

EQUITY RAISING TO ASSIST WITH KARARA CONSTRUCTION

PROCEEDS TO FUND GINDALBIE'S SHARE OF COST ESCALATION

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) announces an equity raising to secure \$209 million towards the development of the Karara Iron Ore Project (Karara Project) in Western Australia.

The Karara Project's revised construction cost estimate of \$2.57 billion requires a further \$600 million equity contribution funded via equal payments by the Karara Joint Venture partners, Gindalbie and Ansteel. Gindalbie's share will be funded through the proceeds of the \$209 million equity raising and existing uncommitted cash reserves, which currently total \$149.3 million.

The equity raising will comprise a 1 for 3 non-renounceable accelerated pro-rata entitlement offer to eligible shareholders (“Entitlement Offer”) at an issue price of \$0.67 per share. The Entitlement Offer comprises:

- approximately \$119 million institutional component (“Institutional Offer”) including a placement to Ansteel
- approximately \$90 million retail component (“Retail Offer”).

The non-Ansteel component of the equity raising (totaling approximately \$134 million) has been fully underwritten by UBS AG and Morgan Stanley Australia.

Gindalbie's major shareholder, Ansteel, has indicated its commitment to support the equity raising, continuing its long-standing support of the Karara Project development.

The proceeds of the equity raising will be used to fund Gindalbie's share of the cost escalation identified in the revised construction cost estimate for the Karara Project as outlined in a recent separate announcement (see ASX Release – 29 June 2011).

The Karara Project is at an advanced stage of development with civil work on the magnetite concentrator site nearing completion and structural steel erection commencing together with the installation of key components such as ball mills, tower mills, secondary crushers, and high pressure grinding rolls. Commissioning of various components of the main concentrator will commence in January 2012 with anticipated first shipment of magnetite concentrate in June 2012.

Approximately \$1 billion of the overall construction cost is invested in the construction of infrastructure which is being built with additional capacity for an ultimately larger project at Karara. This up-front investment in infrastructure is expected to result in substantial cost savings over the long term as the Project increases production from an initial 8Mtpa of magnetite concentrate to its long-term potential of +30Mtpa. Approval has been given to start scoping studies on a proposed expansion of the Karara Project from its start-up production level to potentially 16Mtpa, which can be supported through Karara's infrastructure at Geraldton Port and does not require the development of the Oakajee Port.

While Ansteel has indicated its commitment to support the equity raising, Ansteel will not be able to participate in the proposed Entitlement Offer under the accelerated timetable approved by the ASX because of potential time required in securing the necessary regulatory approvals.

Therefore, under the proposed structure Gindalbie will undertake an Entitlement Offer, together with a separate placement to Ansteel on the same terms and of the same amount as its entitlement under the Entitlement Offer (that Ansteel will not be able to take up), allowing all shareholders to participate on an equitable basis. Gindalbie proposes seeking shareholder approval for the placement to Ansteel. The deferred settlement period of the placement will provide Ansteel the opportunity to meet the regulatory process.

Gindalbie's Managing Director, Mr Tim Netscher, said the proposed structure was the best way of dealing with the twin objectives of providing all shareholders the opportunity to participate in the equity raising while also dealing with the timetable associated with seeking the necessary regulatory approvals.

"Ansteel has already indicated its commitment to support the equity raising to maintain its 36% shareholding in Gindalbie," he said. "The last time we raised equity we had to seek shareholder approval for Ansteel's participation and Chinese approval was subsequently received. In addition we now have a very strong and loyal base of both institutional and retail shareholders, which is why we have decided on a capital raising structure that is fair and equitable to all shareholders. We are confident the equity raising will be strongly supported."

Mr Yu Wanyuan, the Chief Financial Officer of Ansteel and a Gindalbie Director, said he was pleased a solution could be found to allow Ansteel to continue to financially support Gindalbie as well as the Karara Project.

"We remain very excited by this project and look forward to the successful completion and commissioning of Stage One next year," he said.

The ongoing construction of the Karara Project is underpinned by the existing US\$1.2 billion Karara Project Loan Facility, which is currently drawn down to US\$778.5 million, as well as the previous equity payments totalling A\$772 million made to Karara Mining Limited (KML) by Gindalbie and Ansteel.

There is a potential risk associated with the exchange rate assumptions made in respect of the US dollar denominated Project Loan Facility. With the drawdown of the loan still in progress, it is difficult to quantify what this exposure could be. If the Australian dollar remains at current levels, it is estimated that the final exposure could be US\$150-200 million. This potential exposure could be funded in a number of ways, such as debt, including with KML's existing banks. Gindalbie is confident that with Ansteel's support and given Ansteel's previous success with arranging debt funding for the project, KML is expected to be able to secure debt funding from this source if required.

Capital Raising Timetable

The following outlines an indicative timetable for the capital raising:

Event	Date
Announcement date – Entitlement Offer	19 July 2011
Institutional Offer materials released to ASX, including offer price	19 July 2011
Institutional Offer – open date	19 July 2011
Institutional Offer – closing date	20 July 2011
Trading recommences	21 July 2011
Record date – Entitlement Offer	22 July 2011
Despatch of Retail Offer materials to eligible retail investors	29 July 2011
Lodgement of Retail Offer materials with ASX	29 July 2011
Institutional Offer settlement	2 August 2011
Institutional Offer allotment	3 August 2011
Normal trading – shares issued pursuant to Institutional Offer	3 August 2011
Retail Offer – close date	12 August 2011
Retail Offer – settlement date	19 August 2011
Retail Offer – allotment date	22 August 2011
Normal trading – shares issued pursuant to Retail Offer	23 August 2011

Indicative Date of Extraordinary General Meeting (if required)	Early September 2011
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Clayton Utz are Gindalbie's legal advisers for the equity raising.

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