Key Points

- Equity raising undertaken to secure $209 million toward Karara Iron Ore Project development
- Development remained within the $2.57 billion construction cost estimate
- At 30 June 2011, the Consolidated Entity had cash reserves of A$377 million

Karara Magnetite Concentrator

Executive Summary

- To date a total of $1.6 billion has been spent on the development of the Karara Project. Australian content currently makes up more than 90% of the construction cost including more than $1 billion spent in WA and $143 million in the Mid West region.
- AGC Industries Pty Ltd was selected as the preferred supplier to support delivery of the Structural, Mechanical and Piping works, including construction of the main concentrator buildings, mechanical installations, installation of the structural steel, installation of piping and conveyors.
- Structural steel erection has begun, and more than 1500 workers are currently engaged in the construction of the Karara Project.
- Karara's water licence has been granted. The water pipeline has been completed and commissioning started with water flowing to the Karara site.
- The Karara rail spur is 92% complete and scheduled for commissioning in the March Quarter 2012.
- All foundations for the power transmission line towers have been completed, 200 of the 376 towers have been erected and aerial stringing of the line has commenced. The power line is scheduled to be commissioned in the March Quarter 2012.
- The Port infrastructure is scheduled to be commissioned in the March Quarter 2012.
- Approximately 342,000t of hematite Direct Shipping Ore (DSO) was mined during the Quarter from the Karara South, Karara East and Blue Hills North deposits. There were ten combined shipments with SinoSteel MidWest Corporation with 173,000t of lump and fines loaded by KML during the Quarter. DSO not shipped continues to be stockpiled throughout the supply chain allowing continuity of supply through the remainder of the year.

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KARARA IRON ORE PROJECT (Ansteel 50%)

Overview

Gindalbie is developing the world-class Karara Iron Ore Project, 200km east of Geraldton, in joint venture with Ansteel, China's second-largest steel maker and biggest iron ore producer. The project consists of a smaller-scale hematite operation plus a substantial, long-life, magnetite concentrate operation with the potential to produce +30Mtpa for more than 35 years.

Project Development

At the end of the Quarter a total of $1.6 billion had been spent on the Karara Project and the development remained within the $2.57 billion construction cost estimate.

Australian content currently makes up more than 90% of the construction cost including more than $1 billion spent in WA and $143 million in the Mid West region.

The landscape at Karara has started to change dramatically with the structural steel installation.

The joint venture company Karara Mining Limited ("KML") selected AGC Industries Pty Ltd ("AGC") as its preferred supplier to support KML with delivery of the Structural, Mechanical and Piping ("SMP") works. AGC is a leading Australian based fabrication, construction and integrated services company.

The intention is to adopt an integrated team approach, allowing KML and AGC to work together to deliver the best possible result by drawing on the strengths of their respective teams – KML from its experienced Project Development Team and AGC from its large resource base and international expertise. The structure also provides the most cost effective approach to ensure the construction is managed within the existing budget.

The SMP work involves construction of the main concentrator buildings, mechanical installations, installation of the structural steel, installation of piping and conveyors and completion of other items that will enable the commissioning of various components of the main concentrator to commence in early 2012.

Loading of structural steel

Karara sub-station installation

Karara ball mills

AGC has been working at Karara since April under an early works contract. Work undertaken as part of this contract has included installation of key components including the Secondary Crusher, Primary Crusher, High Pressure Grinding Rolls (HPGR's) and Tower Mills.

The installation of underground services between the various major components of the concentrator plant has continued, as well as the development of the reinforced earth wall between the main primary crusher building and the run-of-mine pad. Dry commissioning of the concentrate thickener has been completed.

The first of the 11 concentrate and tailings pressure filters has been successfully pre-assembled offsite in Henderson, WA. The fully assembled unit and transport frame weighs 180t and is ready for a single lift into the filter building once transported to site.

Pre-assembled pressure filter

Approximately 1500 people are currently engaged in the construction of the Karara Project.

Port

Geraldton Port ore storage facility

KML is investing more than $200 million on infrastructure at Geraldton Port to enable capacity of approximately 16Mtpa. This capacity is suitable for the Stage 1 production level of 10Mtpa and the anticipated Stage 2 expansion to 16Mtpa.

Good progress has been made on the structural steel erection for the ore storage shed. All south, east and west main columns with bracing and infill steel have been erected and two thirds of the roof trusses have been assembled and erected.

Services relocation work has commenced to allow the ingoing rail construction. Civil works at the port, including the dual wagon tipper vault, are nearing completion.

At the Berth 7 construction 44 temporary piles have been driven together with 16 permanent and 3 raked dolphin piles. Fabrication of the topside modules is 20% complete.

The Port infrastructure is scheduled to be commissioned in the March Quarter 2012.

The Port Services Agreement with Geraldton Port Authority is awaiting Ministerial approval.

Water

During the Quarter the WA Department of Water granted a water licence to the Karara Iron Ore Project.

The licence entitles Karara to draw 5 gigalitres (Gl) of water a year from the Parmelia aquifer in the State's Mid-West. However, Karara will use only approximately 3Gl based on its planned Stage One production rate of 8 million tonnes a year of magnetite concentrate.

The full allocation of 5Gl will be sufficient to cover production of up to 12Mtpa. The project incorporates a number of innovative water-efficient design concepts, such as dry-stacked tailings, process water recycling and grey water recycling.

The 136km water pipeline and Yandanooka bore field and pump station were completed. Commissioning started ahead of the December Quarter 2011 schedule, with water flowing out of the pipeline into the raw water dam on Thursday, 22 September 2011.

Power Transmission Line

Aerial stringing of power transmission line

All foundations for the power transmission line towers have been completed and all land access secured. 200 of the 376 towers have been erected and aerial stringing of the line has commenced. Work has also started on the Three Springs Sub-Station. The power line is scheduled to be commissioned in the March Quarter 2012.

Negotiations with Western Power to confirm access into the South West Integrated System are expected to be completed in the December Quarter 2011.

Rail

Locomotives for Karara ore haulage

The overall rail spur package is 92% complete. The rail spur is scheduled to be commissioned in the March Quarter 2011.

During the Quarter KML signed a 15-year agreement with Brookfield Rail, the lease-holder and operator of the existing 200km rail narrow gauge rail line that runs from Morawa to Geraldton. The agreement is conditional on satisfaction of certain conditions precedent.

The agreement includes provision for Brookfield Rail to undertake an approximate $450 million upgrade of the existing 200km long Mid West rail line to Geraldton, including installation of dual gauge sleepers similar to those being installed on the 85km spur line. The upgrade will provide capacity for Karara's Stage One production of 10Mtpa and the anticipated Stage Two expansion to 16Mtpa, which is currently the subject of a feasibility study. The Stage Two expansion can be accommodated through Geraldton without the need for the Oakajee Port development.

Brookfield Rail has already commenced early work on the rail upgrade, with ongoing work to be scheduled to facilitate the required train paths to support initial ramp-up tonnages of ore from the Karara Project once commissioning commences in mid-2012. The rail upgrades are expected to be progressed in line with Karara's ramp-up schedule, with full capacity reached in December 2012.

In June KML signed a conditional Rail Haulage Agreement with QR National Freight to transport magnetite concentrate over a period of 10 years.

Mining and Shipping

Trial mining at the Karara South and Karara East operation was completed in September. The trial mining of those two orebodies also allowed for the simultaneous pre-stripping of the magnetite orebody to occur.

Mining operations at the Blue Hills North deposit began in July and commissioning of the crushing plant began in September. Details of the hematite ore mined and processed at all three deposits are tabled below. Numbers have been rounded to the nearest one thousand tonnes.

	Karara South/East		
Unit: '000t	**Sept Qtr**	**Sept Qtr**	
	Lump	**Fines**	**Total**
High Grade	51	47	**98**
Medium Grade	20	15	**35**
Low Grade	87	68	**155**
Karara South/East Total	**158**	**130**	**288**
	Blue Hills North		
High Grade	9	6	**15**
Medium Grade	-	-	**-**
Low Grade	23	16	**39**
Blue Hills North Total	**32**	**22**	**54**
Total Production	**190**	**152**	**342**

113,000t of fines and 52,000t of lump ore were railed from Tilley Siding to Geraldton Port while a further 10,000t of fines were trucked to Geraldton Port. There were ten combined shipments with SinoSteel MidWest Corporation with 173,000t of lump and fines loaded by KML during the Quarter.

Iron ore lump and fines product mined, but not shipped, continues to be stockpiled throughout the supply chain allowing continuity of supply through the remainder of the year.

Karara primary crusher, secondary crushers and high pressure grinding rolls

Karara Project Exploration

Exploration continues to focus on discovery of hematite-goethite deposits in close proximity to infrastructure being developed at Karara.

Aircore drilling comprising 29 holes for 1,251 metres was completed at nominally 100m to 200m spacing along the trend of one of the interpreted paleochannels considered prospective for Channel Detrital Iron Deposits (CDID). No significant (>57% Fe) mineralised intersections were returned from the drilling program.

Reverse Circulation (RC) drilling is proposed to be undertaken over the next six months to test iron-enriched targets generated from geological mapping and rock chip sampling and to follow up previous drill hole intersections at Hinge Prospect (E59/1170) and Hippo Prospect (Karara E59/1068 and Gindalbie E59/935).

Project Funding

Debt and Equity

US$1.06 billion of the US$1.2 billion Karara Project Loan Facility had been drawn down at the end of the Quarter.

In the December Quarter KML is expected to sign the facility agreements for the US$336 million working capital facility (framework agreement signed in April 2011). The separate US$300 million bank guarantee which is part of the rail access agreement with Brookfield Rail was issued during September 2011.

Equity payments totalling A$60 million were made to KML by Gindalbie and Ansteel during the quarter. A total of $832 million of equity has now been contributed to KML since the start of the project.

GINDALBIE REGIONAL EXPLORATION

Exploration activities during the September Quarter included aircore drilling of interpreted regional CDID targets and completion of diamond drilling at the Shine hematite prospect.

At Shine, targeted diamond core drilling comprising 9 holes for 994.2m, including 4 holes for 521.9m reported in June Quarter, were completed for metallurgical testing. Diamond drilling aimed to test the hematite mineralisation along the approximate 1.5km strike of the steeply dipping (>70°) eastern and western BIF units comprising the deposit.

Assay results have been returned from the 47 Reverse Circulation (RC) drill holes for 4,377m completed in the June Quarter at Shine. RC drilling was undertaken on a nominal 100m by 25m spacing for resource delineation. Assay results confirm the continuity of the mineralisation along strike. Significant assays results from drilling at Shine are included in Appendix 1.

At Lodestone, sampling RC drill hole residues has commenced to provide samples for Davis Tube Recovery test work on the magnetite mineralisation.

Gindalbie previously advised it was exploring 5 paleochannels on Gindalbie tenements near Karara with potential for CDID. Aircore drilling was conducted during the period and no significant (>57% Fe) mineralised intersections were returned.

Regional target generation has commenced with detailed evaluation of aeromagnetics and a review of previous exploration to prioritise further targets for drill testing across the large and underexplored tenement portfolio.

CORPORATE

Equity Raising

During the Quarter Gindalbie conducted an equity raising to secure $209 million towards the development of the Project by way of a 1 for 3 non-renounceable rights issue and a $75 million placement to Ansteel.

The accelerated Institutional Entitlement Offer was strongly supported by existing institutional shareholders and raised a total of $35.6 million. The underwritten Retail Entitlement Offer raised a total of $98.3.

In September shareholders approved a $75 million placement to Gindalbie's major shareholder Ansteel. Ansteel was not able to participate in the Institutional Entitlement Offer under the accelerated timetable approved by the ASX because of the time required in securing the necessary regulatory approvals. The share placement to Ansteel enables Ansteel to maintain its 36 per cent shareholding in Gindalbie. Following the Gindalbie shareholders' approval of the placement Ansteel is seeking the necessary Chinese and Australian regulatory approvals in order to complete the transaction.

Warriedar JV Purchase

During the Quarter Gindalbie reached agreement with Royal Resources Limited to acquire Royal's 40% interest in the Warriedar Iron Ore Joint Venture, which consists of a number of tenements adjacent to the Karara Project.

The consideration for the acquisition of Royal's 40% interest in the Warriedar Iron Ore Joint Venture was for $8M cash, including Royal's 40% interest in the Warriedar Gold Joint Venture. The acquisition of the Iron Ore JV remains subject to conditions. Subsequent to the announcement of the acquisition Minjar Gold Pty Ltd has exercised its pre-emptive right over Royal's 40% interest in the Warriedar Gold Joint Venture for $1 million. As such, the consideration to be paid by Gindalbie to Royal will reduce to $7 million.

The transaction will enable Gindalbie to consolidate 100% ownership of the Warriedar Iron Ore Joint Venture and further strengthen its extensive 1,900km^2 Mid West tenement portfolio outside of the Karara Project, where it has identified several prospects for direct shipping quality hematite iron ore (DSO).

View of Karara Magnetite Concentrator from Karara Ridge

Board

Mr Wang Heng resigned as a Non-Executive Director of Gindalbie following his decision to retire as an executive of Ansteel, Gindalbie's biggest shareholder and 50% partner in the Karara Project. He was the General Manager of Ansteel Group International Trade Company and a former General Manager of Angang Group Hong Kong (Holdings) Ltd. Mr Wang was appointed to the Gindalbie Board in November 2007.

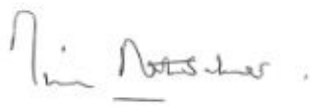
Cash Reserves

At 30 September 2011, the Consolidated Entity had cash reserves of A$377 million which includes the proportionate consolidation of Gindalbie's share (50%) of the KML cash reserves. The Company's cash reserves independent of KML were A$247 million. Gindalbie has nil corporate debt.

Shareholder Information

As at 30 September 2011, the Company had 1,135,565,349 shares on issue and 17,439 shareholders. The Top 40 shareholders held 68.83% of the Company.

GINALBIE METALS LTD



TIM NETSCHER
Managing Director and CEO

Competent Person Compliance Statements

The information in this report that relates to Exploration Results is based on information compiled by Mr Ian Shackleton who is a Member of the Australasian Institute of Geoscientists.

Mr Shackleton is a full-time employee of Gindalbie Metals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit 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 Shackleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 1

Table of significant assay results ≥10 metres at ≥57% Fe for Shine.

Hole Number	From (m)	To (m)	Length (m)	Fe%
SNC073	30	79	49	61.32
SNC073	107	132	25	61.25
SNC081	85	112	27	62.4
SNC088	46	82	36	61.87
SNC091	96	107	11	59.81
SNC093	98	132	34	63.26
SNC116	63	77	14	60.2
SNC116	94	122	28	63.05
SNC070	19	77	58	63.37
SNC071	20	64	44	62.64
SNC071	71	84	13	62.11
SNC071	87	111	24	61.67
SNC097	164	174	10	59.97
SNC099	20	55	35	62.36
SNC099	117	121	4	59.17
SNC100	86	108	22	62.1
SNC100	156	182	26	63.02
SNC100	189	220	31	62.65
SNC104	85	124	39	62.57
SNC104	130	143	13	62.27
SNC106	112	139	27	61.75
SNC107	51	78	27	61.88
SNC107	131	146	15	61.19
SNC110	91	132	41	61.63
SNC111	12	28	16	57.85
SNC111	120	134	14	59.61
SNC114	58	70	12	60.06

Grade is based on a drill hole length weighted average