

SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

24 December 2008

GINDALBIE SETS FEBRUARY SHAREHOLDER MEETING TO APPROVE \$162.1M SHARE PLACEMENT TO ANSTEEL

TRANSACTION DEEMED "FAIR AND REASONABLE" TO NON-ASSOCIATED SHAREHOLDERS

Gindalbie Metals Limited (**ASX: GBG** – "Gindalbie") is pleased to advise that it has today released a Notice of Meeting for an Extraordinary General Meeting (EGM) to be held on 4 February, 2009 to seek approval for the proposed **\$162.06 million** share placement to its joint venture partner, Anshan Iron & Steel Group Corporation ("AnSteel"), announced on 7 November 2008.

The Notice of Meeting includes an Independent Expert's Report (IER) prepared by Deloitte Corporate Finance Pty Limited which concludes that the share placement, comprising 190,658,824 shares at a price of \$0.85 per share, is **fair and reasonable** to shareholders who are not associated with AnSteel.

This conclusion is based on an assessment of the estimated fair market value of Gindalbie shares in the range of \$0.71 to \$1.00 and the substantial premium of the proposed placement price to the trading price of Gindalbie shares both prior to and since the announcement.

The issue price represents a premium of more than 100% premium to the trading price of Gindalbie shares up to 31 October, the last trading day prior to the announcement. Other key considerations highlighted by the IER included:

- while AnSteel will have significant influence over Gindalbie as a result of the share placement, it is not obtaining practical control of the Company;
- the share placement will enable Gindalbie to make its final equity contribution of \$143.68 million to the overall \$1.8 billion project development cost for the Karara Iron Ore Project, with the Company remaining debt free at a corporate level and further strengthening its cash reserves for use in developing its other iron ore projects; and
- the share placement avoids the requirement to raise debt in a difficult market.

Following completion of the share placement, Gindalbie will have 704,637,674 shares on issue and AnSteel will increase its total shareholding from 12.6% currently to 36.28%. Following completion of the transaction, Gindalbie will be debt free at the corporate level and will have uncommitted cash resources of approximately \$40 million.

"This is a very important transaction for Gindalbie which will put the Company in a very strong position in these turbulent and difficult times," said Gindalbie's Chairman, Mr George Jones. "The Independent Expert has concluded that this transaction is fair and reasonable to non-associated Gindalbie shareholders for a number of compelling reasons.

"Most importantly, it ensures that Gindalbie itself is able to remain debt-free, which is in our view of primary importance in the current environment," he continued. "As we have seen elsewhere, the risks associated with having corporate debt significantly outweigh most other considerations at the moment. This is reflected in the fact that several major resource companies are currently seeking to reduce their debt – which is clearly viewed as a major negative in this market."

"We believe this vindicates our decision to commit to this transaction as the best way forward for Gindalbie. As a result of this transaction, Gindalbie will move into 2009 in an exceptionally strong position, with a strong balance sheet, no debt and the ability to realise its core objective of becoming a major new independent Australian iron ore company," he added.

"In addition, by the time this transaction is completed AnSteel will have contributed close to \$600 million towards the development of the Karara Project, either through share issues in Gindalbie or direct equity contributions to the Project," Mr Jones said. "This sends a very strong signal about their commitment to the project and determination to see it proceed to development, notwithstanding the current volatility within the global iron ore 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 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