



QR FREIGHT TO DELIVER KARARA IRON ORE PROJECT RAIL HAULAGE SERVICES

QR LIMITED BUSINESS GROUP APPOINTED AS EXCLUSIVE PROVIDER OF RAIL OPERATIONS FOR INITIAL 10MTPA IRON ORE PRODUCTION VOLUMES

Gindalbie Metals Limited (**ASX: GBG** – “Gindalbie”) is pleased to announce the signing of an agreement for the provision of long-term bulk rail haulage services for its Karara Iron Ore Project in Western Australia by **QR Freight** (“QRF”), the group national bulk freight haulage business for QR Limited.

Under the Rail Operations Heads of Agreement (“HOA”) – which has been signed by the Joint Venture Company Karara Mining Limited (“KML”) – QRF has been appointed as the exclusive provider of rail operations for the initial tonnages of magnetite concentrate (8Mtpa) and Direct Shipping Ore (up to 3Mtpa) to be produced by the Karara Project.

The HOA represents a key step towards finalising a separate Rail Haulage Agreement with QRF which is expected to last 10 years. This long-term agreement will have options for future growth and expansion tonnages to accommodate the potential growth of the Karara Project to a production capacity of 30Mtpa.

Construction commenced at Karara last year and is progressing on schedule with approximately 200 personnel currently on site. Karara, which is located 500km north-east of Perth and 225km east of Geraldton, is the Mid West region’s largest resources project and is being developed as an integrated iron ore project under a 50/50 joint venture between Gindalbie and leading Chinese steel and iron ore company, Ansteel.

The agreement with QRF covers the full rail distance of approximately 300km from the Karara mine site to the port of Geraldton and encompasses bulk haulage transport operations both on the new 85km spur line to be built from Karara to Tilley Siding, near Morawa, and on the existing narrow gauge railway line that runs from Morawa to Geraldton.

The future growth options will include the opportunity to dovetail the expansion of the Karara Project with the availability of new Port and Rail Infrastructure to be developed by Oakajee Port and Rail (“OPR”).

The HOA also covers an Early Works phase where QRF is providing:

- *the design of a Rail Operating Plan to determine the optimal size and frequency of rail operations;*
- *the specification, modification and certification of locomotives to meet KML’s requirements;*
- *the design, specification and construction of rail wagons to meet KML’s requirements; and*
- *the provision of personnel, support and maintenance services for the rolling stock to ensure that the greatest possible efficiencies are realised from the rolling stock.*

Gindalbie’s Managing Director, Mr Garret Dixon, said QRF was selected on the basis of their strong presence in Western Australia through its business Australian Railroad Group (ARG) and significant experience in operating and maintaining bulk freight haulage services.

“This is potentially one of the largest individual long-term contracts which will be awarded for the Karara Project, with a value of several hundreds of millions of dollars over the initial 10-year period,” Mr Dixon said. “Under this contract we will secure the transport of our iron ore products initially through Geraldton and then to Oakajee Port when it becomes available.”

"We are very pleased to have on board one of the largest and most experienced bulk rail freight operators in the country. We have now established a strong framework agreement and a relationship that will form a key part of the Karara Project development and operations for many years into the future," he added.

QR - one of Australia's largest integrated transport providers, generating almost \$4 billion per annum in revenue - acquired the ARG business from a consortium of Wesfarmers/Genesee and Wyoming in 2006. ARG hauls a range of bulk commodities for Australia's primary industries and mining sectors, railing approximately 60 million tonnes of freight in bulk including iron ore, minerals, and agricultural products.

QRF Executive General Manager Ken Lewsey said involvement with KML cemented ARG's position as an export enabler in Western Australia.

"Karara is a significant project for this State. It represents the first phase of developing the Mid West as the State's second iron ore province and, as the first of the foundational projects for Oakajee to come on stream, will help drive the delivery of Oakajee infrastructure," Mr Lewsey said.

"ARG is the largest haulier of iron ore in Australia outside the Pilbara region, and we welcome a long-term partnership with KML as an important component of our future operations."

QRF will form part of the proposed multi-billion dollar float of the QR National coal, freight and infrastructure servicing business. The Queensland Government recently announced the appointment of five investment banks to manage this IPO, which is expected to be Australia's largest public share offer this year.

The Queensland State Government is separating its QR passenger business together with QR rail network other than the central Qld coal system ("Queensland Rail") from the current QR Limited entity. The remaining "QR National" business will include both the current coal and freight haulage businesses together with the central Queensland coal network business. The Government is only proposing to publicly list the QR National business and will retain ownership of the separated Queensland Rail business.

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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 mid-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

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.