

GINDALBIE POISED FOR MAIDEN IRON ORE SHIPMENT

SALES AGREEMENT COVERS 480,000t OF DIRECT SHIPPING ORE OVER 8 MONTHS

GINDALBIE'S KARARA TO JOIN THE RANKS OF AUSTRALIAN IRON ORE PRODUCERS

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to announce that the **maiden shipment of iron ore** from the Karara Iron Ore Project in Western Australia will occur within two months – well ahead of its original target of June 2011 – following the signing of a **hematite ore sales agreement** with Sinosteel Midwest Corporation (“SMC”).

The agreement – for a total of **480,000 tonnes of high-grade hematite lump and fines ore** mined as part of a Trial Mining Project at Karara underway since late last year – marks the effective transition of the Project to production well ahead of the completion of construction of the world-scale Karara Magnetite Project later this year.

The 8-month contract, between the joint venture company Karara Mining Limited (“KML”) and SMC is based on the delivery of hematite mined from the Karara South and Karara East trial open pits to Geraldton using SMC’s existing rail facilities (Tilley Siding and ore wagons) and port facilities at Geraldton.

Trial mining of this high grade, near surface ore has been ongoing since late last year. To date a total of 162,500t of high grade ore has been delivered to the ROM at an average grade of 58.60% Fe. A modular crushing and screening plant has been on site since late November to process the ore. To date, a total of 160,281t of ore has been crushed and screened, which is made up of 98,294t of lump product at an average of 60.01% Fe and 61,987t of fines product at an average grade of 57.67% Fe. This product has been stockpiled in readiness for transportation and shipment.

Karara Mining has commenced transport of the ore by road from the Karara mine site to Tilley siding with the ore to be integrated into SMC’s existing raiing and shipping schedule over the next eight months. Karara ore is expected to make up approximately one-third of SMC’s shipments over this period.

Approximately 60,000t will be shipped per month with the price payable by SMC to be calculated on a per shipment basis using its existing off-take agreement with Sinosteel Trading and based on prevailing spot iron ore prices with adjustments based on an agreed formula incorporating product quality adjustments. KML will pay an agreed usage charge for accessing SMC’s rail network and port facilities at Geraldton.

The shipments, comprising blended Karara and SMC ore, are expected to comprise 50% hematite lump ore grading 60.0% Fe and 50% hematite fines ore grading 56.5% Fe.

The sales are expected to generate \$16 million of net cash for KML over the period from gross revenue of approximately \$57 million, using current and forecast iron ore prices.

This cash flow is expected to off-set some of the pre-stripping costs for the main Karara open pit, as the hematite ore sits as a cap over the magnetite orebody, while the early mining also assists with bedding down on-site operations and systems and allows early access and testing of both the transition and magnetite ore.

The direct shipping ore (DSO) phase of operations, which is based on multiple high-grade hematite deposits at Karara, is expected to ramp up to an initial production level of 2Mtpa next year, once construction of the Karara Project’s on-site processing infrastructure, rail network and port facilities are completed by the end of this year.

Once the DSO operation has ramped up to full production next year, high-grade hematite from Karara will be sold to Gindalbie’s joint venture and off-take partner, Ansteel, as part of the long-term sales and off-take arrangements covering all production from the Karara Project.

Gindalbie’s Managing Director, Mr Garret Dixon, said the signing of the ore sales agreement with Sinosteel Midwest Corporation was a very significant milestone, enabling the Karara Project to sell its first high-grade hematite ore almost three months ahead of schedule and generate initial cash flow, taking advantage of high iron ore prices and strong demand for quality product.

"This marks our transition from iron ore developer to producer and is a very important milestone for Gindalbie and the Karara Project," Mr Dixon said. "Importantly, the revenue generated will effectively pay for a substantial portion of the pre-strip costs required to expose the main magnetite orebody – which is of significant benefit to the Project.

"We are also very pleased to have the opportunity to sign an ore sales agreement with Sinosteel Midwest Corporation which is consistent with the principles of the cooperation agreement we signed last year and which reflects the opportunities that can be created through infrastructure sharing and positive cooperation at a commercial and operational level.

"This agreement paves the way for our first regular series of iron ore shipments from Karara and will generate valuable early cash flow to support the continued overall construction and development of the Project," Mr Dixon said.

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