

GINDALBIE ANNOUNCES UPDATED KARARA CONSTRUCTION COST ESTIMATE

ANSTEEL REINFORCES SUPPORT FOR KARARA DEVELOPMENT

COST ESTIMATE INCLUDES **INFRASTRUCTURE** CAPABLE OF SUPPORTING **14-36MTPA**

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) today announced an updated Project Construction Cost estimate for the Stage 1 development of its **Karara Iron Ore Project** in Western Australia following further detailed engineering design and final construction estimates and schedules.

The revised Project Construction cost estimate of **\$1.975 billion** covers all construction costs for the Stage 1 production level of 8Mtpa of magnetite concentrate and up to 3Mtpa of hematite, as well as effective pre-payments on subsequent expansion phases by encompassing additional infrastructure capacity to support production levels of **14-36Mtpa**. The updated Project Construction Cost schedule is summarised below:

2010 Karara Project Construction Cost Estimate	
<i>Item</i>	<i>Cost (A\$ m)</i>
Mine Development and Magnetite Concentrator	905
Infrastructure	
<i>Rail and Port</i>	275
<i>Power transmission</i>	242
<i>Other (incl water, camp, airstrip, roads etc)</i>	263
Project Management, Engineering & Other	290
TOTAL CONSTRUCTION COST	1,975

The revised Project Construction Cost estimate compares directly with the \$1.648 billion capital cost estimate in the 2007 Bankable Feasibility Study (**BFS**) for the hematite and magnetite phases of the Karara Project (excluding the China Joint Venture Pellet Plant). This represents an increase of approximately 20% or \$327 million since the BFS, which was completed in September 2007.

The significant portion of this construction cost increase relates to design scope and infrastructure capacity increases for an ultimately larger project, and upgraded major plant items while the balance reflects the impact of cost escalation, in the two and half years since the BFS was completed.

The increase in capacity of key pieces of infrastructure and plant components during the initial construction stage is expected to allow the Project to attain substantial cost savings over the long term as it increases production from an initial 8Mtpa of concentrate to its long-term potential of +30Mtpa.

The additional up-front expenditure will ensure that much of the supporting infrastructure for the increased tonnages will already be in place, while also allowing staged increases in concentrate output to be achieved without a need for significant shut down. The Joint Venture’s Project Development Team has also conducted a complete review of the project scope and refined several areas of design, which will result in a processing plant more suitable for expansion and with improved production efficiencies.

Some of the key expenditure areas which have been changed or brought forward include:

- An increase in the capacity of the high-voltage power line, from 132kv to 330kv, connecting Karara to the State grid at Eneabba. This is sufficient to accommodate an **ultimate production capacity of 36Mtpa**;

- Improved rail haulage capacity of the 85km spur line connecting Karara to the existing rail line from Morawa-to-Geraldton, increasing the **capacity of the spur line to +36Mtpa**. This line is being built as a dual gauge to allow conversion from narrow to standard gauge in the future;
- An increase in capacity of the iron ore storage facilities at the Port of Geraldton from 100,000 tonnes to approximately 255,000 tonnes . The storage facilities will allow **an annualized capacity of 14Mtpa**;
- An expansion of the water pipeline supplying the Project to accommodate future **production capacity of up to 16Mtpa**: and
- Increasing the capacity of sections of the magnetite concentrator such as larger secondary crushers, larger high pressure grinding rolls and adding additional thickeners.

The updated Construction Cost estimate encompasses all items of construction capital, however in line with normal practice excludes working capital requirements (pre and post-commissioning items) and bonding facilities which are budgeted for separately as part of the estimated working capital requirements.

Any shortfall that there may be in construction cost funding (depending on the exchange rate applied to the US\$1.2 billion Project Loan Facility) will be met by funding contributions by the Project partners. Gindalbie will assess all potential funding alternatives as required.

Working Capital Requirements

Gindalbie has identified a future working capital funding requirement of approximately \$430 million made up of pre-commissioning items (insurance, building spares inventory, mining pre-strip) of \$184 million and Finance Facilities (bonds, interest and working capital) of \$246 million.

To finance the future working capital funding requirement, Gindalbie and AnSteel have concluded a separate agreement whereby AnSteel will facilitate the procurement of debt funding arrangements to cover the working capital requirements. The partners have agreed to target a funding structure based on a 70:30 debt to equity basis, which is the same as the project loan structure agreed for the Karara Project. However the Joint Venture is also mindful of changing market conditions in the future which may result in the application of different debt-to-equity ratios.

The working capital requirements are separate from the project construction costs and demonstrate the progress Karara has made to consider the costs associated with commencing operations. The bulk of working capital is not required until 2011.

Updated Cash Operating Cost Estimates

Gindalbie is also pleased to advise that a preliminary review of the Cash Operating Cost estimates for the Karara Project have indicated that they are consistent with the 2007 Bankable Feasibility Study cost of A\$46/t FOB Geraldton.

"It is important to note that the key driver of the increased capital requirement is an investment in infrastructure required to support a future increase in production capacity at Karara," commented Gindalbie's Managing Director, Mr Garret Dixon.

"This will result in significant savings for the Karara Project in the long term while at the same time bringing forward the substantial additional cash flows that will be generated as production grows more quickly.

"It is worthwhile remembering that when we did the BFS in 2007 it was based on developing a project to produce 8Mtpa project with a 20-year mine life," he continued. "Since that time, Karara has grown into a world-class project.

"The Karara Project clearly has enormous potential to produce at much higher production rates over a very long mine life, and the Joint Venture Partners are already planning for the next expansion stage to 16Mtpa. Longer term, we see Karara being capable of producing more than 30Mtpa, particularly with the development of the Oakajee Port. Karara is a financially robust project and the long term returns to shareholders will be enhanced significantly by the decision to spend this additional money at the initial construction stage," he said.

Mr Dixon said he was also pleased an initial review of Operating Costs that showed Karara was competitive in global terms. "It is also important to look not only at operating costs, but also at overall margins, because Karara magnetite concentrate will generate more revenue per tonne than other iron ore products because of its high quality 68.2%Fe content and low impurities level," he said.

"We are also conducting an internal review to assess any impact of the Federal Government's Resource Rent Tax but I would like to add that again today AnSteel reconfirmed its full support for the Karara Project and its future growth potential and is working with Gindalbie in assessing all project funding options"

Security Arrangements for Project Finance

The final negotiations and documentation around the US\$1.2 billion Karara Project Loan Facility continue to progress in line with the timetable to meet first required debt drawdown by 30 June 2010.

As part of these debt financing arrangements, AnSteel is providing a 100% parent company guarantee to the banks, which extends to Gindalbie's 50% responsibility to the banks. In recognition of this, Gindalbie has agreed to grant AnSteel security over its 50% interest in Karara.

The additional security is required in order to obtain the necessary Chinese regulatory approval for AnSteel to provide the parent company guarantee and allow drawdown of the Project Loan Facility.

The shareholders in KML have entered into cross charges to secure their respective obligations under the joint venture arrangements

The proposed security arrangements with AnSteel require the approval of shareholders at a meeting which is planned to be held during June 2010.

Mr Dixon said the proposed security arrangements were standard arrangements between joint venture partners in such project debt arrangements and have been subject to an Independent Expert's Report (IER) conducted by Deloitte Corporate Finance.

The IER will be released with the Notice of Meeting which will be sent to all shareholders as soon as possible.

ENDS

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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 up to 11Mtpa of iron products commencing in 2011, comprising 8Mtpa of high-grade magnetite concentrate, a value-added product, and up to 3Mtpa 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.