

# KARARA

IRON ORE PROJECT  
a Gindalbie-AnSteel Joint Venture

## KEY KARARA PROJECT AND CONSTRUCTION MANAGEMENT SERVICES CONTRACTS AWARDED

### *CONTRACTS TOTALLING \$140M AWARDED TO WORLEYPARSONS AND AMEC MINPROC*

Gindalbie Metals Limited (**ASX: GBG** – “Gindalbie”) is pleased to announce the award of two key project management and construction services contracts for the Karara Iron Ore Project in Western Australia. The contracts, with a total value of approximately **\$140 million**, have been awarded to leading international engineering groups **WorleyParsons** and **AMEC Minproc**.

Gindalbie’s Joint Venture company Karara Mining Limited (KML) has formalized a contract with WorleyParsons for the delivery of project management services for the Karara Project development.

WorleyParsons’ involvement in the project began in February 2008 during the feasibility assessment phase, and has been working closely with Gindalbie and the Project Development Team (PDT), which has been established within KML.

Due to the focused ‘hands on’ approach of the KML managers, a project management services contract was chosen in preference to the traditional Engineering Procurement and Construction Management (EPCM) structure. This arrangement gives the Karara PDT the ability to source and select groups with the best expertise for individual areas of work for the engineering, design and construction phases of the mine and infrastructure.

Under the final structure, overall responsibility for the delivery of the Karara Project is being managed in-house by the PDT with WorleyParsons, as a major global engineering services group, providing the majority of the required personnel, skills and systems to construct the Project.

Using a similar model, KML has also awarded a construction management services contract to AMEC Minproc, to also work as part of the integrated Project Management Team, to manage construction of the Karara Magnetite Concentrator and associated processing plant facilities.

Detailed engineering and design for the Karara Concentrator is continuing with the 60% model review scheduled for the current Quarter. Design for the concrete foundations is well advanced to allow the timely commencement of construction.

“The agreement with WorleyParsons crystallizes a slightly different arrangement which we have put in place for managing the construction of the Karara Project,” commented Gindalbie’s Managing Director, Mr Garret Dixon.

“While it may be a bit different from a normal EPCM, it certainly suits the management team, which has a strong contracting background. We have been working with WorleyParsons for some time and, this contract combines the best elements of a straight PMC approach with in-house project management to ensure the most stringent possible controls on overall project development schedules and costs,” he added.

“A similar philosophy has been incorporated in our contract with AMEC Minproc,” Mr Dixon continued. “These key engineering services and construction contracts have been structured to ensure that we have the best possible team available whose interests and focus are aligned with Karara and the PDT to ensure a successful overall outcome.”

WorleyParsons Chief Executive Officer, Mr John Grill, said: “This project has a number of similarities to other projects successfully delivered by WorleyParsons in the Western Australia iron ore sector and we value the opportunity to use our expertise in supporting Karara in this exciting project development.”

Mr Malcolm Brown, President AMEC Minproc, said: "We welcome the opportunity to bring AMEC Minproc's wealth of experience in construction management of large scale mineral processing facilities to assist KML in successfully developing their Karara Project"

**ENDS**

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**About Gindalbie Metals Ltd (ASX: GBG)**

Gindalbie is well advanced towards achieving its vision of becoming a leading independent Australian iron ore company with a diversified portfolio of magnetite and hematite production assets, located in the Mid West region of Western Australia.

The initial focus of Gindalbie's growth strategy is the Karara Iron Ore Project, located 225km east of Geraldton, where it will deliver initial production of Direct Shipping Ore (DSO) hematite in the first half of 2011 to be followed by production of high grade magnetite concentrate and blast furnace quality pellets in the second half of 2011. Karara is being developed through a 50:50 Joint Venture with Ansteel, one of China's leading steel and iron ore producers.

Gindalbie's longer term growth will be propelled by the exploration and development of its extensive 1,900 sq km tenement portfolio, which includes numerous prospective magnetite and hematite exploration targets expected to deliver a long-term pipeline of growth opportunities.

**About Ansteel**

Ansteel is currently China's second-largest steel producer and the biggest iron ore miner. It is the major producer in the north-east region of China, with crude steel production of 35 million tonnes and plans to increase output to approximately 50Mtpa. Ansteel is considered to be one of the country's key growth companies and has strong government support in securing new sources of long-term iron ore supply through international investment.

Ansteel has developed a new integrated iron and steel making facility at Bayuquan, adjacent to the Port of Yingkou, approximately 100km south-west of its current steel making facilities in the city of Anshan. The new facility has the capacity to produce 6.5Mtpa of finished steel products. Once the Karara Project is in production, its products will be the key feed source for Bayuquan.

*For further information, visit [www.ansteelgroup.com](http://www.ansteelgroup.com)*

**About Karara**

With a multi-billion-dollar capital investment, the Karara Project will deliver major economic benefits for the Mid West region and the State of Western Australia, generating some 1,500 construction jobs and 600 direct and indirect long-term jobs.

The Project will initially produce 10Mtpa of iron products commencing in 2011, comprising 8Mtpa of high-grade magnetite concentrate, a value-added product, and 2Mtpa of Direct Shipping Ore (DSO). Karara has the potential to produce more than 30Mtpa over a mine life estimated at more than 30 years.

Karara will initially generate around A\$1 billion in annual export revenues, building to A\$3 billion annually as the project grows, equating to \$40 million in Government revenues rising to \$120 million annually.

Iron products will initially be exported through Geraldton Port, with Karara also able to commit foundation tonnages to underpin the development of the new multi-billion dollar Oakajee Port.

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