

KARARA DEBT SOLUTION FOR FOREIGN EXCHANGE AS CONSTRUCTION MOVES INTO FINAL PHASE

FUNDS WILL COVER FUNDING SHORTFALL ARISING FROM FOREIGN EXCHANGE MOVEMENTS

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to announce the signing of a Mandate Letter and Term Sheet with the China Development Bank (“CDB”) for an additional **US\$250 million** project debt facility which secures the final remaining funding required to complete construction of its flagship **Karara Iron Ore Project** in Western Australia.

As previously announced (see *ASX Announcement – 19 July 2011*), the anticipated funding shortfall has arisen because of the exchange rate assumptions made in respect of the original US\$1.2 billion Karara Project Loan and US\$336 million Working Capital Facility (which were denominated in US Dollars), compared with the actual performance of the Australian Dollar during the draw-down period.

The mandate letter and term sheet signed by Karara Mining Limited (KML), the joint venture company of Gindalbie and its partner Ansteel, sets out the key terms of the new facility and paves the way for finalisation of key conditions and documentation prior to the required first draw-down in the December Quarter 2012.

Gindalbie’s Managing Director, Mr Tim Netscher, said he was very pleased that the debt strategy, which had been flagged as the likely solution for almost 12 months, had been successfully delivered, with the facility expected to comfortably cover the anticipated foreign exchange exposure.

“It also demonstrates convincingly that we have successfully delivered on our strategy of appropriately debt-funding the Karara Project on continued attractive terms and conditions,” Mr Netscher continued. “I am confident that this signals a major milestone for Gindalbie as we deliver our remaining project development targets and shortly commence commissioning activities at Karara,” he said.

“With hematite ore railings into the port to commence in the second half of August, and the staged commissioning of the magnetite concentrate plant commencing shortly thereafter, I am confident we can look forward to a significant market re-rating as Gindalbie reaps the rewards of the hard work put in over the past three years,” he said.

The US\$250 million “Tranche 3” facility is being provided by China Development Bank, continuing its strong support for the Karara Project. The “Tranche 1” project debt and “Tranche 2” working capital facilities were provided by a Chinese banking syndicate led by CDB and Bank of China. The Tranche 3 facility is being provided on similar competitive terms to Tranches 1 and 2.

“In conclusion, I would like to acknowledge the continued support provided by our Chinese banking syndicate, led by the China Development Bank,” Mr Netscher said. “Without their faith and trust in our ability to deliver this project, it would simply never have happened. We are now looking forward to repaying that faith by delivering a world-class iron ore project.”

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