

KARARA

IRON ORE PROJECT

a Gindalbie-AnSteel Joint Venture

Level 8, London House
216 St Georges Terrace
Perth WA 6000

Telephone +61 8 6298 1888
Facsimile +61 8 6298 1099
ABN 68 070 871 831

MEDIA RELEASE

1 September 2011

WATER LICENCE GRANTED FOR KARARA PROJECT

Karara Mining Limited (KML) is pleased to advise that the Department of Water has granted a water licence to the Karara Iron Ore Project in Western Australia, allowing the project to maintain its schedule of ramping up to nameplate capacity of 8 million tonnes a year of magnetite concentrate by the end of 2012.

The licence entitles Karara to draw 5 gigalitres (Gl) of water a year from the Parmelia aquifer in the State's Mid-West. However, Karara will use only approximately 3Gl based on its planned Stage One production rate of 8 million tonnes a year of magnetite concentrate.

The full allocation of 5Gl will be sufficient to cover production of up to 12Mtpa. The project incorporates a number of innovative water-efficient design concepts, such as dry-stacked tailings, process water recycling and grey water recycling.

The Department issued the licence following the results of approximately \$3 million worth of extensive tests conducted by the KML on the aquifer and the sustainability of the Project's water usage.

Under the conditions of the licence, Karara will conduct regular monitoring of water levels in the Parmelia aquifer both at the bore field and at neighbouring farm bores and wetlands. This monitoring will be reviewed regularly by the Department, which also conducts its own regional monitoring of the aquifer's health.

The water issued to Karara is part of a wider allocation set aside by the Department. Some of this allocation is already covered by licences issued to other users, including agriculture. These allocations will not be affected by Karara's licence. The Department also has an additional 2Gl set aside for public water supply. This is in addition to the current licenses held by the Water Corporation for its Arrino and Mingenew bore fields.

KML Chief Executive Steve Murdoch said Karara was on the cusp of becoming a world-class iron ore producer which would generate substantial economic benefits for the Mid-West region.

"We are very pleased to receive the licence after following what is a very robust Government process, which is designed specifically to ensure the use of water generates an economic return to the State and doesn't just become a tradeable or speculative commodity," he said. "The Karara Project has the overwhelming support of the Mid West population who can see the long term economic benefits a major mining project like this can deliver."

"Already we have engaged 245 businesses across the Mid West, which have so far provided goods and services to Karara to the value of almost \$120 million," Mr Murdoch added. "We have also become Shire ratepayers and have made payments to landowners to secure access agreements. Significantly, more business is expected to be awarded to these local companies as construction of the Project advances and production gets underway. At the Stage One production level Karara is expected to generate approximately \$50 million a year in royalties for the State, much of which could flow to the Mid West communities through the Royalties for Regions program."

ENDS

Released by :

Nicholas Read
Read Corporate
Telephone: (+61-8) 9388 1474
Mobile: (+61) 419 929 046

On behalf of:

Steve Murdoch
Chief Executive, Karara Mining Limited
Telephone: (+618) 6298 1888