

GINDALBIE WELCOMES WA GOVERNMENT'S COMMITMENT TO ROYALTY RELIEF FOR WA MAGNETITE MINERS

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) today welcomed a commitment by WA Premier Colin Barnett to reduce royalty rates during the start-up phase of magnetite projects, saying it would be a significant boost for the State’s fledgling magnetite industry.

Gindalbie and its partner Ansteel have developed the first magnetite project in WA’s Midwest region, the \$2.57 billion Karara Project, which is currently ramping up towards its Stage 1 production rate of 8Mtpa.

The construction of the Karara Project has involved the investment of over \$1 billion in new infrastructure in the Midwest region, including a new \$200 million port facility at Geraldton, power line, water pipeline and rail spur. Karara is now the largest resources project in the region.

A Feasibility Study is currently underway on a Stage 2 expansion to double production to 16Mtpa, which would require a further significant capital investment.

Gindalbie Managing Director Tim Netscher said Premier Barnett’s commitment to provide some royalty relief for magnetite projects in the start-up phase was welcome recognition that magnetite was a fledgling industry that required huge upfront capital investment in infrastructure and involved downstream processing of low-grade ore to produce a value-added export product.

“Premier Barnett’s position reflects the economic realities of establishing a magnetite project, both in terms of the challenging upfront costs of a project and the immense longer-term benefits for the State,” Mr Netscher said.

“Downstream processing of resources, particularly iron ore, has always been an ambition for WA and Australia. As Karara shows, WA’s extensive magnetite resources have the potential to turn that dream into reality on a large scale.

“The production of magnetite essentially involves downstream processing of lower grade ore to produce a high-grade, high-quality magnetite concentrate for export – an undertaking requiring significant upfront capital investment in processing infrastructure and the assumption of considerable risk by the proponents of new projects.

“Some royalty relief such as that being proposed by Premier Barnett would help magnetite projects overcome the initial cost hurdles and, in the process, open the door to vast increases in royalty revenue for the State for decades, along with immense export revenue, employment opportunities and numerous other economic benefits.

“Over the medium and longer terms, rather than costing the State revenue, such a royalty concession could result in substantially more revenue being available to fund health, education and other vital services.”

However, Mr Netscher said he was concerned about media reports this morning which suggested that the Federal Government’s mining tax may be amended to limit the refunds mining companies can claim for state royalties.

“It would be hugely destructive to WA and Australia if the Federal Government was to claw back any royalty concessions put in place by the State Government,” Mr Netscher said.

“Given the state of the world economy and the challenges associated with developing new resource projects, particularly those involving downstream processing, all governments need to be looking at ways to reduce the costs. That is ultimately the most effective way for them to increase the amount of tax revenue available.

“Karara is already demonstrating the enormous benefits that magnetite projects can deliver. Although it is currently only in its commissioning phase, Karara has already become a cornerstone project for the Midwest region. Due to our pro-active local business engagement strategy, we have helped many mid west businesses to grow and in

time, Karara will generate hundreds of millions of dollars in royalties, huge economic benefits for communities across the Midwest region and long-term employment for hundreds of people.”

At Gindalbie’s Annual General Meeting on 16 November, the Company’s Chairman George Jones called on policy-makers to consider opportunities to support the development of the magnetite industry in WA.

“Karara will be seen as a test case for the wider magnetite industry in Australia, and particularly WA,” he said.

“There are extensive magnetite deposits throughout this State and this fledgling industry has the potential to generate enormous economic and social returns for the country, often in areas which are yet to enjoy the benefits of the so-called resources boom.”

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