

KARARA HEMATITE OFF-TAKE FINALISED WITH ANSTEEL

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to announce the finalisation of a second **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 contract, between the joint venture company Karara Mining Limited (KML) and Angang Group International Trade Corporation, covers the total hematite production from Karara, which is scheduled to start in mid-2011. The offtake allows for sale of hematite volumes up to 3Mtpa.

The pricing structure for hematite will be based on the Hamersley Iron Pilbara lump and fines (FOB) benchmark price.

“We are very pleased to conclude all the offtake agreements from the Karara Project,” said Gindalbie’s Managing Director, Mr Garret Dixon. “The hematite in particular provides KML early cashflow while we commission the magnetite operations. This agreement further demonstrates the significant progress we are making at Karara and the value of having a quality partner in AnSteel.”

The signing of the hematite off-take contract follows last week’s execution of a landmark life-of-mine agreement covering the total magnetite concentrate production from the Karara operations, valued at more than \$US65 billion.

The pricing structure for Karara magnetite concentrate is also based on the internationally-recognised Hamersley Iron 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 off-take agreements remains conditional upon the completion of the remaining conditions in the Karara Incorporated Joint Venture Agreement as previously announced to the market

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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 mid-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.