

KARARA PROJECT UPDATE

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) provides the following update on the Karara Project (Ansteel 52.16%; Gindalbie 47.84%).

Update on Tailings Remediation

The Board of Karara Mining Limited (KML) has advised that the remedial actions which were approved previously as part of the first phase of debottlenecking have now been completed. These include:

- The upgrade and refurbishment of the tailings filters;
- Construction of a temporary wet tailings facility to allow partial by-pass of the tailings filters; and
- Thickener optimisation trials.

The completion of these remedial actions means the Karara concentrator circuit is now capable of producing at approximately 75% of its nameplate capacity – a nominal production rate of 6.6¹ million wet metric tonnes per annum (Mtpa). This rate of production has been exceeded on 7 days during March. The grade of the concentrate during March averaged 65.14%.

Technical Review: Sustainable Production and Further Plant Debottlenecking to 8.8Mtpa¹

The Karara Technical Review looked at the KML process flowsheet and plant capability to achieve sustainable production at nameplate capacity of 8.8Mtpa of magnetite concentrate.

The following additional requirements were identified from the review:

- Installation of an additional 55m diameter tailings thickener;
- Construction of a second wet tailings storage facility with approximately 2.5 years of tailings storage capacity; and
- Installation of de-watering cyclones after the rougher magnetic separation stage.

The estimated capital expenditure to complete these works and some additional minor works is \$123.6 million, of which \$111.1 million is forecast to be spent in the 2014 year.

The additional thickener and the dewatering cyclones have already been approved by the KML Board and these projects will be completed by the end of 2014. Design work for the wet tailings storage facility is currently in progress and it is expected that the capital for this project will be presented to the KML Board during the June Quarter 2014 for approval.

It is KML's intention to maximise the utilisation of the dry tailings system in order to maintain environmental best practice. The additional wet tailings facilities provide flexibility in the circuit to bypass the tailings filters under certain operating circumstances to maintain plant throughput in a controlled manner. The review identified a medium-term requirement to increase tailings filtration capacity, which will be needed by the time the two tailings dams have been filled. An engineering study will establish the requirements, schedule and cost with respect to additional tailings filter capacity. Expenditure in 2014 will be limited to the engineering study.

Recent plant performance and investigations undertaken as part of the technical review have identified certain zones of the magnetite orebody to be significantly harder and more abrasive than anticipated. This has resulted in

¹ All tonnages are wet metric tonnes

higher wear rates and higher crushing power consumption requirements and as a result during March the crushing circuit has on a number of occasions constrained throughput through the concentrator.

Immediate rectification work being initiated and requiring minimal capital expenditure includes:

- Increasing mine blasting powder factor levels to reduce the load on the crushing system;
- Trialling blends of harder and softer ores ex-pit to maximise crushing and concentrator circuit performance;
- Ongoing trialling and optimisation work for wear liners on crushing equipment; and
- Assessing options to mobilise additional short term crushing capacity.

Further technical assessment of the crushing circuit performance and capacity in addition to the above is in progress.

ENDS

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