

SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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GINDALBIE FINALISES A\$534M EQUITY FUNDING AGREEMENT WITH ANSTEEL

FIRST A\$50M SUBSCRIPTION PAYMENT RECEIVED UNDER AGREED FUNDING STRUCTURE

Gindalbie Metals Limited (**ASX: GBG** – “Gindalbie”) has taken a further key step towards the development of the **Karara Iron Ore Project** in Western Australia after executing the Subscription Agreement with its joint partner, Anshan Iron & Steel Group Corporation (“Ansteel”), which finalises the funding structure for the combined **A\$534 million** (30%) equity component of both the magnetite and hematite phases of the A\$1.8 billion project.

In line with the Agreement, Ansteel has made its first **A\$50 million** subscription payment, reinforcing its commitment to the rapid development of the Karara Iron Ore Project and highlighting the strong funding position of the Joint Venture – with both the debt and equity components underwritten by Ansteel.

The payment is the latest in a number of major milestones achieved by Gindalbie that underline the advanced stage of the Karara Iron Ore Project. These include:

- A substantial increase in the JORC Code-compliant resource base to 1.43 billion tonnes of magnetite and 27.1 million tonnes of hematite, confirming the Karara Project as a world-class iron ore project;
- The completion of a high-quality Bankable Feasibility Study which confirmed excellent returns;
- The signing of a wide-ranging Joint Venture Development Agreement with Ansteel, which effectively marked a development go-ahead for the project;
- A strategic direct equity investment by Ansteel, making it Gindalbie’s second-largest shareholder;
- The finalisation of a 15-year Power Supply Agreement for the Karara Project with Verve Energy;
- The continuation of the environmental approvals process for both the hematite and magnetite stages of the Karara Iron Ore Project; and
- The commencement of an expanded regional exploration effort targeting a range of exciting new prospects, including newly identified magnetite resources in close proximity to existing hematite deposits

The funding arrangements cover the 30% equity component of the agreed A\$1.8 billion capital cost estimate for the the Karara Iron Ore Project. The total equity funding requirement for the magnetite and hematite projects amounts to **A\$534.5 million**.

As part of its contribution to the equity funding for the Project, Ansteel has subscribed for 10 million shares in the Joint Venture’s operating entity, Karara Mining Limited, giving it an initial 19.23% stake in this joint venture vehicle. The first A\$50 million subscription payment has been received and banked in the Karara Mining bank account. Further subscription payments by Ansteel will be made as follows:

- April 2008 **A\$55.0 million**
- July 2008 **A\$123.4 million**
- October 2008 **A\$143.7 million**

For its part, Gindalbie will make its first equity subscription payment of **A\$18.3 million** into Karara Mining Ltd in July 2008, with a second subscription payment of **A\$143.7 million** scheduled to be made in October 2008. Importantly, under the Joint Venture Development Agreement, Ansteel will finance Gindalbie's equity contribution if requested by Gindalbie.

The equity funding structure is consistent with the financing terms of the Joint Venture Development Agreement for the Karara Iron Ore Project which was signed in September last year, with Ansteel to contribute A\$105 million as an agreed Fixed Entry Price (the first two subscription payments) plus 50% of the required equity and Gindalbie contributing the balance (approximately 25% of the total equity funding requirement).

The 30% equity component of the Mungada Hematite Project capital cost (A\$40.6 million) will be funded on a 50:50 basis by Gindalbie and Ansteel.

Consistent with the desire of Gindalbie and Ansteel to begin production of iron ore as soon as possible and the confidence each party has in the timely receipt of environmental approvals, the current equity funding contributions of Ansteel will be used to commence development of the Project immediately and in particular to place orders and deposits for the supply of long lead time capital equipment.

Gindalbie's Managing Director, Mr Garret Dixon, said the signing of the Subscription Agreement and the initial equity contribution by Ansteel to the Project represented another very significant milestone for the development of the Karara Iron Ore Project, highlighting the financial strength of Ansteel and its desire to see the Karara Iron Ore Joint Venture, through Karara Mining, achieve its core objectives of delivering significant production of iron products by the end of this decade.

"This Agreement and first subscription payment is another strong demonstration by Ansteel of its support for the Project and the Joint Venture, with the equity component of the overall funding structure now effectively agreed and locked away," Mr Dixon commented. "The initial \$50 million contributed by Ansteel puts the Joint Venture on a very solid financial footing to proceed with the development." In addition, Gindalbie remains financially strong with cash reserves at the end of the December Quarter of \$51.5 million.

"It is also important to note that, under the Joint Venture, Ansteel has agreed to fully underwrite the debt component of the funding structure if required, which puts us in a very favourable position as we work towards also finalising the debt part of the overall funding structure," he added.

Subject to the timely receipt of environmental approvals and financing, Karara Mining is aiming to commence exports of hematite ore through Geraldton in 2009 and deliver first magnetite concentrate ore from the Karara Magnetite Project by 2010.

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BACKGROUND INFORMATION – Karara and Mungada Projects

The Karara Project is a substantial new integrated iron ore project in the Mid West region of Australia, which will produce some 11Mtpa of iron products from 2010, including an initial 8Mtpa of high-grade magnetite concentrate and blast furnace quality pellets from the Karara Magnetite Project and an initial 3.0Mtpa of direct shipping ore from the Mungada Hematite Project.

The development of the Karara Project – which was granted Major Project Facilitation (MPF) status by the Australian Federal Government last year is expected to generate significant short and long-term economic benefits in the Mid West region of Western Australia.

The Karara BFS concluded that, based on an initial JORC compliant Ore Resource of 1.43 billion tonnes at 36.3% Fe and an Initial Ore Reserve defined as part of the study of 497 million tonnes at 36.3% Fe, the Project would generate an initial after tax free cash flow of A\$9.3 billion and an indicative annual cash surplus after tax of A\$360 million. The Project has a Net Present Value (NPV) using a 9% discount rate of A\$2.3 billion and an Internal Rate of Return (IRR) of 24.6%.

The BFS is based on a 20Mtpa mining operation producing on average 8Mtpa of magnetite concentrate grading 68.2% Fe, 4.7% SiO₂ and 0.01% P, with the Initial Ore Reserve sufficient to underpin 25 years of production at the proposed 'start up' production rate of 8Mtpa.

Magnetite concentrate from Karara will be shipped to China via a process involving transportation on barges to a location off Geraldton for loading to a trans-shipper and ultimately onto Capesize vessels which will freight the high-grade iron ore concentrate to the port of Yingkou in China, for use in the joint venture pellet and directly in Ansteel's new steel mill.

The BFS for the Mungada Hematite Project concluded that, based on an initial Product Inventory of 14.3 million tones at 61.5% Fe (resource of 27.1 million tones at 61.7% Fe), the Project would generate an initial after tax free cash flow of A\$184 million.

The Project has a Net Present Value using a 10% discount rate of A\$79.6 million and IRR of 27.5%. Direct Shipping Ore from Mungada will be exported at an initial rate of 3Mtpa through the Port of Geraldton directly to China.

Background – Ansteel

Ansteel is currently one of China's largest steel producers and is the major producer in the north-east region of China, with crude steel production of 16 million tonnes, annual sales revenues in excess of US\$11 billion and a profit of approximately US\$1.5 billion in 2006.

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 is developing a new integrated iron and steel making facility at Bayuquan, adjacent to the Port of Yingkou, approximately 100 kilometres south-west of its current steel making facility in the city of Anshan. The new facility will have the capacity of 5.0Mtpa of finished steel products and is the facility that the Karara Iron Project's products will feed upon commencement of production.

Background – Gindalbie Metals Ltd

Listed on the Australian Stock Exchange since 1994, Gindalbie Metals Ltd is an emerging Australian iron ore company based in Perth, Western Australia. Gindalbie is developing a strategic portfolio of high-quality production and exploration assets located some 225km east of the port of Geraldton which will underpin its vision to become a leading independent supplier of iron ore products to world markets over the next decade.

The initial focus of Gindalbie's growth strategy is the Mungada Hematite and Karara Magnetite Projects, however its longer term growth will be propelled by the exploration and development of its extensive 1,900 sq km tenement portfolio in the Mid West region, which includes numerous prospective magnetite and hematite exploration targets expected to deliver a long-term pipeline of growth opportunities.

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