

FIRST DRAWDOWN UNDER US\$1.2 BILLION PROJECT LOAN FACILITY FOR KARARA IRON ORE PROJECT

CONSTRUCTION ACTIVITIES RAMPING UP

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to advise that the initial drawdown under the **US\$1.2 billion Project Loan Facility** for the Karara Iron Ore Project in Western Australia has occurred following the receipt of final regulatory approvals and satisfaction of all conditions precedent under the agreement.

The first tranche of debt funding will supplement existing equity funds of approximately \$60 million held by Karara Mining Limited (KML), the joint venture company owned by Gindalbie and its Chinese partner AnSteel. This will enable the continued ramp-up of on-site construction activities at Karara.

Significant progress has been made with project development, which commenced in November last year, and over the coming months the Karara site will continue to be transformed with construction of the magnetite concentrator and associated infrastructure gathering momentum.

There are currently more than 600 accommodation rooms available for Karara workers across three villages and the on-site airstrip, which will help improve the efficiency of the fly-in, fly-out workforce, is approximately 80% complete and is expected to be commissioned in early September.

Approximately 3700 cubic metres of concrete has already been poured, mostly in relation to the project's four ball mills, which will start to be installed this month. The footings for almost 30 of the tower bases for the 330kv power transmission line have also been completed. In other work, the sealing of the access road and the installation of the water pipeline will also start this month.

The initial drawdown of the US\$1.2 billion Karara Project Loan Facility marks the completion of a pivotal period for Gindalbie and Ansteel during which final debt and equity funding has been secured for the Karara Project. The loan facility agreement was signed in Canberra on 21 June 2010 by Gindalbie's Managing Director, Mr Garret Dixon, representing KML, and Mr Chen Yuan, the Chairman of China Development Bank.

The 12-year Karara Project Loan Facility is being provided on competitive commercial terms principally by the China Development Bank and Bank of China.

The Project Loan Facility is based on the US 6 month LIBOR with a competitive margin. Importantly, as the facility is based on an international interest rate benchmark, it provides a very good long term arrangement for the project.

CDB and BOC are two of the most important and largest banks in China and have funded a number of Chinese domestic and international major infrastructure projects.

“It's pleasing to have the debt and equity funding now in place and our construction teams moving into top gear across all aspects of the project. This is a significant step that further de-risks the Karara Project and really differentiates Karara from many other projects that are still at the planning stage. Karara is one of the largest resource projects currently under construction in Australia.” said Gindalbie's Managing Director, Mr Garret Dixon.

“This is an exciting time for the Karara Joint Venture with first iron ore production to commence next year following more than four years of hard work,” he added. “This was recently recognised by the mining industry when we were very proud to accept the award for Dealer of the Year at the annual Diggers & Dealers Conference in Kalgoorlie,” Mr Dixon said.

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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 mid-2011 to be followed by production of high grade magnetite concentrate in the second half of 2011. 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 China's second-largest steel producer and the biggest iron ore miner. It is the major producer in the north-east region of China, with crude steel production of 35 million tonnes and plans to increase output to approximately 50Mtpa. 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 has developed 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 facilities in the city of Anshan. The new facility has the capacity to produce 6.5Mtpa of finished steel products. Once the Karara Project is in production, its products will be the key feed source for Bayuquan. *For further information, visit www.ansteelgroup.com*

About Karara

With a multi-billion-dollar capital investment, the Karara Project will deliver major economic benefits for the Mid West region and the State of Western Australia, generating some 1,500 construction jobs and 600 direct and indirect long-term jobs.

The Project will initially produce 10Mtpa of iron products commencing in 2011, comprising 8Mtpa of high-grade magnetite concentrate, a value-added product, and 2Mtpa of Direct Shipping Ore (DSO). Karara has the potential to produce more than 30Mtpa over a mine life estimated at more than 30 years.

Karara will initially generate around A\$1 billion in annual export revenues, building to A\$3 billion annually as the project grows, equating to \$40 million in Government revenues rising to \$120 million annually.

Iron products will initially be exported through Geraldton Port, with Karara also able to commit foundation tonnages to underpin the development of the new multi-billion dollar Oakajee Port.