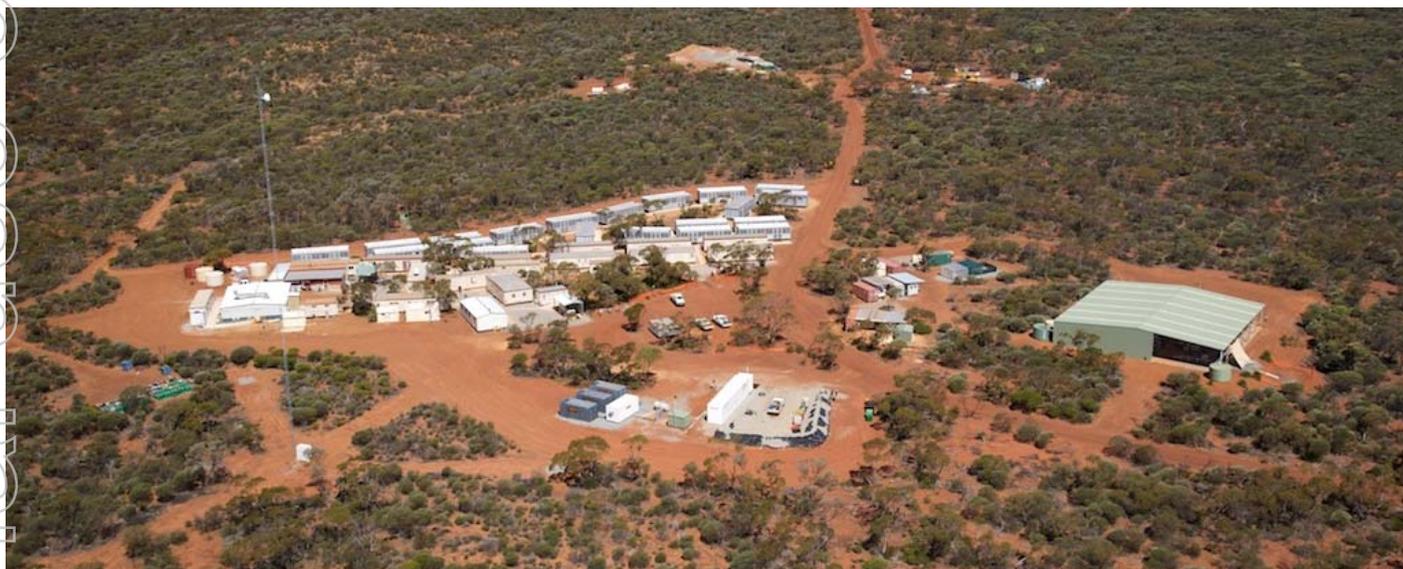


Key Points

- State environmental approval granted for the development of the Karara Iron Ore Project
- Commonwealth approval imminent, Project Development Team gearing up for Karara site access
- Earthworks and installation started on the Lochada construction camp
- Major contract packages of approximately \$400 million expected to be awarded in December Quarter
- Gindalbie consolidated cash reserves of A\$189.36 million



Existing Karara exploration camp

Summary Details

- The WA State Government has given environmental approval for the development of the Karara Iron Ore Project.
- All key appeals lodged by the Karara Joint Venture were upheld, including the appeal on the Terapod deposit, clearing the way for it to be mined.
- The final environmental sign-off by the Commonwealth Government is expected early in the December Quarter, which will allow immediate access to the Karara site by the Project Development Team for the start of on-site construction and development activities.
- Work commenced on the Lochada Camp, a 300-person facility located on private property between Morawa and Karara. The camp is an important part of the company's ability to rapidly commence and build up construction activity following access to the Karara site.
- Major contracts including the Lochada camp earthworks and construction, early earthworks for the Karara minesite, temporary waste water treatment plant and rail sleepers, all awarded during the quarter.
- Further major contract packages with a total value of approximately \$400 million are expected to be awarded during the December quarter for items such as the design, supply and installation of the Karara Village and construction camp, pressure filters, rail, dual wagon tipper, concentrate and tailings filters and structural steel.
- Stephen Murdoch appointed to the newly-created position of Chief Operating Officer of the joint venture company, Karara Mining Limited, to spearhead the development and operation of the Karara Project.

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KARARA IRON ORE PROJECT (Ansteel 50%)

Overview

Gindalbie is developing the world-class Karara Iron Ore Project in joint venture with AnSteel, China's second-largest steel maker and biggest iron ore producer. Karara is approximately 200km east of Geraldton in WA's mid west. The project consists of an initial start-up hematite operation followed by a substantial, long-life, magnetite concentrate operation with the potential to produce +30Mtpa for more than 35 years.

AnSteel has earmarked Karara iron products as the primary feed source for use in its newly-commissioned Bayuquan Steel Mill in northeast Liaoning Province. Built at a cost of approximately US\$5 billion and with an initial capacity to produce 6.5Mtpa of steel, Bayuquan has been built on the coast at Yingkou Port, specifically to receive ore imported from Karara.

Management

During the Quarter, Karara Mining Limited (KML), the joint venture operating company, appointed Stephen Murdoch to the newly-created position of Chief Operating Officer (COO) to spearhead the development and operation of the Karara Project.

Mr Murdoch brings a wealth of development and management experience in the international mining and resource sectors, as well as with industrial companies.

He was most recently Executive Director-Australia of UK-listed Cape Plc, a leading provider of industrial services to the energy and natural resources sectors. Prior to that, he held a range of senior executive positions including as Chief Operating Officer with Austal Ships, General Manager – Manufacturing with the Reinforcing Steel Products Division of Smorgon Steel, and General Manager – Metallurgical Operations with Mount Isa Mines Business Unit, where he was responsible for over A\$1.7 billion worth of metal and concentrate production.

Mr Murdoch reports to Garret Dixon, the Managing Director of both Gindalbie and KML, and will be working in close conjunction with Peter McBain, who heads up the Karara Project Development Team.



Steve Murdoch (second from left) heads up a weekly Karara management meeting



Project Funding

Equity

During the Quarter the Company completed the A\$162.06 million share placement to AnSteel with the allotment of 190,658,824 million shares at a price of \$0.85 per share to Angang Group Hong Kong (Holdings) Limited. Following the placement Gindalbie has 705.2 million shares on issue, with Ansteel holding 36%.

Following completion of the placement Gindalbie made a \$143.68 million equity contribution toward the development of the Karara Iron Ore Project. The remaining \$18.38 million from the placement has been retained by Gindalbie and takes its uncommitted cash reserves to \$43.11 million.

Ansteel also made an equal equity contribution of \$143.68 million into the bank account of KML. Gindalbie and Ansteel are equal 50% shareholders in KML.

Debt

Project debt for Karara is to be provided by China Development Bank, which has already provided conditional approval to KML for up to US\$1.2 billion.

Detailed term sheet negotiations and drafting of legal documentation continued for the loan, which will be provided on a commercially attractive basis.

Terms and conditions of the Project Loan are being targeted for completion by early 2010. The cash position of KML means drawdown of the Project Loan will not be required until the June Quarter, 2010.

Approvals

In September the Western Australian Minister for Environment, Donna Faragher, gave the final State environmental approval for development of Karara.

The final State Ministerial approval followed the July decision to uphold all key appeals lodged by the Karara Joint Venture in relation to recommendations and conditions which formed part of the Environmental Protection Authority (EPA)'s overall positive recommendation for the Project released in May 2009.

Importantly, the Minister upheld the appeal on the Terapod deposit, clearing the way for it to be mined, together with the Blue Hills North deposit as part of the 2.0Mtpa hematite phase of the Karara Project.

The Minister's final approval was granted subject to the implementation of certain conditions. These conditions were consistent with Gindalbie's existing environmental management and monitoring practices and will enable the Company to undertake and maintain a sustainable approach to future mining and development activities.

Following the State approval, a final environmental sign-off is required from the Commonwealth Government before on-site construction and development activities can proceed. A Commonwealth decision is expected early in the December Quarter.



Lochada construction camp

Project Development

The Karara Project Development Team is continuing to plan and prepare for site access, which will occur shortly after the Commonwealth Approval.

Detailed design engineering for Karara’s supporting infrastructure, with a design capability of up to 16Mtpa has continued. While the Joint Venture is focussed on achieving the start-up capacity of 8Mtpa, the opportunity is being taken to design and install additional infrastructure capacity, facilitating easier and more cost effective expansions.

Port

The Geraldton Port remains the initial solution to export iron ore products from Karara to China. Facilities upgrades at the Port will include new dedicated Karara storage facilities on land behind Berths 5 & 6, which will provide the capacity to export up to 14mtpa. Interim, lower capital solutions are also being evaluated to provide the initial 10Mtpa start-up capacity. The proposed Oakajee Port, north of Geraldton, remains the planned export port for the future expansion of Karara.

Four prospective contractors have been shortlisted for the provision of Port development work and contracts are expected to be awarded during the March Quarter 2010.



Gindalbie Board members, including Ansteel’s representatives, on site at Karara in September

Water

Process water for the Karara Project is expected to come from an aquifer at Twin Hills near Mingenew. The project requires approximately 6.6 gigalitres per annum from an available 46gl per annum aquifer capacity.

The development of the permanent borefield at Twin Hills commenced during the Quarter. Installation of the 150km pipeline from Twin Hills to Karara is scheduled to start in early 2010 and is expected to take approximately 12 months to complete.

Concentrator

Detailed Engineering and Design is currently being undertaken in the Beijing design office of Maison Worley Parsons. The electrical and instrumentation design is progressing in Perth.

Modelling of the various facilities, including major concrete footings, foundations, structural steel, and mechanical and piping design, is continuing to advance with weekly model reviews. These are all on schedule to meet the construction timeline.

Accommodation Facilities

During the Quarter work commenced on the Lochada Camp, a 300-person facility located on private property between Morawa and Karara. The camp is an important part of the company's ability to commence and build up construction activity following access to the Karara site. Lochada will be used to accommodate part of the initial workforce prior to the completion of the main accommodation facility and later to accommodate workers required to construct the water pipeline, power line and rail spur.



Aerial image of Lochada construction camp under construction

Power

During the Quarter the WA Government announced that it had committed to building a 330kV power line from Pinjar, north of Perth, to Eneabba. While the existing 132kV power network in the Mid West region is suitable for Karara's start-up capacity of 10Mtpa, the increase in transmission capacity would allow for any potential expansion of the project to a production rate of more than 30Mtpa.

Karara is planning to build a 330kV power line from site to Eneabba as part of the Project infrastructure which will connect into the State grid. Until the new Pinjar-Eneabba line is built, Karara will tap into the existing 132kV network at Eneabba and be able to draw sufficient power for the Project's start-up. The project will draw power under a 15-year supply deal with the State Government's power generation arm, Verve Energy.

Contracts and Procurement

During the Quarter major contracts awarded included the Lochada camp earthworks and construction, early earthworks for the Karara minesite, temporary waste water treatment plant and rail sleepers.

During the December Quarter, major contract packages with a total value of approximately \$400 million are expected to be awarded.

These include the design, supply and installation of the Karara village and construction camp, pressure filters, rail, dual wagon tipper, concentrate and tailings filters and structural steel.

Progress on all long lead items, including the primary crusher, secondary crushers, high pressure grinding rolls, ball mills, fine grinding mills and power transformers, remain on schedule. Deliver of items has commenced, and will continue until the September Quarter 2011. Ongoing quality management inspections and verification are being regularly conducted on the long lead items.



Second delivery of Karara ball mill shells

Karara Project Exploration

The exploration and resource definition drilling for the first stage of development at Karara has been largely completed. The reserves and resources defined to date should allow +30Mtpa of production for more than 30 years. The orebody remains open at depth and extends to the North West along the Karara Ridge.

Field programmes to be completed at Karara in the December Quarter include borefield and plant sterilisation drilling.

For the Karara Borefield, up to eight water bores are to be developed at Karara and Blue Hills, which will provide water for the construction phase of the Project. A sterilisation drilling program totalling 2310 metres will be conducted over the infrastructure footprint at Karara.

GINDALBIE REGIONAL EXPLORATION

Gindalbie has a number of regional exploration prospects that have the potential to provide additional resources of primarily DSO grade material to supplement production from the Karara Project. However, as previously reported, the company's primary focus remains the rapid development of the flagship Karara Project and therefore the level of ongoing regional exploration has been significantly reduced to reflect the current economic circumstances.

During the Quarter data collected during the regional mapping and rock chip sampling programs has been collated and assessed. This data will be used to target future regional exploration drilling programs.

Gindalbie plans to conduct RC drilling programs at two prospects, Hippo and Porcupine, during the December Quarter. The Hippo Prospect is on a lease which is part of the Warriedar Joint Venture (Gindalbie 60%, Royal Resources 40%). The Porcupine trend traverses three tenements from three projects; Minjar Project (E59/1327), Warriedar JV (E59/1333) and Windaning JV (M59/380). The drill programs are targeted at the most prospective and widest zones of enrichment and will be phased depending on results. Only phase one drilling is referred to below.

Exploration Licence - E59/1327 (Gindalbie 100%)

The eastern part of the 4.4km Porcupine trend of Golconda Banded Iron Formation (BIF) accompanied by elevated rock chip samples is planned to be drill tested with five holes totalling 300 metres.

Warriedar JV - E59/1333 (Gindalbie 60%)

Two zones within the central part of the Porcupine trend are planned to be drill tested with six holes totalling 420 metres.

Warriedar JV - E59/935 (Gindalbie 60%)

The Hippo Prospect is situated on the Windaning Formation BIF along strike from the structurally complex Mungada Ridge area, which contains known hematite resources. The initial target area will be drill tested with four holes for 250 metres.

Windaning JV - M59/380 (Gindalbie 89%)

The western area of the Porcupine trend extends into the Windaning JV (Gindalbie 89%, Falcon Minerals 11%) and is planned to be drill tested by initially five holes for 330 metres.

CORPORATE

Cash Reserves

At 30 September 2009, the Consolidated Entity had cash reserves of A\$189.36 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\$43.82 million. Gindalbie has nil corporate debt.

Board Changes

Mr George Jones formally stepped down as non-executive Chairman of Gindalbie on 31 August, 2009. Mr Jones remains a non-executive director.

Mr Geoff Wedlock, who has been a non-executive Director since February 2008, has replaced Mr Jones as the Company's non-executive Chairman. There has been a seamless handover to the new Chairman.

Shareholder Information

As at 30 September, 2009, the Company had 705,187,674 million shares on issue and 13,572 shareholders. The Top 20 shareholders held 62.41% of the Company.

Yours faithfully
GINDALBIE METALS LTD



GARRET DIXON
Managing Director and CEO

Competent Person Compliance Statements

The information in this report that relates to Exploration Results and Resource Statements is based on information compiled by Mr David Mason who is a Member of the Australasian Institute of Mining and Metallurgy.

Mr Mason is a full-time employee of the Company 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 Mason consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.