



\$86M KARARA RAIL EARTHWORKS AND TRACK CONTRACT AWARDED TO MACMAHON

Gindalbie Metals Limited (**ASX: GBG** – “**Gindalbie**”) is pleased to announce the award of another key construction contract for the Karara Iron Ore Project in Western Australia.

Karara Mining Limited, the Joint Venture company, has awarded the contract for rail earthworks and track laying for the 85km spur line servicing the project to **Macmahon** a leading ASX-listed contracting group (**ASX: MAH**).

The contract, with an approximate value of \$86 million, is for construction of the spur line connecting Karara to Tilley Siding, near Morawa, where it connects with the existing railway line running from Morawa to Geraldton.

The track itself will be supplied by Gindalbie’s Karara Project partner Ansteel, which is the biggest producer of rail in China and a world-leader in the efficient production of high-quality rail products.

Established in 1963 and listed on the ASX since 1983, Macmahon is one of Australia’s leading contracting companies, with extensive experience in surface and underground mining operations and civil infrastructure construction, with projects in Australia and overseas. Macmahon, whose head office is in Perth, has a strong portfolio of blue-chip customers.

Gindalbie’s Managing Director Mr Garret Dixon said Macmahon had been selected because of its strong project knowledge and extensive experience in constructing remote location iron ore railways, having undertaken work on both Rio Tinto’s and BHP Billiton’s rail lines in the Pilbara region.

“Macmahon has played a leading role in the redevelopment and construction of some of the busiest rail networks throughout urban and rural Australia and was a logical choice for us,” Mr Dixon said.

“We are also pleased to be working with another West Australian-based company to deliver an additional major contract at Karara.”

Macmahon Managing Director and Chief Executive Officer Mr Nick Bowen said the award reinforced Macmahon’s depth of experience in rail construction and its strong presence in Western Australia’s resources market.

“This is an excellent win for our Construction Business. We have delivered numerous infrastructure contracts in Western Australia’s resources sector over many years and are very pleased with the opportunity to establish a new relationship with Gindalbie and Ansteel on the world-class Karara Project,” he said.

Macmahon will utilise the services of its subsidiary, MVM Rail, to carry out components of the contract.

“MVM Rail will undertake tracklaying work, drawing on its specialised capabilities and expertise to deliver this contract,” Mr Bowen said.

An initial stockpile of rail sleepers for the spur line has already been delivered and the rail has been procured in preparation of this contract.

The rail construction contract is one of several major new construction, equipment and services contracts totalling \$300 million in value to be awarded in the coming months which will see the total value of contracts awarded by the Project reach \$1 billion (*see ASX Announcement – 8 June 2010*).

Located 500km north-east of Perth and 225km east of Geraldton, Karara is a major new integrated iron ore project being developed under a 50/50 joint venture between Gindalbie and leading Chinese steel and iron ore company, Ansteel. Karara is the Mid West region's largest resources project.

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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 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.