

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS

EQUITY RAISING TO UNDERPIN KARARA GROWTH

PROCEEDS TO FUND GINDALBIE'S SHARE OF PROJECT CONSTRUCTION COST

AND PROVIDE WORKING CAPITAL

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) is pleased to announce it is seeking to raise a minimum of \$175 million (capital raising) to assist with the development of the Karara Iron Ore Project (Karara Project) in Western Australia.

The capital raising will comprise a **\$111.8 million** conditional share placement via an institutional bookbuild and a conditional placement to its Karara joint venture partner and largest shareholder, AnSteel to raise between \$63.2 million and \$74.6 million. In addition, Gindalbie is offering eligible shareholders in Australia and New Zealand the opportunity to participate in a Share Purchase Plan (SPP) of up to \$10,000 per shareholder to raise up to \$20 million.

Depending on the amount raised in the proposed SPP, the AnSteel placement will be adjusted to allow AnSteel to remain a 36.12% shareholder in Gindalbie, resulting in the total amount raised being a minimum of \$175m and a maximum of \$206.4m.

The proceeds of the capital raising will be used to fund Gindalbie's share of the revised construction cost estimate for the Karara Project and to assist with the Karara Project's working capital requirements, as announced on May 5, 2010.

Gindalbie and AnSteel have already made joint equity contributions totaling \$534 million to the Karara Project and are in the final stages of securing a Project Loan Facility of US\$1.2 billion (A\$1.319 billion) from China Development Bank and Bank of China. The facility agreement and documentation is expected to complete by 30 June 2010. The revised construction cost estimate for the Karara Project of \$1.975 billion has identified an additional \$122 million equity injection which the partners will fund (\$61 million each), primarily due to infrastructure capacity increases. The \$122 million funding requirement is based on the Project Loan Facility being drawn down at an assumed average A\$/US\$ exchange rate of \$0.91.

Gindalbie has identified a future working capital funding requirement of approximately \$430 million made up of pre-commissioning items (insurance, building spares inventory, mining pre-strip) of \$184 million and Finance Facilities (bonds, interest and working capital) of \$246 million.

To finance the future working capital funding requirement, Gindalbie and AnSteel have concluded a separate agreement whereby AnSteel will facilitate the procurement of debt funding arrangements to cover the bulk of the working capital requirements. The partners have agreed to target a funding structure based on a 70:30 debt to equity basis, which is the same as the project loan structure agreed for the Karara Project. However the Joint Venture is also mindful of changing market conditions in the future which may result in the application of different debt-to-equity ratios. Accordingly, Gindalbie is planning to allocate up to \$107.5 million of the capital raising toward the working capital requirements of the Karara Project, being equivalent to a 50:50 debt equity ratio.

Any surplus funds raised by the equity raising will be used to strengthen Gindalbie's cash resources to underpin future growth opportunities at Karara.

As an interim arrangement to meet specific term sheet requirements for the Project Loan Facility, Gindalbie and AnSteel have each agreed to contribute an additional \$23 million in equity to the joint venture company Karara Mining Limited (KML) prior to loan draw down.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO US PERSONS

Capital Raising Details

The equity raising comprises:

- a \$111.8 million conditional share placement to institutional investors with the share price being determined by way of a bookbuild;
- a conditional share placement to AnSteel at the same price as the institutional placement price to raise between \$63.2 million and \$74.6 million. Depending on the amount raised in the SPP, the AnSteel Placement will be adjusted to allow AnSteel to remain a 36.12% shareholder in Gindalbie.
- a Share Purchase Plan for eligible shareholders to apply for up to \$10,000 of new shares at the same price as the institutional placement, to raise a maximum of \$20 million.

In total the capital raising will raise between \$175 million and \$206.4 million, depending on the take-up of the SPP. The capital raising is non-underwritten.

The institutional placement and the AnSteel placement are both subject to shareholder approval at an extraordinary general meeting that is expected to be held in late June. Gindalbie must also obtain a waiver of Listing Rule 10.13.3 to enable settlement of the AnSteel placement to potentially occur more than 1 month after shareholder approval.

The institutional placement and the AnSteel placement are also both subject to shareholders passing the resolution contained in the Notice of Meeting issued by Gindalbie seeking approval of a share mortgage and cross charge to be granted over Gindalbie's shares in Karara in favour of AnSteel and a related entity. The resolution is to be put to shareholders at a general meeting scheduled to be held at the Swan Room, Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia at 10.00 am (Perth time) on Wednesday, 16 June 2010.

The resolutions seeking approval of the institutional placement and AnSteel placement will be interconditional such that both resolutions must be approved for the equity raising to proceed. In addition, the SPP will not proceed if either the institutional placement or AnSteel placement is not approved by shareholders, the ASX waiver is not granted or the share mortgage and cross charge referred to above are not approved by shareholders.

In addition to shareholder approval of all resolutions referred to above and Gindalbie obtaining a waiver of Listing Rule 10.13.3 and standard listing requirements, the AnSteel placement will also be conditional upon:

- FIRB approval; and
- AnSteel obtaining all legal and regulatory approvals required for the AnSteel placement.

If the AnSteel placement does not proceed, Gindalbie will consider all other financing alternatives available – including a potential further equity raising – at that time.

Clayton Utz are Gindalbie's legal advisors for the capital raising.

Use of Funds

The proceeds of the raising will be utilised as follows:

- **\$61 million** for Gindalbie's 50% share of the construction cost shortfall based on the revised Construction Cost estimate as announced 5 May, 2010;

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO US PERSONS

- **\$107.5 million** to fund Gindalbie's equity share of the \$430 million working capital requirements for the Karara Project as announced 5 May, 2010. The final amount required will depend on the debt to equity ratio agreed following further discussions with the China Development Bank and Bank of China. The partners are targeting a debt:equity ratio of 70:30, up to a maximum of 50:50; and
- Approximately **\$6.5m** will be used to cover fees, all legal expenses and other costs associated with the raising.
- Any surplus funds will be used to strengthen Gindalbie's cash resources to underpin future growth opportunities at Karara.

Gindalbie's Managing Director, Mr Garret Dixon, said the capital raising was by far the most significant in the Gindalbie's history and marked the beginning of an exciting new chapter for the Company and its long-standing relationship with AnSteel.

"The funds raised will cover our required contribution to the increased construction requirement for the Karara Project, as well as ensuring that we are funded to cover all of the additional working capital requirements normally associated with a project of this size," Mr Dixon said.

"Given the ongoing support Gindalbie and AnSteel have received from China Development Bank and Bank of China with the main project loan, I am confident KML will achieve a very good outcome for the working capital debt arrangements."

ENDS

Released by :

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

On behalf of:

Mr Garret Dixon
Managing Director

Gindalbie Corporate

Mr David Southam
Chief Financial Officer

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

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 the mid-2011 to be followed by production of high grade magnetite concentrate and blast furnace quality pellets 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 up to 11Mtpa of iron products commencing in 2011, comprising 8Mtpa of high-grade magnetite concentrate, a value-added product, and up to 3Mtpa 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.

Important Information

This release does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any person that is, or is acting for the account or benefit of, a "U.S. person" (as defined in Regulation S under the U.S. Securities Act of 1933 (the "Securities Act") ("U.S. Persons")). The securities to be issued in the proposed offering have not been and will not be registered under the Securities Act, or under the securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, unless the securities have been registered under the Securities Act, or in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

This announcement contains certain "forward looking" statements. The words "believe", "anticipate", "expect", "project", "forecast", "estimate", "potential", "could", "may", "target", "consider" and "will" and other similar expressions are intended to identify forward looking statements. Forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, Gindalbie and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.