

SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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GINDALBIE RECEIVES ALTERNATIVE FUNDING PROPOSAL FROM ANSTEEL

ENGINEERING, DESIGN AND DEVELOPMENT WORK TO CONTINUE ON SCHEDULE

Gindalbie Metals Limited (**ASX: GBG** – “Gindalbie”) advises that it has received an alternative funding proposal in connection with its final equity contribution to the Karara Iron Ore Project from its joint venture partner, Anshan Iron & Steel Group Corporation (AnSteel).

Under the previously announced agreed payment schedule for equity payments, Ansteel has made three payments to date totaling A\$228.4 million and Gindalbie has made one payment of A\$18.38 million. The final equity payment, of A\$143.68 million each, was due to be made in October.

Gindalbie had previously exercised its right, under the terms of the Karara Joint Venture Development Agreement (JVDA), to request AnSteel to arrange finance for Gindalbie’s share of the final equity contributions to the Project. Under the terms of the agreements, AnSteel is required to arrange this finance as debt on acceptable terms.

AnSteel has now proposed an alternative funding arrangement to Gindalbie, which is being considered and assessed by the Board of Gindalbie. The alternative proposal would involve Gindalbie issuing shares to Ansteel at a substantial premium to the current share price for a total fund raising of A\$162.06 million, which would cover the final equity contribution plus the earlier contribution already made by Gindalbie out of its existing cash reserves. Any placement would require the approvals of Gindalbie shareholders, Foreign Investment Review Board, and Chinese regulatory approvals and would require an independent expert’s report.

In light of these developments the final equity payments by AnSteel and Gindalbie have been deferred until a final resolution has been reached on the equity funding arrangements. AnSteel has advised Gindalbie that it has the funds available in Australia to make its final equity payment and has also reaffirmed its full support for the rapid development of Karara and the continued feasibility of expansion opportunities.

The joint venture company, Karara Mining Limited (KML), currently has almost A\$200 million in cash reserves from earlier equity payments and the decision has no impact on the ongoing engineering, design and development work for the Project. In addition, discussions are advancing well with China Development Bank to provide project finance to KML in the order of A\$1.4 billion at competitive rates. All other rights and obligations associated with the Joint Venture Development Agreement are preserved such as Ansteel taking 100% offtake from Karara at benchmark prices and in particular for concentrate, at benchmark plus a premium.

“These equity funding discussions confirm AnSteel’s commitment to the project and highlight the strength of the long-term relationship Gindalbie has with its joint venture partner. In the current market this is a very positive alternative as it would leave Gindalbie itself debt-free,” said Gindalbie’s Chairman, Mr George Jones.

“We expect to conclude a suitable arrangement with Ansteel for Gindalbie’s share of the final equity contribution to meet the final contribution as soon as reasonably practicable.”

While the Board of Gindalbie is assessing the proposal it has requested its securities remain subject to a trading halt.

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Released by:
Nicholas Read
Read Corporate

Telephone: (+61-8) 9388-1474
Mobile: (+61-8) 419 929 046

On behalf of:
Mr Garret Dixon/Mr David Southam/Mr Michael Weir
Managing Director/Chief Financial Officer/Investor

Relations Manager
Telephone: (+61-8) 9480-8700
www.gindalbie.com.au

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 2009 to be followed by production of high grade magnetite concentrate and blast furnace quality pellets in 2010. 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 one of China's largest steel producers and is the major producer in the north-east region of China, with crude steel production of 22 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 100km south-west of its current steel making facility in the city of Anshan. The new facility will have the capacity of 6.5Mtpa of finished steel products and is the facility that the Karara products will feed upon commencement of production.

For further information, visit www.ansteelgroup.com