

KARARA MAGNETITE RESERVES INCREASED 87% TO 977.5 MILLION TONNES

INCREASED RESERVES UNDERPIN EXPANSION PHASES

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to report a substantial increase in the JORC compliant magnetite Ore Reserve for its **Karara Iron Ore Project** in Western Australia to **977.5 million tones**.

The updated Probable Ore Reserve for the Karara Deposit now totals **977.5 million tonnes grading 36.5% Fe, 42.7% SiO₂, 0.8% Al₂O₃, 0.09% P, and -0.7% LOI** and follows a re-optimisation and re-design of the Karara open pit. The reserve upgrade has also confirmed the high quality of the Karara orebody with an extremely low waste-to-ore stripping ratio of **0.38:1**.

The total reserve of 977.5Mt, including the nearby Blue Hills deposit, represents an **87% increase** on the previously published Probable Ore Reserves (as reported in the Company’s 2010 Annual Report) of 522 million tonnes grading 36.6% Fe, 42.6% SiO₂, 0.8% Al₂O₃, 0.09% P and -0.7% LOI.

Karara’s total JORC Compliant Resource of **2.518 billion tonnes grading 34.1% Fe**, inclusive of the above reserves, remains unchanged. The updated Ore Reserves were calculated based on a re-optimisation of the Karara open pit which was undertaken as a result of:

- the inclusion of additional in-fill drilling results received from drilling conducted following completion of the Bankable Feasibility Study (BFS) in September 2007. This drilling further increased confidence levels in the resource, enabling the conversion of 96% of the resource of Indicated status, available for conversion to Ore Reserves;
- further refinement of the open pit design to further reduce the strip ratio and mining cost and reflect the latest changes in geology, geotechnics and the processing plant; and
- the availability of more accurate mining cost information due to the receipt of final tenders for contract mining.

The additional infill drilling conducted at Karara has significantly confirmed confidence in the deposit and in particular its ability to support continued upgrades in production capacity of magnetite concentrate up to the planned optimum of at least 30Mtpa.

The total Karara Project magnetite Ore Reserve is summarized below:

Pit	Mt	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
Karara	955.5	36.4	42.8	0.8	0.09	-0.7
Blue Hills	22.0	41.3	36.8	0.4	0.09	-0.2
Total	977.5	36.5	42.7	0.8	0.09	-0.7

The main Karara orebody remains open at depth and along strike to the north-west along the Karara Ridge, offering excellent potential for further additions to the Resource and Ore Reserve inventory as mining progresses.

Gindalbie’s Managing Director, Mr Garret Dixon, said the substantial increase in Ore Reserves highlighted the strength and quality of the Karara Project and its ability to support a rapid increase in production above the Stage 1 level of 8Mtpa of magnetite concentrate and confirmed that initial studies are taking place to achieve the earliest possible lift in production levels.

"The expanded Ore Reserve supports the move to reach higher levels of production with significant potential to increase the Ore Reserves further from the remaining resource once mining and production are underway," Mr Dixon said. "This increase vindicates our decision to make a significant up-front investment in additional infrastructure capacity to support production levels above the Stage 1 start-up level of 8Mtpa of magnetite concentrate and 2Mtpa of hematite and provides the foundation for us to move sooner rather than later to unlock this growth potential," he continued.

The cost of the infrastructure expansion program has been included in the revised Project Construction Cost estimate of \$1.975 billion announced earlier this year

Some of the key areas where infrastructure has been upgraded include:

- An increase in the capacity of the high-voltage power line, from 132kv to 330kv, connecting Karara to the State grid at Eneabba. This is sufficient to accommodate an ultimate production capacity of more than 36Mtpa;
- Improved rail haulage capacity of the 85km spur line connecting Karara to the existing rail line from Morawa-to-Geraldton, increasing the capacity of the spur line to +36Mtpa. This line is being built as a dual gauge to allow conversion from narrow to standard gauge in the future;
- An increase in capacity of the iron ore storage facilities at the Port of Geraldton from 100,000 tonnes to approximately 255,000 tonnes. The installation of a dual-wagon tipper at Geraldton Port The improved facilities at Geraldton will allow an annualized capacity of approximately 14Mtpa;
- An expansion of the water pipeline supplying the Project to accommodate future production capacity of up to 16Mtpa.

Construction of the Karara Project is well underway, with first hematite production scheduled for the first half of 2011 with magnetite production from the concentrator to commence by December 2011.

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Competent Person Compliance Statement

The information in this presentation that relates to Exploration Results, Mineral Resources or Ore reserves 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 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 Mason consents to the inclusion of the matters based on his information in the form and context in which it appears.