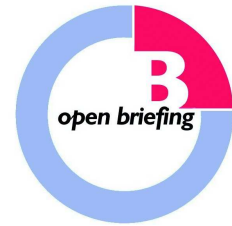


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**Record of interview:**

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Gindalbie Metals Limited (ASX Code: GBG) have commenced a Feasibility Study on increasing the magnetite start-up production rate of the Karara Iron Ore Project from 8 Mtpa (4 Mtpa concentrate and 4 Mtpa pellets) to 12Mtpa of magnetite concentrate. The Feasibility Study will also assess the viability of further increases to the magnetite concentrate production rate. How long will this take? Would any additional capital be required above your original BFS estimate? What would the likely product mix (concentrate vs. pellets) be under an expanded production scenario?

**CEO Garret Dixon**

You have to think about where Gindalbie came from. When we started with our equal joint venture partner Ansteel we thought we had a 400 million tonne Exploration Target at Karara and we looked at a potential mining rate of 20 Mtpa to provide our estimated concentrate production rate of 8 Mtpa.

However, Karara has proven to be a much richer orebody than first anticipated with drilling to date defining a 497 million tonne Reserve plus a 929 million tonne Resource of available magnetite iron ore. We are currently drilling to define our magnetite Exploration Target of 2.2-2.8 billion tonnes, which would equate to 0.9-1.1 billion tonnes of concentrate grading 68-69% - or 1 billion tonnes of a high grade Direct Shipping Ore equivalent, if you like.

As a result, our production rate could comfortably be three times the level of our Bankable Feasibility Study and possibly more. As a first stage, we've started to look at increasing the start-up rate to 12 Mtpa. We know that Ansteel are also very keen to get more ore for their own expansion plans, which involve lifting their finished steel production from 24 Mtpa to more than 50 Mtpa by 2011.

Any increase beyond the current 8 Mtpa of concentrate production will require additional capital and we're doing the feasibility studies on the costs of the upgrade at the moment. We will know that by the end of the year, however doubling the production capacity does not mean a doubling of the original capex estimate. A large amount of the up-front capital for this project goes into infrastructure with built-in additional capacity and we will be able to utilize that with any expansion. As a ballpark estimate, the cost of an identical concentrator to the one planned, which would double production to 16 Mtpa, might cost A\$600-800 million.

With regard to product mix, we haven't yet had any detailed discussions about what would be the future (expanded) mix between concentrate and pellet. It is no secret however, that pellet products are becoming increasingly valuable and that has been reflected in the increased prices for this product recently announced.

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Under your current agreement with joint venture partner AnSteel, the Karara project will provide 80% of the feed to their Bayuquan steel mill in China. With the planned production expansion at Karara, how will the Bayuquan mill accommodate any additional ore? What are the options for Gindalbie as the Karara project ramps up to your longer-term target of +30Mtpa of iron ore products? What about including potential ore from sources like Lodestone?

**CEO Garret Dixon**

Last week we had the opportunity to take some brokers and analysts up to northern China to see first hand the AnSteel facilities; to meet Ansteel executives and to see the new Bayuquan steel mill. We also had the opportunity to visit a mine, concentrator and pellet plant similar to the facilities we'll be building as part of the Karara project.

At the port at Yingkou, AnSteel are two months from commissioning the 6.5 Mtpa Bayuquan steel mill. The mill's location adjacent to the port has been purposely chosen to receive imported ore from Karara and AnSteel are already talking about further expansions to its steelmaking capacity in expectation of additional feed from Karara. During the broker visit, Ansteel was very open about the importance of Gindalbie and Karara to its own expansion plans.

Our JV with Ansteel is just for the Karara project and excludes potential ore from projects like Lodestone, which we are looking at developing ourselves further down the track; potentially with other partners. We'd certainly talk to Ansteel but we're not locked into them for Lodestone or our other tenements.

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You recently announced an Exploration Target for DSO hematite of 80-100 Mt at 59-60% Fe. Where do you see the best opportunities to expand this resource base? Does this mean an increase in hematite production? Is this scenario included as part of your current feasibility study options?

**CEO Garret Dixon**

We've always focused on Karara as our cornerstone project.

We've also recognised that across our tenements there is significant potential for other production sources and opportunities, which Gindalbie can pursue in its own right. These include the Warriedar Joint Venture with Royal Resources which has revealed some promising hematite prospects.

In recognising this, we have redirected some of our internal resources toward accelerating development of these prospects, in particular those with capacity for DSO.

We certainly have the management capability and the financial capacity to develop these projects in our own right without Ansteel. The Karara JV with Ansteel makes up only 20% of the 1900km<sup>2</sup> of tenements Gindalbie have in the Mid-West region. This means there's a lot of prospective ground out there that we have yet to scratch the surface of.

Along with our magnetite expansion plans, we are currently examining the potential to increase hematite production from Mungada from an initial 2 Mtpa DSO in 2009 to 3 Mtpa. None of the hematite resource development work we're doing outside the Karara JV area is part of any current feasibility study.

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With Gindalbie's available capacity at Geraldton port around 14Mtpa, can you still use the Geraldton port with an expanded production footprint? Do you plan to utilise future capacity at the yet to be constructed Oakajee port?

**CEO Garret Dixon**

We are certainly working very closely with the Geraldton Port Authority toward realising our first production goals in 2009 for hematite and 2010 for magnetite. This can be comfortably accommodated within the existing infrastructure framework and is the best way we can get our product to market.

To realise the full potential of the Karara project - under an expanded production scenario - we would need to access the planned Oakajee port. We have spoken to the consortiums involved with its development and we strongly support them both. Our intention is to move at least 15 Mtpa through Oakajee port and we're doing everything we can to make sure Oakajee goes ahead as we believe it's the right solution for development of the mid-west region as the next iron ore province in Australia.

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In a recent presentation you revealed the dollar value of magnetite net to Gindalbie was more than 28 times that of hematite. Why don't you just focus on growing your magnetite resource?

**CEO Garret Dixon**

Our magnetite resource is the largest JORC iron ore resource in the Mid-West and will underpin a long-term project commitment to the area. Having a standalone hematite resource allows us to get it to market quicker and importantly realise that early cashflow. For Gindalbie, hematite is a low capital project we can do in our own right and one that generates significant value for our shareholders.

There are different markets available for magnetite and hematite products. Our Karara JV with Ansteel is particularly important as it is underpinned by long term offtake agreements. Along with magnetite, Gindalbie has significant opportunity to take advantage of the current demand strength in the iron ore market and our extensive tenement holdings to develop our hematite resource at the same time.

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This next question is for Gindalbie's new Chief Financial Officer, David Southam. You have finalised an equity funding package with Ansteel for a total of A\$534 million, which represents 30% of the combined Mungada and Karara project forecast capital cost of A\$1.8 billion. What are your outstanding repayment obligations? When do you expect to make a decision regarding Gindalbie's funding obligations for the balance of the project's capex? What are your financing options?

**CFO David Southam**

AnSteel have made two subscription payments toward the project to date totalling A\$105 million and has remaining payments of A\$267.06 million to earn its 50% stake in the project. Under our development obligations, Gindalbie has two contributions to make; one in July of A\$18.38 million and the second in October for A\$143.68 million. The difference between the two payments is effectively part of AnSteel's buy-in cost. Other things Ansteel has to contribute to earn its share is underwriting the project debt and providing product offtake.

Also, under the terms of the Karara Joint Venture Development Agreement, Gindalbie can request Ansteel to provide debt finance for its share of equity contributions to the Project. We have commenced discussions with Ansteel around provision of that debt funding for Gindalbie's equity on similar terms to the overall project funding, which we're finalising with China Development Bank.

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Can you give us an update on the status of the Public Environmental Reviews for both Mungada and Karara?

**CEO Garret Dixon**

We're a long way down the track with obtaining the environmental approval for both the hematite and magnetite stages of the Karara Project. We expect approval of the hematite project later this year. Our magnetite approvals are also on track with a submission of our final PER to the EPA early next month with approvals expected in early 2009.

Some time ago, the West Australian government instigated the Mid-West Review to look at the various iron ore projects in the region. The main aim of the review was to ensure that these projects could proceed. In that review, it was noted that with Karara, the Government was pre-disposed for the approval of the magnetite project as it delivers significant benefit to the State. However, the Government indicated reservations about some of the hematite proposals.

The smaller hematite start-up phase of Karara is made up of deposits located on both the Karara and nearby Mungada tenements and as we have previously pointed out the tenements which cover the Mungada Ridge present some environmental challenges. We are working with the Government agencies on the best way forward but it may be a case of reaching some sort of compromise regarding those hematite deposits contained within the Mungada Ridge, at least while further studies of the biodiversity of the area are conducted.

What we are quite confident of is that this will not affect our plans to have a start-up hematite operation in 2009 at Karara, or our planned production level of 2-3 Mtpa. As I pointed out earlier, we also have an aggressive exploration program for DSO hematite across all our tenements with significant targets and we are very confident more than replacing any resources that we may temporarily suspend.

What are the immediate priorities for Gindalbie?

### CEO Garret Dixon

We continue to work very hard on the engineering side of the project and have already started the process for ordering long lead items such as ball mills and crushers. Our attention is also focused on continuing our work toward securing environmental approvals as well as finalising the project debt arrangements of China Development Bank. Whilst we have existing agreements for Ansteel to take all the offtake at market rates for the project, we are also finalising the indices to be used for those market rates and we should be able to do this shortly after the current ore price negotiations have settled. It certainly looks as though the 2008 ore price increase will be somewhere between 65% and 85%, which augurs very well for our project and the returns going forward.

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Thank you Garret & David.

For further information on Gindalbie Metals Limited visit [www.gindalbie.com.au](http://www.gindalbie.com.au) or call Garret Dixon or Michael Weir on +61 8 9480 8700.

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**COMPETENT PERSON COMPLIANCE STATEMENT:** The information in this document that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Andrew Munckton who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Munckton is a full-time employee of the Gindalbie Metals and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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 Munckton consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

**JORC – EXPLORATION TARGETS:** It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

### Karara Hematite

Reserve Classification	Mt	Fe %	SiO2 %	Al2O3 %	P %	LOI
Probable Reserve	10.9	61.7	6.0	2.2	0.10	3.5
Resource Classification	Mt	Fe %	SiO2 %	Al2O3 %	P %	LOI
Indicated	6.9	62.5	5.2	1.4	0.13	2.7
Inferred	9.3	61.1	6.3	3.0	0.12	4.3
Subtotal	<b>16.2</b>	<b>62.0</b>	<b>5.6</b>	<b>2.0</b>	<b>0.12</b>	<b>3.3</b>

Note: 1. The reserve was defined to provide sufficient material from the indicated resource material to support a minimum of 6 year mine life.  
2. Resources are exclusive of Reserves

### Karara Magnetite

Reserve Classification	Mt	Fe %	SiO2 %	Al2O3 %	P %	LOI
Probable	<b>497</b>	36.3	42.71	0.89	0.089	-0.74
Resource Classification	Mt	Fe %	SiO2 %	Al2O3 %	P %	LOI
Indicated	158	36.4	42.65	0.82	0.091	-0.69
Inferred	771	36.2	42.76	0.94	0.087	-0.79
Subtotal	<b>929</b>	<b>36.3</b>	<b>42.71</b>	<b>0.89</b>	<b>0.089</b>	<b>-0.74</b>

Note: 1. The reserve was defined to provide sufficient material from the indicated resource material to support a minimum of 6 year mine life.  
2. Resources are exclusive of Reserves