



Key Points

- Mr George Jones to step down as Chairman, to be replaced by Mr Geoff Wedlock
- Completion of \$162 million share placement to Ansteel to provide equity for the Karara Iron Ore Project
- Positive EPA recommendation for Karara.
- Progress on long lead items remain on schedule. On-site access to start project construction targeted for December Quarter 2009
- Gindalbie consolidated cash reserves of A\$217 million



Details

- The Environmental Protection Authority (EPA) of Western Australia released its Reports recommending approval for the development of the Karara Iron Ore Project in Western Australia, subject to the implementation of Ministerial Conditions.
- The Karara Joint Venture has appealed against the exclusion of the Terapod deposit from the start-up hematite phase of the project. The appeal is not expected to have any impact on the timing of the Ministerial Approval for the main magnetite phase of the Karara Project.
- The Karara Joint Venture remains confident of securing the necessary final approvals to gain full access to site for the commencement of construction in the December Quarter, 2009. The production schedule estimates commencing hematite production toward the end of calendar 2010 and magnetite production mid-2011.
- Gindalbie's cash reserve position has been strengthened with the completion of the A\$162.06 million share placement to Ansteel following approval from Australian and Chinese regulatory authorities. Following the receipt of the placement and equity contribution funds, the Consolidated Entity had cash reserves of A\$217.31 which includes the proportionate consolidation of Gindalbie's share (50%) of KML cash reserves. The Company's cash reserves independent of KML were A\$43.11 million. Gindalbie has nil corporate debt.
- Project development activities are progressing - the procurement of long lead items has been completed; fabrication of long lead items remains on schedule with the first ball mill shells received at Fremantle Port ahead of the start of on-site construction; Front End Engineering Design work has been completed; final design work in underway.
- Negotiations and documentation of the Project Loan remains on track for completion by the end of calendar 2009.

KARARA IRON ORE PROJECT (Ansteel 50%)**Overview**

Gindalbie is developing the world-class Karara Iron Ore Project in joint venture with AnSteel, China's second-largest steel maker and biggest iron ore producer. Karara is approximately 200km east of Geraldton in WA's mid west. The project consists of an initial start-up hematite operation followed by a substantial, long-life, magnetite concentrate operation with the potential to produce +30Mtpa for more than 35 years.

AnSteel has earmarked Karara iron products as the primary feed source for use in its newly-commissioned Bayuquan Steel Mill in northeast Liaoning Province. Built at a cost of approximately US\$5 billion and with an initial capacity to produce 6.5Mtpa of steel, Bayuquan has been built on the coast at Yingkou Port, specifically to receive ore imported from Karara.

Project Funding*Equity*

During the Quarter the Company met all the necessary conditions to allow completion of the A\$162.06 million share placement to AnSteel.

In May, Federal Treasurer Wayne Swan approved the placement under Australia's foreign investment regulations. As part of the FIRB approval, Gindalbie and Ansteel undertook to support the development of Oakajee Port and use the new deepwater port when it becomes available to export Karara production. The partners have also undertaken that the proposed 50:50 ownership structure of the planned joint venture Pellet Plant to be built in China cannot be altered without Australian Government approval.

Chinese Government regulatory approval for the placement was received in June.

Subsequent to the end of the Quarter Gindalbie completed the share placement with the allotment of 190,658,824 million shares at a price of \$0.85 per share to Angang Group Hong Kong (Holdings) Limited. Following the placement Gindalbie has 705.1 million shares on issue, with Ansteel holding 36%.

Following completion of the placement Gindalbie made a \$143.68 million equity contribution toward the development of the Karara Iron Ore Project. The remaining \$18.38 million from the placement has been retained by Gindalbie and takes its uncommitted cash reserves to \$43.11 million.

Ansteel also made an equal equity contribution of \$143.68 million into the bank account of Karara Mining Limited (KML), the Joint Venture Company which is developing Karara. Gindalbie and Ansteel are equal 50% shareholders in KML.

With these payments, KML holds cash reserves of approximately \$350 million to underpin the development of Karara. KML has already spent approximately \$200 million on long-lead items, pre-development activities and other items required for project development.

Debt

Project debt for Karara is to be provided by China Development Bank, which has already provided conditional approval to KML for up to US\$1.2 billion.

Project finance lawyers have now been appointed by all parties to assist with the term sheet negotiations and loan documentation.

Terms and conditions of the Project Loan are being targeted for completion in the December Quarter, 2009. The cash position of KML means drawdown of the Project Loan will not be required until 2010.

Approvals

The Environmental Protection Authority of Western Australia released its Reports for the Karara Iron Ore Project in April. The magnetite and hematite phases of the Project, while both part of Karara, were treated as separate projects from an approvals point of view.

In terms of the magnetite phase of Karara, the report concluded the project could be developed with the implementation of the recommended Ministerial Conditions. However, a detailed review of the EPA report highlighted some inconsistencies and ambiguities within the report, which the Joint Venture is appealing, along with some parts of the other minor conditions. The WA Conservation Council lodged an appeal against the project, but the Joint Venture is confident that appropriate management strategies have been put in place to address any concerns.

The appeals process - where appeals are reviewed and heard by the Appeals Convenor and a recommendation referred to the Minister for Environment - takes approximately 16 weeks before final Ministerial approval can be obtained enabling the Karara Project development to proceed. Using those estimates the Joint Venture has targeted to be on-site in the December Quarter.

In terms of the hematite phase, the Joint Venture was seeking approval for two orebodies located on the Karara Ridge, known as Blue Hills North and Terapod, having previously removed from assessment the orebodies located on the Mungada Ridge.

The EPA report recommended the approval of the Blue Hills North orebody, conditional on the implementation of Ministerial Conditions, but recommended against the development of the Terapod orebody. The Joint Venture has lodged an appeal against the exclusion of the Terapod deposit from the recommended approval. The Joint Venture is also aware of a large number of appeals from Local Governments and other groups in the Mid West against the exclusion of Terapod.

The appeal against Terapod is not expected to have any impact on the timing of final Ministerial approval for the Karara Project.

Project Development

Front End Engineering Design (FEED) for the Karara concentrate processing plant was concluded during the Quarter.

Detailed design engineering for Karara's supporting infrastructure, with a design capability of up to 16Mtpa has continued. While the Joint Venture is focussed on achieving the start-up capacity of 8Mtpa, the opportunity is being taken to design and install additional infrastructure capacity, facilitating easier and more cost effective expansions.



Figure 1: HPGRs under construction for the Karara Iron Ore Project.

Port

The Geraldton Port remains the initial solution to export iron ore products from Karara to China. Facilities upgrades at the Port will include new dedicated Karara storage facilities on land behind Berths 5 & 6, which will provide the capacity to export up to 14mtpa. The proposed Oakajee Port, north of Geraldton, remains the planned export port for the future expansion of Karara.

Rail

Rail solutions have been identified to transport iron products from Karara to Geraldton Port for shipping.

Part of the solution involves building a new 85km spur line from Karara to Tilley Siding, near Morawa. An existing rail line runs from Morawa to Geraldton.

Design work for the 85km spur line from Karara to Tilley Siding is essentially complete and work on the spur line is now likely to start early in 2010.

Power

Energy for the Karara site will be transmitted through the WA Government's South West Interconnected System (SWIS) network under a 15-year energy supply agreement with State energy utility, Verve Energy, which was signed in the December Quarter, 2007.

As part of strategy to build additional infrastructure in the initial phase of the Project, the planned power line from Karara to Eneabba will be upgraded to 330kv, from 132kv. There is an existing network of 132kv power

lines from Perth to Geraldton which will be able to provide the necessary power for an approximate 10Mtpa start-up.

The Joint Venture is confident the WA State Government will find a solution to upgrade the Mid West region's power infrastructure in a timeframe that suits the Karara expansion plans.

Water

Process water for the Karara Project is expected to come from an aquifer at Twin Hills near Mingenew. The project requires approximately 6.6 gigalitres per annum from an available 46gl per annum aquifer capacity. The process water will be delivered via two pumping stations over approximately 150km of 550mm diameter pipeline. Installation of the pipe line is scheduled to start in early 2010 and is expected to take approximately 12 months to complete.

Concentrator

The Front End Engineering Design (FEED) contract, which is being jointly undertaken by ProMet and Bateman has been concluded with the design effort focused now on the detailed engineering design in the Beijing design office of Maison Worley Parsons.

The Maison Worley Parsons team has been significantly strengthened and is working towards completing the design to support the start of on-site construction in the December Quarter.



Figures 2: Completed Ball Mill shells being loaded for transport from Melbourne to Fremantle.

For personal use only

Contracts and Procurement

During the Quarter no additional major contracts were let. Progress on long lead items is as follows.

- The Primary Crusher, being built for supplier FLSmidth by Ansteel in their Anshan facility, remains on schedule for delivery June Quarter, 2010.
- The mainframes of the three Secondary Crushers are 30% complete and delivery is on schedule for the June Quarter, 2010.
- The two High Pressure Grinding Rolls (HPGRs) remain on schedule for delivery in the March Quarter 2010, with overall completion at 56%.
- The Ball Mills are 64% complete and the first mill shell has been transported from Melbourne to Fremantle for storage ahead of on-site installation. The complete is order due for shipment late this year.



Figures 3: Ball Mill shells being unloaded at Fremantle Port.

- The four Fine Grinding Mills remain on schedule for delivery in line with the contract in the March Quarter, 2010.
- The two 330kv Power Transformers remain on schedule with work on site to commence in the June Quarter, 2010.

Accommodation Facilities

Work is scheduled to commence in the September Quarter, 2009, on the initial construction stage camp providing accommodation for the early Karara works and the linear infrastructure works. This 200-person facility (expandable to 300-person), to be located on private property between Morawa and Karara, will be in place to support the scheduled start of construction in the December Quarter, 2009.

Karara Project Exploration

The exploration and resource definition drilling for the first stage of development at Karara has been largely completed. The reserves and resources defined to date should allow +30Mtpa of production for more than 30 years. The orebody remains open at depth and extends to the North West along the Karara Ridge. The results from previous drilling are reported below.

Karara Magnetite Resource

The Davis Tube Recovery (DTR) assay results for holes were returned and the results indicate areas of Banded Iron Formation (BIF) mineralisation consistent with previous results. This drilling was aimed at improving ore definition below and along strike to the north of the existing pit design. Selected results are shown in Table 1. All results are tabled in Appendix A.

Hole ID	Northing	Easting	From (m)	To (m)	Interval (m)	Recovery (%)	Fe%	SiO2%	P%	S%
KAR1001	6771099	478089	24	300	276	46.77	69.62	3.26	0.010	0.354
KAR1001	6771099	478089	300	496	195.1	42.99	68.11	4.78	0.013	0.214
KAR1001	6771099	478089	504	701	197	44.99	69.17	3.82	0.010	0.096
KAR1002	6771104	478089	32	300	268	39.19	66.65	6.76	0.015	0.110
KAR1003	6770799	478057	52	180	128	42.41	69.03	3.96	0.014	0.123
KAR1008	6772263	478270	64	236	172	42.48	68.93	4.27	0.007	0.015
KAR1009	6772366	478450	70	162	92	43.28	68.71	4.19	0.007	0.008
KAR1010	6772460	478627	52	240	188	39.73	69.56	3.24	0.006	0.029
KAR1011	6772820	479121	64	150	86	45.61	69.59	3.41	0.007	0.005
MKD054	6772130	478677	335	394	58.6	46.09	69.07	4.05	0.006	0.019

Note: A nominal cut-off of 20% weight recovery with a maximum of 8m internal waste was used to locate significant intersections

Table 1: Karara DTR Results – June Quarter 2009

Blue Hills North

Blue Hills North, which contains a magnetite deposit underlying a hematite resource, is expected to be the first hematite pit developed for the Karara Project.

DTR assay results were returned for Blue Hills North drilling completed during the previous quarter. The results are consistent with the interpretation of a high grade magnetite-rich altered BIF which produced outstanding quality concentrate in DTR. Selected results are shown in Table 2 and included in Appendix A.

Hole ID	Northing	Easting	From (m)	To (m)	Interval (m)	Recovery (%)	Fe%	SiO2%	P%	S%
BHN1001	6775332	482331	48	108	60	39.13	70.37	2.68	0.004	0.003
BHN1002	6775269	482261	40	108	68	47.34	70.50	2.31	0.005	0.004
BHN1003	6775685	482896	19	66	47	37.45	70.38	2.21	0.005	0.002

Note: A nominal cut-off of 20% weight recovery with a maximum of 8m internal waste was used to locate significant intersections

Table 2: Blue Hills North DTR Results – June Quarter 2009

Terapod

The Terapod project encompasses the original Terapod and the adjacent Terapod West deposits which are now expected to be mined as a single open pit.

DTR assay results were returned during the quarter for a hole designed as a pilot water bore that also intersected magnetite rich BIF within the transitional zone between oxide and fresh BIF. Further investigation will be undertaken to identify if the ore is suitable for processing through the concentrator. Results are shown in Table 3 and included in Appendix A.

Hole ID	Northing	Easting	From (m)	To (m)	Interval (m)	Recovery (%)	Fe%	SiO2%	P%	S%
TPD1001	6777819	487826	68	96	28	31.91	65.87	7.50	0.006	0.011

Note: A nominal cut-off of 20% weight recovery with a maximum of 8m internal waste was used to locate significant intersections

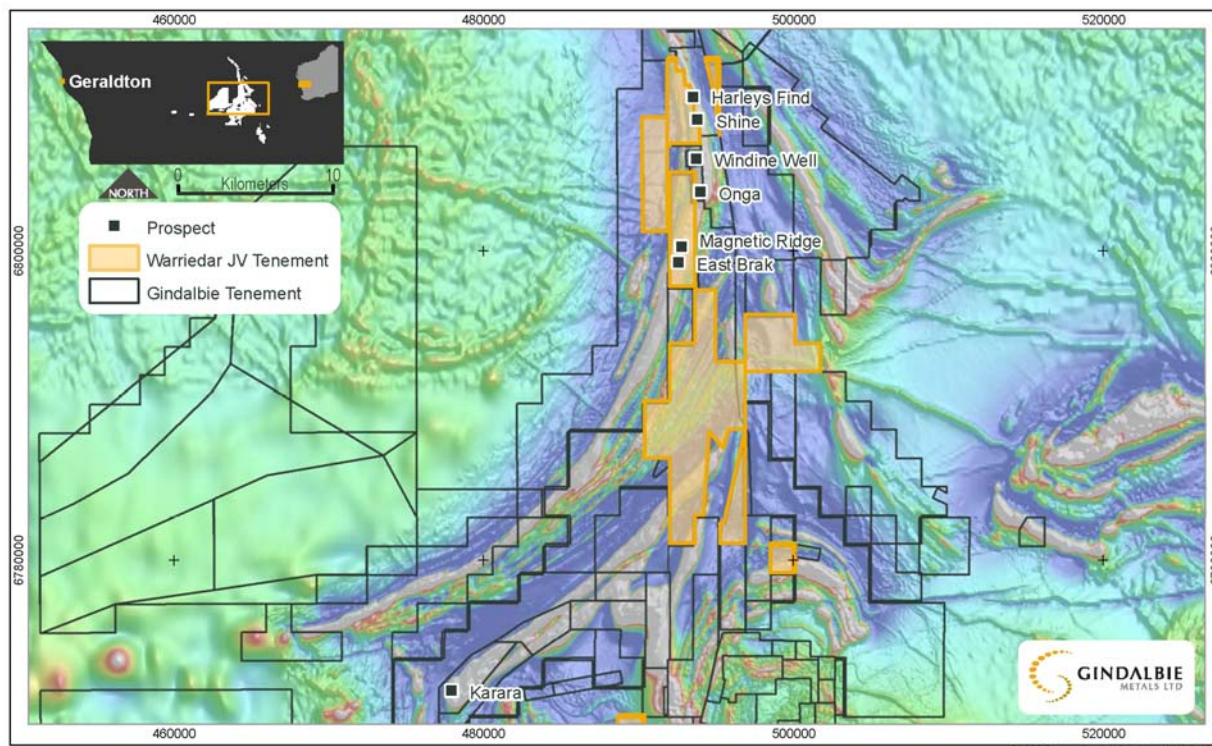
Table 3: Terapod DTR Results – June Quarter 2009

GINDALBIE REGIONAL EXPLORATION

Gindalbie has a number of regional exploration prospects that have the potential to provide additional resources of primarily DSO grade material to supplement production from the Karara Project. However, as previously reported, the company's primary focus remains the rapid development of the flagship Karara Project and therefore the level of ongoing regional exploration has been significantly reduced to reflect the current economic circumstances.

The greenfields exploration that was undertaken was directed towards the highly prospective Windaning Formation Stratigraphy of the Jasper Ridge Trend that hosts the Shine prospect.

For personal use only



Onga Prospect E59/1329 (Gindalbie 100%)

Continued mapping and sampling at Onga defined three zones of iron enrichment within a structurally complex horizon of the BIF. Significant rock chip results are listed in Table 4.

Sample No	Northing	Easting	Fe%	SiO2%	Al2O3%	P%	S%	LOI
GR3239	6803530	493701	61.49	1.95	2.02	0.073	0.070	7.35
GR3240	6803520	493689	60.70	6.40	2.61	0.072	0.065	3.54
GR3241	6803506	493737	65.89	2.52	1.48	0.039	0.035	1.55
GR 3243	6803569	493700	61.59	3.46	2.32	0.079	0.064	5.72

Note: A nominal cut-off of 57% Fe

Table 4: Onga (Gindalbie 100%) Rock Chip Assay Results – June Quarter 2009

Windine Prospect M49/421 (Gindalbie 100%)

The Windine Prospect is located midway between Onga (2km to the south) and Shine (2km to the north) along the common Windaning Formation BIF trend. Narrow zones of hematite enrichment were preliminarily identified and sampled with the significant rock chip results listed in Table 5.

For personal use only

For personal use only

Sample No	Northing	Easting	Fe%	SiO2%	Al2O3%	P%	S%	LOI
GR3576	6806235	494012	65.84	1.29	0.65	0.099	0.022	3.87
GR3569	6806312	494037	64.78	2.55	0.27	0.172	0.014	3.97
GR3582	6806322	494029	62.29	4.21	1.06	0.205	0.019	5.30
GR3575	6806212	494018	59.97	9.77	0.93	0.127	0.022	3.22
GR3588	6806467	494084	59.89	3.42	1.89	0.092	0.067	8.19

Note: A nominal cut-off of 57% Fe

Table 5: Windine (Gindalbie 100%) Rock Chip Assay Results – June Quarter 2009

Warriedar JV (Gindalbie 60%)

Activities on the Warriedar Joint Venture in the Mid West consisted of regional mapping and sampling programs along the common Windaning Formation BIF trend south of Lister and north of Shine. Previous work within this area has defined significant iron ore enrichment which is expected to form the basis of a DSO project at Shine.

Magnetic Ridge to East Brak Prospect E59/887

The Magnetic Ridge and East Brak Prospects are situated 8km and 10km, respectively, south of Shine. Significant rock chip results are listed in Table 6.

Sample No	Northing	Easting	Fe%	SiO2%	Al2O3%	P%	S%	LOI
GR3548	6798816	492545	57.01	5.62	3.47	0.162	0.102	8.59
GR3553	6799731	492755	58.07	5.47	3.71	0.038	0.063	3.85
GR3558	6799867	492769	60.62	5.45	2.93	0.031	0.09	2.95
GR3560	6798081	492043	59.50	2.84	1.88	0.138	0.113	9.06

Note: A nominal cut-off of 57% Fe

Table 6: Magnetic Ridge to Brak (Warriedar JV) Rock Chip Assay Results – June Quarter 2009

Harleys Prospect E59/1330 and M59/406 (Gindalbie 100%)

The Harleys Prospect is the 4km of prospective BIF stratigraphy directly north of Shine and straddles the two tenements. Significant rock chip results are listed in Table 7.

Sample No	Northing	Eastings	Fe%	SiO2%	Al2O3%	P%	S%	LOI
GR3321	6809419	493565	57.2	12.1	0.98	0.11	0.036	4.7
GR3322	6809408	493359	62	4.6	1.7	0.093	0.02	4.5
GR3374	6810436	493208	58.3	12.4	0.32	0.11	0.012	3.8

Note: A nominal cut-off of 57% Fe

Table 7: Harleys (Warriedar JV) Rock Chip Assay Results – June Quarter 2009

CORPORATE

Cash Reserves

At 30 June 2009, the Consolidated Entity had cash reserves of A\$127.09 million which includes the proportionate consolidation of Gindalbie’s share (50%) of the KML cash reserves. The Company’s cash reserves independent of KML were A\$24.73 million.

Following the receipt of the share placement and equity contribution funds on July 1, 2009, the Consolidated Entity’s cash reserves increased to A\$217.31 which includes the proportionate consolidation of Gindalbie’s share (50%) of KML cash reserves. The Company’s cash reserves independent of KML were A\$43.11 million. Gindalbie has nil corporate debt.

Board Changes

Several Board changes have taken place during the period.

Mr Yu Wanyuan and Mr Chen Ping, both of whom are senior executives of major shareholder and joint venture partner AnSteel, have been appointed as non-executive directors of Gindalbie following completion of the share placement. Together with the existing non-executive director Mr Wang Heng, they make up Ansteel’s representation of Gindalbie’s nine-member board.

Subsequent to the end of the Quarter, Mr George Jones announced he will step down as non-executive Chairman effective from 31 August, 2009. Mr Jones will remain a non-executive director, but intends to take a six-month leave of absence, to enable him to focus on completing his rehabilitation from a previous medical operation.

The Board of Gindalbie announced the appointment of Mr Geoff Wedlock, who has been a non-executive Director since February 2008, as the Company’s non-executive Chairman. Mr Wedlock is a highly experienced mining executive with more than 40 years experience who has had a long association with Mr Jones and with Ansteel.

Mr Wedlock was previously Managing Director of the successful Australian iron ore producer Portman Limited and Executive Vice President and CEO of BHP Iron Ore Pty Ltd, where he was directly involved in the development of four mines, upgrades of two ports and two railways, major infrastructure and the development of iron ore processing plants.

For personal use only

Shareholder Information

As at 30 June, 2009, the Company had 705,187,674 million shares on issue and 13,058 shareholders. The Top 20 shareholders held 62.74% of the Company.

Yours faithfully
GINDALBIE METALS LTD



GARRET DIXON
Managing Director and CEO

Competent Person Compliance Statements

The information in this report that relates to Exploration Results and Resource Statements is based on information compiled by Mr David Mason who is a Member of the Australasian Institute of Mining and Metallurgy.

Mr Mason is a full-time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Mason consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For personal use only

APPENDIX A

Table 1: Karara DTR Results – June Quarter 2009

Hole ID	Northing	Easting	From (m)	To (m)	Interval (m)	Recovery (%)	Fe%	SiO2%	P%	S%
KAR1001	6771099	478089	24	300	276	46.77	69.62	3.26	0.010	0.354
KAR1001	6771099	478089	300.9	496	195.1	42.99	68.11	4.78	0.013	0.214
KAR1001	6771099	478089	496	504	8	15.85	67.7	5.10	0.025	0.960
KAR1001	6771099	478089	504	701	197	44.99	69.17	3.82	0.010	0.096
KAR1002	6771104	478089	24	32	8	7.27	66.50	4.70	0.021	<0.001
KAR1002	6771104	478089	32	300	268	39.19	66.65	6.76	0.015	0.110
KAR1003	6770799	478057	52	180	128	42.41	69.03	3.96	0.014	0.123
KAR1003	6770799	478057	180	184	4	11.05	68.10	3.30	0.017	3.4
KAR1008	6772263	478270	64	236	172	42.48	68.93	4.27	0.007	0.015
KAR1009	6772366	478450	70	162	92	43.28	68.71	4.19	0.007	0.008
KAR1010	6772460	478627	48	52	4	11.00	67.40	4.00	0.015	0.018
KAR1010	6772460	478627	52	240	188	39.73	69.56	3.24	0.006	0.029
KAR1011	6772820	479121	52	60	8	8.13	65.25	7.35	0.018	0.002
KAR1011	6772820	479121	64	150	86	45.61	69.59	3.41	0.007	0.005
MKC079	6772110	478130	232	246	14	43.79	69.80	3.30	0.009	0.009
MKC136	6771922	478319	48	60	12	28.76	68.07	4.07	0.015	0.020
MKD054	6772130	478677	335.4	394	58.6	46.09	69.07	4.05	0.006	0.019
MKD054	6772130	478677	394	398	4	19.56	68.90	3.80	0.015	0.580

For personal use only

Table 2: Blue Hills North DTR results – June Quarter 2009

Hole ID	Northing	Easting	From (m)	To (m)	Interval (m)	Recovery (%)	Fe%	SiO2%	P%	S%
BHN1001	6775332	482331	48	108	60	39.13	70.37	2.68	0.004	0.003
BHN1002	6775269	482261	40	108	68	47.34	70.50	2.31	0.005	0.004
BHN1003	6775685	482896	11	19	8	16.32	68.20	3.70	0.021	0.003
BHN1003	6775685	482896	19	66	47	37.45	70.38	2.21	0.005	0.002

Table 3: Terapod DTR results – June Quarter 2009

Hole ID	Northing	Easting	From (m)	To (m)	Interval (m)	Recovery (%)	Fe%	SiO2%	P%	S%
TPD1001	6777819	487826	68	96	28	31.91	65.87	7.50	0.006	0.011
TPD1002	6777761	487741	56	66	10	8.81	67.30	4.60	0.007	0.005

For personal use only