to announce the award of the magnetite ore mining contract for the Karara Iron Ore Project in Western Australia to Downer EDI Mining (DEM), a unit of the leading ASX-listed engineering and infrastructure management services group Downer EDI Limited (ASX: DOW).

With a total estimated value of approximately A\$570 million over a duration of six years, the contract is one of the largest single operational contracts for the Karara Project.

The contract, which includes provision of Drill & Blast and Load & Haul services, is based on a mining rate of approximately 30Mtpa. This will comprise approximately 20Mtpa of ore and 10Mtpa of waste for the production of 8Mtpa of dry magnetite concentrate, the Stage 1 production rate at Karara.

Partial pre-stripping of the main Karara magnetite orebody commenced earlier this year as a result of trial mining operations focusing on near-surface hematite ore at Karara South and Karara East. Full-scale pre-stripping of the main magnetite orebody is scheduled to commence in early 2012.

Mobilization and establishment on site will commence immediately.

Personnel required for the contract will mobilize throughout 2012 with ore production set to ramp up over the course of the year in line with the commissioning schedule and ore delivery requirements of the Karara Concentrator.

Gindalbie’s Managing Director, Mr Tim Netscher, said the award of the open pit mining contract was a major milestone for the Karara Project, representing one of the single largest operational contracts to be let ahead of the start of commissioning later this year.

“The start of open pit mining will see the beginning of another huge transformation for the Karara site as development of one of the largest open pits in Western Australia commences,” Mr Netscher said. “With the final pit measuring 3km long, 800m wide and 300m deep, in time the Karara pit will be of a similar size to other large mining pits in Western Australia, such as the Super Pit in Kalgoorlie,” he added.

“We are delighted to have forged a partnership with one of Australia’s most experienced and accomplished open pit mining groups in Downer EDI Mining for the initial magnetite mining contract.

“This contract will employ around 120 personnel and require the mobilization of two hydraulic shovels, nine large capacity ore haulage trucks, drill rigs and numerous items of support equipment.

“We are looking forward to working with Downer EDI over the coming years in the delivery and execution of this important contract.”

ENDS

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