

## ASX/ MEDIA RELEASE

27 February 2006

### MAJOR CAPITAL RAISING COMPLETED TO PROGRESS KARARA IRON ORE PROJECT DEVELOPMENT

- *Share placement of 90 million shares at 37 cents each to raise \$33.3 million made to Australian and international institutional clients of Southern Cross Equities Limited*
- *Funds to facilitate completion of Definitive Feasibility Study on development of both Direct Shipping Ore ('DSO') and Pellet Projects*
- *First DSO shipment anticipated in second half of 2007*

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The Board of Gindalbie Metals Limited (**ASX:GBG**) today announced completion of an agreement to raise A\$33 million in two tranches through the issue of 90 million shares at 37 cents per share to Australian and international institutional clients of Southern Cross Equities Ltd.

The first tranche of 47 million shares is within the limit set out in the ASX Listing Rules and will be issued immediately under the Company's 15% placement capacity. The issue of the second tranche of 43 million shares will require shareholder approval at a meeting to be held on or about 10 April 2006. The placement shares will rank pari passu with the Company's existing ordinary shares from the date of allotment.

Following allotment of the shares under the placement, Gindalbie will have 428,284,406 shares on issue with a market capitalisation at the placement price of A\$158 million.

The proceeds of the share placement, together with existing cash reserves, will increase Gindalbie's cash position to A\$40 million providing a very solid platform for the further development of the Karara Iron Ore Project.

In is anticipated that the Shareholders' Meeting will be held on or around 10 April 2006 and all shareholders will receive the Notice of General Meeting on or about 8 March 2006.

### Media Comment:

Gindalbie's Managing Director, Mr David McSweeney said, "The support of Southern Cross Equities and the participation of major Australian and international institutional investors in the placement is a sound endorsement of the Company's assets and will enable Gindalbie to continue to accelerate its resource drilling programs and Definitive Feasibility Studies at Karara."

"Gindalbie is on track to become a DSO iron ore producer in the short term, with first production scheduled in the second half of 2007, while, at the same time, progressing the Company's longer term goal of becoming the region's largest supplier of blast furnace pellets," he said.

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### **BACKGROUND**

Gindalbie is an emerging iron producer with 100% ownership of the Karara Iron Ore Project (previously referred to as the Blue Hills Iron Ore Project), 220 kilometres east of the Port of Geraldton. The Company aims to achieve first production of DSO hematite at the rate of 1.5 million tonnes per annum by the third quarter of 2007. The Karara Project is linked by an 85 kilometre existing haul road to the rail at Morawa which has sufficient capacity to handle the Company's production requirements. Resource drilling, mine planning and the approvals process together with stakeholder consultations are underway.

An initial JORC compliant resource for the Karara Magnetite Deposit is due for release in March 2006 based on work completed in 2005. Step out drilling to the north of the initial resource area is underway and will continue as part of the Company's plans to achieve a one billion tonne magnetite resource capable of supporting a 7 million tonne per annum concentrate/pellet project.

Thiess Pty Ltd was recently appointed an Alliance Partner to facilitate the completion during Calendar 2006 of a Definitive Feasibility Study for the development of both the pellet and DSO projects at Karara.