

KARARA IRON ORE OFF-TAKES FINALISED WITH ANSTEEL

AGREEMENTS COVER 100% OF PRODUCTION TONNAGE FOR LIFE OF MINE

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to announce the finalisation of a **long-term off-take contract** with its joint venture partner, Ansteel, covering the life-of-mine production from the Karara Iron Ore Project in Western Australia.

The execution of this landmark agreement between the joint venture company Karara Mining Limited (KML) and Angang Group International Trade Corporation, valued at more than US\$65 billion over the life of the project, marks another key milestone for the Karara Project, where construction commenced late last year.

The contract covers the total magnetite concentrate production from the Karara operations. Stage one production, based on a rate of 8Mtpa, is scheduled to be commissioned in late 2011, however Karara hosts a world-class iron ore resource with the potential to produce more than 30Mtpa for a life of 30 years. As part of stage one construction the partners are already building parts of the infrastructure (rail, port, power, water) to support much higher production levels in anticipation of future expansions.

Based on the 2009 Benchmark iron ore fines price and stage one production rate, the offtake agreement is worth approximately US\$580 million a year increasing to more than US\$2.1 billion a year at the project's potential production rate.

The pricing structure for Karara magnetite concentrate will be based on the internationally-recognised Pilbara fines price plus a quality adjustment to reflect the high grade (68.2% Fe) and low impurity specifications of the Karara iron product.

The first shipment under the new magnetite off-take agreement is expected to occur in the second half of 2011 with commissioning of the Karara Project. Prior to then, the offtake agreement remains conditional upon the completion of the remaining conditions in the Karara Incorporated Joint Venture Agreement as previously announced to the market

The concentrate will be shipped to China and is currently earmarked for the specially-designed and recently completed Bayuquan integrated iron and steel-making facility, located adjacent to the Port of Yingkou in northern China. This facility, which is located 100km south-west of Ansteel's current steel-making facilities in the city of Anshan, is a key component of its long-term growth plans. Bayuquan is located on a port specifically for imported feed, in recognition of issues with the long term supply of cost effective raw materials from Ansteel's own Chinese iron ore operations.

“We are pleased to announce the completion of these long-term off-take contracts, which underpin the production tonnage from the Karara Project,” said Gindalbie's Managing Director, Mr Garret Dixon.

“The pricing structure embedded in these contacts reflects the high quality and niche market position of magnetite concentrates in the global iron ore market,” he added. “Because of the very high grade and low impurities of the Karara magnetite concentrate, it is expected to secure a position as a premium iron product which delivers cost effectiveness to the steel mills in the steel making process.

“The structure of the contract also underpins the financial strength of the Karara project. Gindalbie shareholders benefit from Karara receiving the full market value of the iron ore products. Ansteel, as a joint venture partner, pays market price, but it will share in the joint venture profits. Therefore, for Ansteel, Karara becomes a strategic, long term, cost effective source of iron ore for their expanding steel making facilities.”

“At the same time it is apparent that iron ore demand is strong and it looks like there will be a healthy increase in iron ore prices this year. In addition, we would not be surprised to see a further increase next year when Karara begins production.”

Construction of the Karara Project, which is located 500km north-east of Perth, is already well underway. Site clearing has been completed and earthworks are commencing. There are currently around 150 people on site and with the commissioning of the Lochada Camp, more than 400 rooms will be available for the buildup of the construction workforce.

Karara is nearing completion of the Hematite Offtake Contract with AnSteel and once again the pricing will be based on established benchmarks. Once this contract is executed, Gindalbie will advise the market accordingly.

ENDS

Released by :

Nicholas Read / Paul Armstrong
Read Corporate
Telephone: (+61-8) 9388 1474
Mobile: (+61) 419 929 046

On behalf of:

Mr Garret Dixon
Managing Director

Mr David Southam
Chief Financial Officer

Mr Michael Weir
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 the first half of 2011 to be followed by production of high grade magnetite concentrate and blast furnace quality pellets in the second half of 2011. 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 China's second-largest steel producer and the biggest iron ore miner. It is the major producer in the north-east region of China, with crude steel production of 35 million tonnes and plans to increase output to approximately 50Mtpa. 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 has developed 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 facilities in the city of Anshan. The new facility has the capacity to produce 6.5Mtpa of finished steel products. Once the Karara Project is in production, its products will be the key feed source for Bayuquan.

For further information, visit www.ansteelgroup.com

About Karara

With a multi-billion-dollar capital investment, the Karara Project will deliver major economic benefits for the Mid West region and the State of Western Australia, generating some 1,500 construction jobs and 600 direct and indirect long-term jobs.

The Project will initially produce 10Mtpa of iron products commencing in 2011, comprising 8Mtpa of high-grade magnetite concentrate, a value-added product, and 2Mtpa of Direct Shipping Ore (DSO). Karara has the potential to produce more than 30Mtpa over a mine life estimated at more than 30 years.

Karara will initially generate around A\$1 billion in annual export revenues, building to A\$3 billion annually as the project grows, equating to \$40 million in Government revenues rising to \$120 million annually.

Iron products will initially be exported through Geraldton Port, with Karara also able to commit foundation tonnages to underpin the development of the new multi-billion dollar Oakajee Port.