OFFICIAL OPENING OF KARARA PROJECT MARKS BEGINNING OF A NEW ERA IN AUSTRALIAN IRON ORE

WORLD-CLASS OPERATION SEES WA'S IRON ORE PROCESSING DREAM COME TO LIFE

Gindalbie Metals Limited (ASX: **GBG** – "Gindalbie") today celebrated a defining milestone in the history of the Australian iron ore industry with the official opening of the Karara Project – Australia's second largest magnetite project and the largest resource development in the Mid West – by the Hon. Colin Barnett, Premier of Western Australia; Minister for State Development; Science.

The landmark opening ceremony – which was held at the Karara mine site, located approximately 225km east of Geraldton – was attended by over 150 dignitaries including Federal Resources Minister the Hon. Gary Gray AO, Gindalbie Chairman George Jones AM, Ansteel Group Chairman Zhang Guang Ning, representatives of the Project's Chinese banks, Traditional Owners, Karara Mining Limited (KML) employees, contracting partners, representatives of Mid West communities and other stakeholders.

"This is a tremendous milestone for the Australian iron ore industry, a very significant event for the Mid West region and the State, and a momentous day for Gindalbie and our Chinese partner, Ansteel," said Gindalbie Chairman, Mr George Jones.

"The successful financing, development, construction and commissioning of this world-scale project, marks the realisation of a long-held dream to establish downstream processing and value adding opportunities for the Australian iron ore industry.

"For decades, people have dreamed about unlocking the value of the extensive deposits of low-grade magnetite ore in the Mid West region by processing it to produce high-grade, premium quality magnetite concentrate for export to China," he added.

"I am proud to have been part of this venture which, through KML, has made this dream a reality. The 8 million tonne per annum (Mtpa) Concentrator at the heart of this project turns magnetite ore - which would otherwise have little value - into a valuable premium quality product which is increasingly in demand in global markets.

"At the same time, by investing more than $1 billion in new rail, port, power and other infrastructure, KML has been able to unlock a large stranded iron ore deposit and create exciting growth opportunities for the exploration and development of other iron ore deposits in the region. In the process, this project will generate enormous wealth for the region, the State and the nation."

Karara is the second largest magnetite project in Australia, with production currently being ramped up to its nameplate capacity of 8Mtpa of high-grade magnetite concentrate grading 68% Fe. The project also comprises a substantial direct shipping ore (DSO) hematite business, currently producing at the rate of 2Mtpa.

The official opening of the Karara Project marks the completion of a three-year construction period which began in late 2009 with a ground-breaking ceremony where WA Premier Colin Barnett also officiated. For Gindalbie, it represents the culmination of a highly successful partnership with Ansteel which commenced in April 2006 with the signing of the original joint venture agreement in Canberra.

At its peak, Karara was one of the largest construction projects in Australia employing over 2,500 people. It will provide long-term employment for over 500 people. The construction phase was completed broadly within the revised construction budget of $2.57 billion, representing an outstanding achievement in the current environment of cost inflation in the Australian resource sector.

First magnetite concentrate was produced at Karara in November 2012, signalling the start of the six-month commissioning and ramp-up plan. Nameplate capacity of 8Mtpa of magnetite concentrate is on track to be achieved by the end of this month. The historic first shipment of magnetite concentrate, comprising approximately 55,000 tonnes was completed in early January, representing the first-ever commercial shipment of magnetite from WA.

The first shipment of hematite DSO departed from the Karara Export Terminal in October 2012, with DSO production and shipments rapidly ramping up. To date more than 2.7 million tonnes of hematite DSO has been shipped to customers in China, enabling Karara's supporting infrastructure and logistics chain to be completed and successfully commissioned in record time.

Gindalbie's Managing Director, Mr Tim Netscher, said the official opening of the Karara Project was a proud moment for the thousands of people involved in its construction, as well as many other key stakeholders who had played a role over the years in turning the project from dream into reality.

"This is a project which has already created genuine wealth and opportunity for the Mid West region, and will continue to do so for many decades to come," Mr Netscher said.

"I would like to take this opportunity to congratulate our construction and development teams and, in particular to recognise the efforts of the CEO of KML, Steve Murdoch, whose strong leadership has been absolutely pivotal in delivering this project. This has been a true team effort and the results speak for themselves."

Mr Netscher said Karara had also been a standout success in terms of maximising Australian content, with more than 90 per cent of the development cost spent in both Western Australia and the rest of Australia. Since 2008, some 1,823 companies have been engaged as suppliers to the project, with 1,773 of these, or 97 per cent, being Australian companies.

"340 suppliers, nearly 20 per cent of the total, come from the Mid West region and shared in more than $300 million of work – a remarkable statistic which is testament to the strong foundations of this project within the community and the significant economic and social impact which it has already made on Mid West communities.

"Karara has also played a pioneering role in establishing a broad range of innovative and unique community partnerships in the Mid West region, including education and training programs, a Community Health Fund and environmental, technology and fauna protection programs that are at the cutting edge of community engagement worldwide," he said.

"I am extremely proud of these achievements and we are proud to showcase Karara to the world and to celebrate the opening of a world-class resource project," Mr Netscher added.

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Karara Project – Key Milestones

Date	Milestone	Summary
September 2005	Gindalbie appoints George Jones as Chairman	Gindalbie repositions as an independent Australian iron ore company with the appointment of prominent mining executive George Jones as Chairman. Announces plans to divest gold and base metal assets.
December 2005	Launch of Geraldton Iron Ore Alliance	Gindalbie plays an instrumental role in the establishment and launch of the Geraldton Iron Ore Alliance, formed to promote the development of a viable and successful iron ore industry in the Mid West.
April 2006	Landmark 50:50 JV/Funding Agreement with China's Ansteel Group	Joint Venture agreement signed in Canberra for the development and financing of the Karara Project, including off-take arrangements for the proposed 10Mtpa of iron products.
September 2007	Feasibility Study Completed	Feasibility Study confirms the technical and financial viability of the Karara Project as a robust, long-life project with forecast 8Mtpa production of magnetite concentrate and 2Mtpa of DSO hematite.
September 2007	Signing of Joint Venture Development Agreement, witnessed by Chinese President Hu Jintao and Prime Minister John Howard	Following a joint formal signing ceremony, Gindalbie executed a wide-ranging joint venture agreement with Ansteel to proceed with development. Signed in Sydney by the President of Ansteel and Chairman of Gindalbie in the presence of the Chinese President and Australia's Prime Minister – reflecting the importance of the Agreement to the continued development of Australia's iron ore industry.
October 2009	Federal Environmental Approval Received	Final Government approval for development is received, clearing the way for on-site construction and development to proceed.
November 2009	Ground-breaking ceremony heralds the start of construction	Construction officially underway on Mid West's region's largest resources project. The symbolic first sod of soil was turned on the site of the Karara magnetite concentrator by WA Premier Colin Barnett.
March 2010	Life-of-Mine off-take agreements worth more than US$65 billion signed with Ansteel	Long-term off-take agreements signed covering 100% of magnetite concentrate production. Based on 2009 benchmark iron ore prices, the contracts are worth approximately US$580 million a year increasing to more than US$2.1 billion a year – or US$65 billion over the life of the mine.
March 2011	Maiden iron ore shipment	The first shipment of high-grade DSO hematite loaded onto the Panamax vessel M.V. "Ju Dua" marking a key milestone for Karara.
September 2012	Official opening of Karara Export Terminal at Geraldton	WA Transport Minister Troy Buswell officially opens this state-of-the-art facility, comprising a dedicated iron ore port terminal and associated infrastructure in Geraldton. Port facilities represent a key part of Karara's integrated Mine, Rail and Port logistics chain. Capable of handling 16Mtpa of magnetite concentrate and hematite DSO.
November 2012	First Magnetite Concentrate Produced	Production of first magnetite signals the start of a forecast six-month ramp-up phase. Successive areas of the plant are completed, tested and commissioned in sequence, ensuring production of premium concentrate to required specifications.
January 2013	First Magnetite Concentrate Shipped	~55,000 tonnes of magnetite concentrate dispatched for China – representing the first-ever significant shipment of magnetite from WA.