

Key Points

- Karara Concentrator site cleared, roads established and site offices installed, Lochada Village completed
- Mandate Letter and Term Sheet signed for US\$1.2 billion Karara Project Loan Facility
- Life-of-mine iron ore offtake contracts signed with Ansteel
- Gindalbie consolidated cash reserves of A\$144.9 million



The view of Karara Ridge from the plant site (top) and the cleared site for the Karara magnetite processing plant (bottom).

Executive Summary

- The site for the Karara Concentrator has been cleared, roads established, site offices installed and a concrete batch plant installed and commissioned.
- The Karara workforce has expanded to 200. The 120-room Karara Exploration Camp is fully utilised. The 300-person Lochada Construction Village has been completed. Construction of the 1350-room Karara Village has also commenced.
- Major contracts awarded include earthworks and concrete construction to NRW Holdings Limited and two project management and construction services contracts to WorleyParsons and AMEC Minproc. Orders have been placed for the dual wagon tipper, magnetic separators and water pipeline.
- The Mandate Letter and Term Sheet have been signed for the US\$1.2 billion Karara Project Loan Facility. The facility agreement and security documentation for the loan continue to be negotiated and completion is expected to occur within a timeframe to meet the first required debt drawdown by 30 June, 2010.
- Karara Mining Limited (KML) and Angang Group International Trade Corporation have finalised long-term off-take contracts covering the life-of-mine production from the Karara Project. The pricing structure for Karara magnetite will be based on the internationally-recognised Pilbara fines price plus a quality adjustment to reflect the high grade (68.2% Fe) and low impurity specifications of the Karara iron product.
- The detailed engineering and design 60% model review was completed in February and detailed engineering design is proceeding as expected.

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KARARA IRON ORE PROJECT (Ansteel 50%)

Overview

Construction activity on the Karara Iron Ore Project increased considerably in the March Quarter 2010 since the receipt of final environmental approvals in November, 2009.

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 small-scale hematite operation plus a substantial, long-life, magnetite concentrate operation with the potential to produce +30Mtpa for more than 35 years.

During the March Quarter the site for the Karara Concentrator has been cleared, roads established and site offices installed. A workforce of approximately 200 is currently working on site-based activities. The 300-person Lochada Construction Village has been completed, which together with the existing Karara Exploration Camp provides accommodation for more than 400 personnel. Construction of the main Karara Village has also commenced.

Major contracts awarded during the quarter included a staged earthworks and concrete construction contract, with a total value of \$120 million, to civil and mining contractor NRW Holdings Limited and two project management and construction services contracts with a combined value of approximately \$140 million to engineering groups WorleyParsons and AMEC Minproc.



Karara site construction work and installation of the concrete batch plant

Project Funding

Debt

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

Subsequent to the end of the Quarter, the Mandate Letter and Term Sheet was signed, representing another key step towards completing the debt funding arrangements.

The conditions of the facility agreement and security documentation for the loan continue to be negotiated to complete the project debt arrangements. This is expected to occur within a timeframe to meet the first required debt drawdown by 30 June 2010.

The 12 year Karara Project Loan Facility is being provided principally by China Development Bank ("CDB") and Bank of China ("BOC"), which have both shown enormous support and enthusiasm for the Karara Project.

The Project Loan Facility will be secured against the Karara Project and the shareholders' shares in Karara Mining Limited ("KML") and, during the construction phase of the Project, will be severally guaranteed by Gindalbie and its joint venture partner Ansteel in accordance with their respective equity interest in KML.

Offtake Contracts

Karara Mining Limited (KML) and Angang Group International Trade Corporation have finalised long-term off-take contracts covering the life-of-mine production from the Karara Project.

The magnetite concentrate contract, valued at more than US\$65 billion over the life of the project, covers the total production from the Karara operations. Stage one production, based on a rate of 8Mtpa, is scheduled to be commissioned in late 2011, however Karara hosts a world-class iron ore resource with the potential to produce more than 30Mtpa for a life of 30 years.

Based on the 2009 Benchmark iron ore fines price and stage one production rate, the offtake agreement is worth approximately US\$580 million a year increasing to more than US\$2.1 billion a year at the project's potential production rate.

The pricing structure for Karara magnetite concentrate will be based on the internationally-recognised Pilbara fines price plus a quality adjustment to reflect the high grade (68.2% Fe) and low impurity specifications of the Karara iron product.

The hematite contract covers the total production from Karara, which is scheduled to start in mid-2011, and allows for volumes up to 3Mtpa. The pricing structure for hematite will be based on the Hamersley Iron Pilbara lump and fines (FOB) benchmark price.

Project Development

Construction activity on the Karara Project increased considerably in the period since the receipt of final environmental approvals in November, 2009, with the following work undertaken:

- Clearing of the Karara concentrator site was completed
- Plant site roads have been established
- The interim site management office has been installed
- A concrete batch plant has been installed and commissioned, providing a ready supply of concrete for the next stage of construction
- Construction water has been established
- The 300-person Lochada construction camp has been completed and commissioned
- The first accommodation rooms have been installed for the main Karara Village



The completed Lochada Camp



Concentrator Design

The detailed engineering and design 60% model review was completed in February and detailed engineering design is proceeding as expected.

The first of the concrete foundation designs have been issued for construction.

Accommodation Facilities

The existing Karara Exploration Camp is fully utilised, housing approximately 120 personnel.

The Lochada Village, located on private property between Morawa and Karara, has been commissioned. This 300-person facility will be used to accommodate part of the initial workforce prior to the completion of the main Karara Village and later to accommodate workers required to construct the water pipeline, power line and rail spur.

The first stage of the 1350-room Karara Village is nearing completion. The Village is located near the Old Karara Homestead and has 900 construction rooms, which will be removed following project completion, and a 450-room permanent village.



Aerial view of the Karara Village construction

Port

Agreements allowing access to early enabling works at the Geraldton Port have been contingent on negotiating transition arrangements from Geraldton to Oakajee Port.

Design of the storage facility is progressing with the civil design element complete and out for tender. The concrete design for the rotary dual wagon tipper is well advanced and is currently being priced.

The Geraldton Port optimisation study is complete with final berth and loading conceptual design resolved.

Water

Exploration and assessment activities to assess the optimum water sources for the current and projected production profiles of the Karara Project are continuing with further pilot holes to be sunk in April.

In the June Quarter the bore field configuration will be finalised. Licence applications are being submitted for allocations in line with the water diversification strategy.

Power Transmission Line

The installation of tower footings for the power transmission line from Karara to Koolanooka is scheduled to commence under an early works arrangement in April. Access and tenure negotiations have commenced with landholders on the Koolanooka to Eneabba alignment. The contract to design and construct the 330 kV transmission line is in the late stages of negotiation.

Commercial negotiations have commenced regarding the operation and maintenance of the transmission line as well as the Electricity Transfer Access Contract and interconnection agreements with Western Power.

Rail

Significant milestones were achieved against the requirements to have the Karara to Tilley rail line legislated as a public works rail. Current expectations are for the legislation to be passed during the August sitting of the West Australian Parliament, allowing construction to commence thereafter. Commercial negotiations with above and below rail operators continued during the Quarter with the preferred providers selected.

Sleeper manufacture, awarded in late September 2009, has commenced with approximately 20,000 dual gauge rail sleepers complete and awaiting transportation to site at the appropriate time. Negotiation with the final tenderers for the construction of the 85km spur line is nearing completion with a June quarter award scheduled.

Contracts and Procurement

Significant contracts and orders placed during the March Quarter;

- The Karara earthworks and concrete package to NRW Holdings Limited
- The rotary dual wagon tipper
- The ductile iron pipe for the 154 km process water pipe line
- The order for the 66 magnetic separators

Contracts and orders with awards imminent include

- Process water pipe installation and pumping station
- 85km Rail spur construction
- Rail supply
- Pressure filters
- Port of Geraldton concrete works
- 330 kV power transmission line design and construct,
- Float cells and Thickeners
- Access road construction.

Supply and delivery of all ordered materials and equipment is on or ahead of schedule and will support the planned construction sequence.



Four tower mills (L) have been completed and being stored in Perth. Steve Murdoch (KML chief operating officer) and Garret Dixon (Gindalbie managing director) view progress on Karara's high pressure grinding rolls (R) being supplied by Thyssen Krupp.

Karara Project Exploration

Exploration and resource definition drilling for the first stage of development at Karara has been 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.

Pump testing of the seven waterbores at Karara and Blue Hills North, constructed in the December Quarter, was completed. Most of these bores have now been equipped with submersible pumps and are supplying water to the construction phase of the project.

Sampling and assaying of the sterilisation holes drilled within the infrastructure footprint at Karara failed to delineate a potential zone of detrital mineralisation. It did however outline a large gravel resource suitable for use in construction.

GINDALBIE REGIONAL EXPLORATION

During the March Quarter the validation of the drilling results from the Shelf, Main Track, West End and Hippo drilling programs were completed. This work supported the validity of the results reported in the December Quarterly Report.

Regional Mapping (E59/1199)

Geological mapping, accompanied by surface rock chip geochemical sampling, commenced within E59/1199 during the quarter. This tenement was granted in June 2009 and overlies the continuation of the Windaning BIF stratigraphy that hosts the Shine DSO deposit 4.5 kilometres to the south.

Of the 26 kilometres of strike length within E59/1199, four kilometres have been mapped and at this stage six banded iron units have been identified across 800 metres of stratigraphic width. It is unknown at this stage if the units are independent or represent structural repetition.

Accompanying the mapping, 31 rock chip samples were collected and assay results have been returned for 14 samples. Samples were collected from zones of both hematite and goethite enrichment within the BIF units. Significant rock chip assays are tabulated below.

Sample	North	East	Fe%	SiO2%	Al2O3%	P%	S%	LOI
GR2281	6,813,368	492,841	64.63	2.39	1.18	0.102	0.055	3.4
GR2280	6,813,392	492,827	63.05	3.73	1.85	0.079	0.069	3.42
GR2282	6,813,508	492,901	58.11	10.11	1.72	0.092	0.103	4.39

Note: A nominal cut-off 57% Fe has been used to determine significant results

All three samples tabulated above were collected from the most eastern BIF horizon in an area of poor outcrop and subdued topography where a semi-continuous zone of enrichment was noted. The BIF unit along strike to the south is jasperoidal in nature and is interpreted as Windaning Formation. This unit is interpreted to continue under transport sediments cover for a further 1.2 kilometres.

The BIF units mapped to date display a lower magnetic intensity compared to that of the Shine BIF, although a highly magnetic BIF horizon occurs in the north of E59/1199 and is yet to be mapped.

Southern Detritals (E59/1136, E59/1139 and E59/1023)

In late-2008, early-2009 an investigation commenced into the potential for the concentration of iron rich gravels in paleochannels draining BIF stratigraphy cropping out on a number of Gindalbie tenements. These detritals were initially investigated by collecting surface samples which were then magnetically concentrated. The samples were taken in areas overlying channels interpreted using remote sensing technologies, including LandSat data and various aeromagnetic images.

More recent work, carried out this Quarter, has expanded this sampling program with the aim of conducting a scout aircore drilling program in the near future designed to assess the size, shape and detrital content of the channels. Significant assays from the recent work are tabulated.

Sample	North	East	Fe%	SiO2%	Al2O3%	P%	S%	LOI
GR3490	6,762,446	490,913	58.26	6.89	5.71	0.056	0.015	1.91
GR3478	6,779,553	505,400	58.14	6.09	6.42	0.041	0.015	1.99
GR3491	6,762,781	491,128	58.08	6.49	6.49	0.048	0.016	2.02
GR3476	6,779,616	505,011	57.64	6.38	6.81	0.038	0.014	2.1
GR3487	6,762,004	490,510	57.64	7.31	6.17	0.052	0.018	2.02
GR3477	6,779,604	505,207	57.47	6.59	6.85	0.041	0.015	2.17
GR3494	6,760,350	491,625	57.43	7.32	6.51	0.051	0.015	1.89
GR3488	6,762,151	490,644	57.32	8.3	6.08	0.062	0.014	2.04
GR3492	6,760,632	491,903	57.27	7.2	6.58	0.051	0.015	2.01

Note: A nominal cut-off 57% Fe has been used to determine significant results

CORPORATE**Cash Reserves**

At 31 March, the Consolidated Entity had cash reserves of A\$144.93 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\$42.84 million. Gindalbie has nil corporate debt.

JV Agreement

Subsequent to the end of the Quarter, and because of the anticipated timing of the Project Loan Facility drawdown, Gindalbie agreed with its joint venture partner Ansteel to extend the time for completion of conditions under the Karara Incorporated Joint Venture Agreement ("IJV").

Under the terms of the IJV a number of conditions related primarily to arrangement of senior debt facilities, offtake agreements and Chinese regulatory approvals for the pellet plant subsequent had to be completed by April 9, 2010. Under provisions within the IJV Ansteel and Gindalbie have agreed to a further extension until 30 June 2010 to allow for completion of project debt and progress with the pellet plant. The extension of completion dates to the IJV is essentially a technical requirement to ensure ongoing compliance with the terms of the IJV. It is not anticipated to affect the ongoing development of the Karara Project.

Shareholder Information

As at 31 March, 2010, the Company had 707,487,674 shares on issue and 14,290 shareholders. The Top 40 shareholders held 64.21% 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.