

KARARA PROJECT OWNERSHIP UPDATE

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) advises that its joint venture partner, Ansteel, has exercised its right to convert two shareholder loans of A\$60 million in total to new shares in Karara Mining Limited (KML). This will result in Ansteel increasing its ownership of KML from 50% to 52.16%, with Gindalbie owning 47.84%.

In line with the previously agreed conversion formula, Ansteel will be issued with a total of 13,907,283 new KML shares at an issue price of \$4.31 per share. Once the new shares are issued, KML will have a total of 321,987,284 shares on issue with Gindalbie holding 154,040,000 shares and Ansteel the balance.

Ansteel also has the right to subscribe for new equity in KML to provide KML, if required, with sufficient funds to repay additional bank debt and concentrate presales agreements totaling US\$230 million. This debt-to-equity conversion, if exercised, would increase Ansteel’s stake in KML to approximately 62% with Gindalbie retaining approximately 38%.

Karara Joint Development Agreement and Management Changes

In recognition of the change of ownership structure at KML, Ansteel and Gindalbie have previously agreed to amend various terms of the Karara Joint Development Agreement. While these amendments have yet to be formalized, it has been agreed that:

1. The KML Board will be increased in number from 4 to 5 Directors – 3 from Ansteel and 2 from Gindalbie
2. The Chairman of KML will be one of the three Directors appointed by Ansteel and will have a casting vote at KML Board meetings;
3. All Board decisions are to be made by ordinary resolution of the Board apart from decisions concerning the pricing and quality of product sold by KML to Ansteel, concerning any amendment to existing offtake sales agreements and concerning the pricing policy of KML product. These matters require unanimous resolution of the Directors of KML.

Mr Chen Ping, a Gindalbie non-executive Director, an Ansteel nominee Director of KML and current Chairman of the KML Board, has been appointed as Managing Director of KML.

In addition, KML has recently appointed Mr Neil Meadows as Chief Operating Officer of KML. Mr Meadows has over 30 years of mining industry experience in a range of senior operational roles.

ENDS

Released by :

Nicholas Read
Read Corporate
Telephone: (+61-8) 9388 1474
Mobile: (+61) 419 929 046

On behalf of:

Mr Dale Harris
Managing Director & CEO

Mr Michael Weir
Manager Corporate and Investor Relations,
Company Secretary
Telephone: (+61-8) 9480 8700
www.gindalbie.com.au