

OFFICIAL SIGNING FOR WORKING CAPITAL FACILITY FOR KARARA IRON ORE PROJECT

FORMAL SIGNING CEREMONY FOR NEW WORKING CAPITAL FACILITY AND BANK GUARANTEE FACILITY

Beijing, 26 April 2011 – Australian iron ore miner Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to advise of another important step towards completing the next stage of debt funding for the world-class **Karara Iron Ore Project** in Western Australia with the formal signing today of key documentation for debt facilities to support working capital requirements and bank guarantees.

The facilities comprise a **US\$336 million** increase to the existing Project Loan Facility to support the working capital requirements of the Karara Project, together with **US\$300 million** in bank guarantees to provide security to underpin key rail upgrade agreements which are currently being finalised.

A Facility Framework Agreement, setting out the key terms and conditions of the two facilities, was signed in Beijing this morning (**Tuesday, 26 April 2011**) by Directors of the joint venture company Karara Mining Limited (KML) and representatives of China Development Bank. The signing ceremony was conducted in the Great Hall of the People in Beijing in the presence of the Premier of the People’s Republic of China Mr Wen Jiabao and the Australian Prime Minister Ms Julia Gillard, further reinforcing the bilateral significance of the Karara development.

The documentation signing for the new loans comes almost one year after the original US\$1.2 billion Karara Project Loan Facility was signed in Canberra on 21 June in the presence of the Vice President of the Peoples Republic of China, Mr Xi Jinping, who is the immediate deputy to President Hu Jintao, and Australia’s then-Prime Minister Mr Kevin Rudd. China’s President Hu Jintao witnessed the signing of the original joint development agreement between Gindalbie and Ansteel in 2007.

The increased loan facility is likely to be provided by the same Chinese banking syndicate, led by China Development Bank and Bank of China, which provided the original US\$1.2 billion Project Loan Facility signed last year. The US\$300 million bank guarantee facility is being provided by China Development Bank.

Completion of the new facilities remains subject to various conditions including committee approvals which are expected to be finalised within the June Quarter 2011.

The Karara Project, which is located approximately 200km east of Geraldton in Western Australia, is one of the largest new resource projects currently under construction in Australia. It recently commenced mining and exporting hematite, with its first iron ore shipment leaving at the end of March, with the development of the larger-scale magnetite project well advanced.

Gindalbie’s Managing Director, Mr Tim Netscher, who is also Managing Director of KML, said the signing of the Facility Framework Agreement marked another significant chapter in the long-standing cooperative and supportive relationship between China and Australia in delivering world-class resource projects.

“The Karara Project is now almost in the home stretch following the recent commencement of hematite exports and the advanced stage of the magnetite development,” Mr Netscher said.

“The increased project loan facility will support the previously announced \$430 million working capital requirements for the Karara Project, for which Gindalbie raised funds last year for its equity contribution. The \$300 million bank guarantee facility is being put in place to support the upgrade of rail infrastructure between Morawa and Geraldton Port by the line’s owner WestNet Rail,” he added.

“I would like to take this opportunity to acknowledge the continuing support of Ansteel and our Chinese banking syndicate which has been pivotal to the success of the Karara Project,” Mr Netscher said.

Increased Project Loan Facility

The original 12-year Karara Project Loan Facility, for a total amount of US\$1.2 billion, was signed on 21 June 2010, underpinning the development of the Karara Project. The increased facility signed today, for a total of US\$336 million, is to support the A\$430 million of working capital requirements for the Karara Project identified last year as part of the May 2010 Construction Cost Review.

The expanded facility is being provided on competitive commercial terms principally by the China Development Bank and Bank of China, supported by a syndicate of supporting Chinese banks. The expanded facility is based on the US 6 month LIBOR with a competitive margin.

Gindalbie and Ansteel have already largely completed their share of the equity contribution towards the A\$430 million working capital requirement, with Gindalbie's share secured as part of the \$206.4 million capital raising completed last year, which assumed a 50:50 debt/equity split would be achieved. The resulting debt/equity split of better than 70:30 leaves Gindalbie with surplus funds that will be retained for its own working capital.

The increased facility will not cover any additional funding requirements likely to arise from the current review of the Karara Project construction cost, which is expected to be completed by mid-year.

US\$300 million bank guarantee

The bank guarantees being provided by China Development Bank are for a total of US\$300 million. The facility is based on the US 6 month LIBOR with a competitive margin for any amount claimed and paid by the issuer.

The facility will be used to issue bank guarantees under a rail access agreement currently being finalised with WestNet Rail for the existing 200km narrow gauge railway line from Tilley Siding (near Morawa) to Geraldton. KML is building an 85km spur line from the Karara Project to connect with this line.

Under this agreement, WestNet will undertake rail upgrade works including installation of dual gauge sleepers on the Morawa-to-Mullewa leg, similar to those being installed on KML's 85km spur line, to facilitate future rail capacity upgrades.

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