

## SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

7 November 2008

# GINDALBIE ACCEPTS \$162.1M ANSTEEL SHARE PLACEMENT OFFER TO COMPLETE EQUITY FUNDING

### KEY POINTS

- Proposed share placement to AnSteel comprising 190.7 million shares at A\$0.85 per share.
- Issue price represents a 105% premium to the closing price of Gindalbie shares on 31 October 2008.
- AnSteel poised to make final equity contribution of A\$143.68 million to Karara.
- Reduces funding risk and leaves Gindalbie debt-free in the current credit market environment.

Gindalbie Metals Limited (**ASX: GBG** – “Gindalbie”) is pleased to announce that it has accepted an offer by its joint venture partner in the Karara Iron Ore Project, Anshan Iron & Steel Group Corporation (“AnSteel”), to fund Gindalbie’s share of the equity contribution towards the estimated A\$1.8 billion project development cost via a **A\$162.06 million share placement** to AnSteel to be undertaken at an issue price of **A\$0.85 per share (“Placement”)**.

The issue price represents a premium of 105% to the closing price of Gindalbie shares on 31 October, and a 74% premium to the volume weighted average price (VWAP) of Gindalbie shares for the 30 days up until 31 October 2008.

The proposed Placement, which is subject to execution of formal agreements, shareholder and regulatory approval, represents a further significant vote of confidence by AnSteel, both in the Project and in Gindalbie as an emerging, independent Australian iron ore producer.

Following completion of the Placement and the final equity contribution to the joint venture company Karara Mining Limited, AnSteel will have invested a total of \$573.1 million by way of Gindalbie placements and Karara Project equity contributions.

Gindalbie had previously exercised its right, under the terms of the Karara Joint Venture Development Agreement (JVDA), to request AnSteel to arrange finance for Gindalbie’s share of the equity contributions to the Project. AnSteel subsequently responded to Gindalbie’s request to provide equity funding via the Placement. As a result of the significant decline in global equity and credit markets in recent months, Gindalbie’s Board has unanimously decided that it is in the best interests of Gindalbie shareholders to de-risk the Company’s balance sheet and accept the offer of the Placement.

The Placement will comprise 190,658,824 shares to be issued at a price of A\$0.85 per share, to raise A\$162.06 million. The proposed share placement is subject to execution of formal agreements, approval by Gindalbie shareholders, which will be sought at a meeting to be convened as soon as practicable, approval by the Foreign Investment Review Board and Chinese regulatory approvals.

Following completion of the share placement, Gindalbie will have 704,637,674 shares on issue and AnSteel will increase its total shareholding to 255,658,824 shares, representing a holding of 36.28% (compared with 12.6% currently).

Under the agreed payment schedule for equity payments, AnSteel has made three payments to date totaling A\$228.4 million and Gindalbie has made one payment of A\$18.4 million. Gindalbie and Ansteel have agreed to re-schedule the final contributions of A\$143.68 million each. AnSteel has advised Gindalbie that it has the funds available in Australia to make its remaining equity contribution to Karara Mining Limited and the timing will be finalised during the completion of the placement documentation. Gindalbie will make its final contribution upon shareholder approval of the AnSteel placement.

Karara Mining Limited currently has approximately A\$190 million in cash reserves from earlier equity payments, and the re-scheduled timeframe will have no impact on the ongoing engineering, design and development work currently being carried out for Karara.

“This represents another very significant milestone for the Karara Joint Venture and an enormous achievement in the current difficult market environment,” said Gindalbie’s Chairman, Mr George Jones. “I would like to take this opportunity to thank AnSteel for their unwavering support of Gindalbie and the Karara Project.

“This should be seen as a very clear message of confidence to all Government agencies and contractors dealing with Gindalbie on Karara. This reinforces the true spirit of partnership between our two organisations and our shared commitment and vision to deliver a major new iron ore project for the Mid West region of Western Australia.

“While we acknowledge that the issue of new equity represents a movement from our original strategy, it is being undertaken at a time of uncertainty in the world’s credit markets where even large blue chip organisations are struggling with refinancing,” Mr Jones continued. “It is at a substantial premium to the current market price and to an existing cornerstone shareholder who is intimately involved with the Company and the Project as our Joint Venture partner.

“This arrangement means Gindalbie will remain debt-free at a corporate level and with cash reserves approximately A\$40 million. This puts us in a very strong position for the development of Karara and also our plans to develop other iron ore projects across our 1900 sq km tenement holding in the Mid West,” he added.

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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](http://www.ansteelgroup.com)