



"We're Underway!"

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- WA Premier Colin Barnett marks the official start of Karara construction, Pg 2-3

Welcome



As we move into a new year and a new decade, I am delighted to report that construction activities are now well and truly underway at our world-class Karara Iron Ore Project in Western Australia – representing the start of a truly landmark era for Gindalbie Metals, our shareholders and our partner Ansteel.

The Karara Joint Venture received the final go-ahead to commence construction following the receipt of State Government environmental approval on 9 September 2009 and Commonwealth environmental approval on 30 October.

After months of preparations and off-site work – including the ordering and manufacture of long-lead items such as primary and secondary crushers, ball mills and power transformers – our site clearing teams moved on location within days of the final paperwork being received from the Federal Government.

We expect to have around 500 people onsite by January, increasing to 1,000 by the middle of next year. Soon, concrete foundations will start being poured, structural steel will start being erected and over the next 18 months this site will be transformed into a large, modern mining processing facility.

The long-awaited launch of this world-class project signals the beginning of a major transformation – both for Gindalbie and for the broader Mid West region.

The development of this flagship project in joint venture with Ansteel will elevate Gindalbie into the ranks of leading Australian resource companies. At the same time, it will bring new investment, employment, opportunities and export revenue to the Mid West region and royalties and taxes to the State of Western Australia.

Karara is the largest and most advanced project in the Mid West region and one of the largest resource projects anywhere in Australia to be developed under a joint venture between a mid-tier Australian mining company and a major international group.

Our planning is for production to start at an initial rate of 10Mtpa of DSO and high-grade magnetite concentrate in 2011. However, we already know that the ore body can support a much higher

production rate, and our vision is for Karara to eventually become a 30-35Mtpa project, which we believe can be sustained for over 30 years.

As we embark on this exciting new chapter in our history, I would like to take this opportunity to wish you and your families a safe and happy festive season and all the very best for a prosperous and successful New Year.

Garret Dixon
Managing Director and CEO

Karara Team in Place

Now that Gindalbie has commenced construction through the Karara Joint Venture, the fun really starts!

Without doubt, the Company's key areas of focus during the construction stage will be cost and schedule. The Karara Iron Ore Project will be enormous, and involves not only a large processing plant, but significant supporting infrastructure such as power lines, rail spur, water pipelines and port facilities.

All of these things will be managed concurrently to meet the target of producing the first hematite ore in the first half of 2011 and the first magnetite concentrate by mid-2011. Gindalbie CEO, Garret Dixon, firmly believes the secret to success is to have an experienced team with a hands-on approach to management.

Garret is confident of the company's ability to meet its targets because of the excellent team they have pulled together, headed by Steve Murdoch, the Chief Operating Officer of joint venture company Karara Mining Limited (KML), and Peter McBain, who leads the Project Development Team (PDT). While at one level, these two teams may appear to duplicate each other, they will in fact work on parallel during the construction and handover phase, providing an effective system of self-regulation and checks and balances during the construction process.

While the PDT will focus on building the Project, KML will operate Karara once it has been handed over. As the ultimate owner and operator of the Karara Project, KML will work closely with the PDT, having significant input into the construction and delivery phase.

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\$400M in New Contracts to be Awarded

Following receipt of final environmental approvals in October, contracts totalling \$A400 million for the Karara Project are expected to be awarded over the coming months.

These are for earthworks and concrete packages for the concentrator, construction of the main Karara Village and development work at Geraldton Port. Other major contract packages will include construction steel works, the rail spur line, the water pipeline and power transmission line.

For all Karara Iron Ore Project contractors and suppliers there is a Local Preference Policy, with an order of preference starting with the Mid West region, WA and Australia. This will ensure that the Mid-West region gains as much economic benefit out of the construction of the project as possible.

The single-biggest award will be the mining contract, which will be awarded in the March Quarter of 2010.



Gindalbie Managing Director Garret Dixon at the Groundbreaking Ceremony.



Work is well underway on the 300-person Lochada Camp (above), located mid way between the mine site and the township of Morawa, while clearing of the Karara Concentrator site (below) is two-third complete.



Ansteel Senior Vice President Wen Baoman, Gindalbie Non-Executive Director George Jones and WA Premier Colin Barnett turn the first soil for the Karara Iron Ore Project (above). Below - The Premier talks to contracting staff on site.



Ground-breaking Ceremony

Gindalbie opened a major new chapter in its history on Saturday 28 November, with an official ground-breaking ceremony held on site to officially mark the commencement of construction of the Karara Iron Ore Project.

The symbolic first sod was turned on the site of the Karara magnetite concentrator by Western Australian Premier Colin Barnett, Gindalbie Director and immediate past-Chairman, Mr George Jones, and the Vice President of Ansteel, Mr Wen Baoman.

The ceremony was also attended by senior Ansteel executives, Mr Su Wensheng and Mr Wang Heng, the Chinese Consular General in Perth, Mr Li Shugang, representatives of the area's traditional owners, representatives of the media and other senior Gindalbie management, employees and guests.

For Gindalbie, this momentous occasion marks the culmination of more than five years of pioneering exploration, feasibility and pre-development activities in the Mid West region.

Gindalbie Managing Director Mr Garret Dixon said the commencement of construction also marked the beginning of a new period of growth and development for the broader Mid West region and a vindication of the strong partnership established with Ansteel.

"In commemorating this historic milestone, I would like to acknowledge the vital support that has been provided to us over many years by Ansteel, which has brought key elements to the project development including a long-term off-take agreement, equity and project funding," he said.

"Thanks to Ansteel's support, Karara is one of the first projects in Australia to involve an integrated development with an offshore downstream processing facility in the form of a Joint Venture pellet plant which will be constructed near the site of Ansteel's new steel-making facility at BaYuQuan in China," Mr Dixon said.

Mr Barnett said Karara was a major landmark in the development of the WA Iron Ore Industry. "Karara is the most advanced of proposals for large-scale iron ore mining in the Mid West, and its impact across a projected 35-year life span will be significant for surrounding communities and the State generally". Mr Barnett said.



Ansteel Vice President Su Wengsheng, Senior Vice President Wen Baoman, Gindalbie Non-Executive Director George Jones and WA Premier Colin Barnett on part of the cleared area which will become the Karara processing plant. In the background is part of the Karara ridge, which contains the Karara orebody.

Karara at a glance...

- **Jobs:** 1,500 peak construction jobs (500 by Jan, 1000 by June)
600 direct and indirect long term jobs
- **Annual export revenue:** \$1 billion initially, potentially increasing to \$3 billion
- **Annual government royalties:** \$40 million, potentially increasing to \$120 million
- **Production:** 10Mtpa, potential for +30Mtpa for +30 years
- **Port:** Initial production through Geraldton Port
Expansion tonnages through Oakajee Port

“In the Hot Seats”

Stephen Murdoch, Chief Operating Officer Karara Mining Ltd

As Chief Operating Officer of Karara Mining Limited, Steve Murdoch is responsible for the operation of the Karara Project.

Steve brings a wealth of development and management experience in the international mining and resource sectors, as well as with industrial companies, to the role.

He was most recently Executive Director-Australia of UK-listed Cape Plc, a leading provider of industrial services to the energy and natural resources sectors.

Prior to that, he held a range of senior executive positions including as Chief Operating Officer with Austal Ships, General Manager – Manufacturing with the Reinforcing Steel Products Division of Smorgon Steel, and General Manager – Metallurgical Operations with Mount Isa Mines Business Unit, where he was responsible for over A\$1.7 billion worth of metal and concentrate production.

Steve reports directly to Garret Dixon, the Managing Director of both Gindalbie and KML, and works in close conjunction with Peter McBain, who heads up the Karara Project Development Team.

Peter McBain, General Manager - Project Development Karara Mining Ltd

As head of the Project Development Team, Peter's job is to deliver the completed Karara Project to KML.

Peter is a civil engineer with over 20 years of industrial and mining experience.

In the last 15 years Peter has focused on public utility and mine infrastructure project delivery. In this time, he has worked with all of Australia's largest iron ore producers (BHP Billiton, Rio Tinto, Portman, One Steel and FMG) in the development and/or operation of major projects.

Most recently, Peter was the General Manager of the civil contracting division of NRW Pty Ltd.



Steve Murdoch (left) and his team will operate the Karara Project, which is being built by Peter McBain (right) and his team.

Your Company

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Australian Stock Exchange Code:
GBG

Capital Structure:

Fully-Paid Shares on Issue: 706.2 Million
Market Capital: ~\$670 Million

Major Shareholders:

Anshan Iron and Steel Group Corporation
Melewar Steel Ventures
Directors & Management
BT Investment
JP Morgan (London)

Gindalbie Senior Management

Garret Dixon, Managing Director and CEO
David Southam, Chief Financial Officer
David Stokes, General Counsel and Company Secretary
Michael Weir, Corporate Affairs and Investor Relations Manager

Karara Senior Management

Steve Murdoch, Chief Operating Officer
Peter McBain, General Manager - Project Development
Greg Kaeding, Community Relations and Environment Manager
Brian Conrick, Infrastructure and Contracts Manager
Aidan Kelly, Chief Advisor - Project Approvals
Paul Sims, Chief Financial Officer

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