

Key Points

- The first magnetite concentrate has been produced and shipped from the Karara Project
- The commissioning and ramp-up process is progressing with no material issues encountered
- 1.3 million tonnes of hematite DSO has been exported in 22 shipments
- Karara's full logistics chain has ramped-up within expectations



The Karara Concentrator

Executive Summary

- A total of \$2.55 billion has been spent on Karara construction costs and the Project is expected to be completed broadly in line with the construction budget.
- The historic milestone of the first magnetite concentrate produced from Karara was achieved in November.
- The six-month commissioning and ramp-up plan is progressing in line with expectations, with no material issues encountered. Nameplate capacity of 8mtpa of magnetite concentrate is anticipated by the end of April 2013.
- The first shipment of 55,000 tonnes of magnetite concentrate was made on January 1. The second shipment is scheduled to occur by the end of January 2013.
- Karara's supporting infrastructure chain has ramped up better than expected with no material issues encountered.
- Three trains per day are currently running between Karara and the Karara Export Terminal, with a fourth train due to be added as required by the ramp-up schedule.
- During the Quarter there were 22 shipments of hematite DSO, representing 1.3 million tonnes.
- Approximately 400,000 tonnes of hematite DSO was mined during the Quarter and more than 600,000 tonnes remains stockpiled.
- Gindalbie successfully completed a A\$40 million fully underwritten placement to institutional and sophisticated investors.
- At 31 December 2012, Gindalbie Metals Ltd had cash reserves of just over A\$70 million and Karara Mining Limited (KML) had cash reserves of just over A\$106 million.

KARARA PROJECT (Ansteel 50%)

Overview

Gindalbie is developing the world-class Karara 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 \$2.55 billion had been spent on Karara construction costs and the Project is expected to be completed broadly in line with the construction budget.

During the December Quarter Karara achieved its greatest milestone yet with the first magnetite concentrate produced in November, signalling the start of the forecast six-month ramp-up phase toward the targeted annualised production rate of 8mtpa.

Under the detailed commissioning and ramp-up plan the concentrator plant is being commissioned by area with various areas of the plant being sequentially commissioned and production rates together with concentrate quality increasing progressively. At the end of the period, in addition to all plant services (air, water, power, etc.) three of nine areas of the concentrator plant had been commissioned with no material issues encountered.

The first shipment of magnetite concentrate, comprising approximately 55,000 tonnes, was made in early January. Further shipments of magnetite concentrate will be made progressively as production levels increase. The next magnetite shipment is scheduled for the end of January 2013. In the meantime, Karara continues with its hematite DSO sales strategy, which is detailed elsewhere in this report.

Commissioning and ramp-up will continue to progress over the coming months, with the Project on track to achieve its full nameplate production capability of 8Mtpa by the end of April 2013.

Gindalbie intends to be a position to start reporting Quarterly cash costs and more detailed production and cashflow information once commercial production at Karara has been declared, which is likely to be in the June Quarter 2013.



Karara rail loop



Karara Magnetite Concentrator

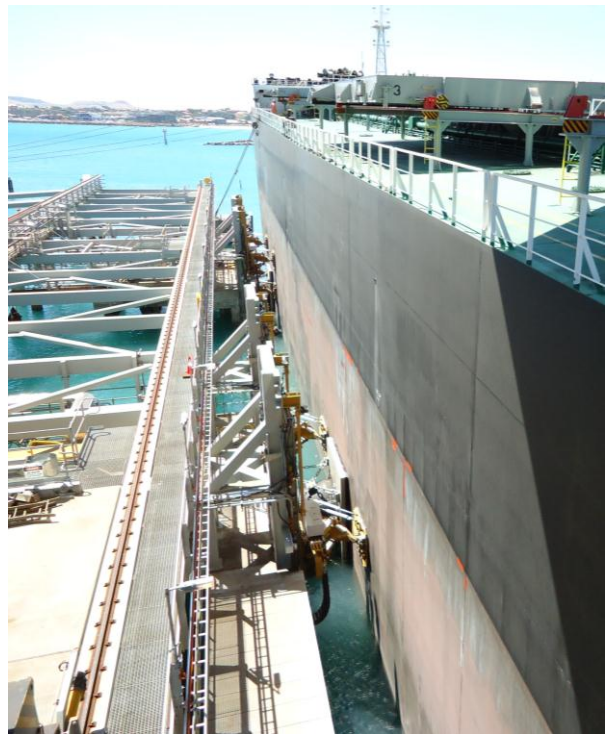
Infrastructure

Karara’s supporting infrastructure and logistics chain has been completed and commissioned and has ramped up better than expected with no material issues encountered.

Three trains per day are currently running between Karara and the Karara Export Terminal at Geraldton. The fourth train, which is required to achieve the anticipated Stage One capacity of 10mtpa, will be added as required in line with the production ramp-up. At Geraldton, trains are regularly being unloaded in approximately two hours and this is expected to further improve with ongoing fine-tuning of the inloading circuit.

The Karara shiploader is performing to expectations and can achieve the target ship loading rate of 5000tph in line with the production ramp-up.

A MoorMaster automated mooring system has been installed on Berth 7 as part of the infrastructure investment by Karara. The MoorMaster system is designed to limit downtime caused by adverse weather conditions by using berth-mounted suction units, in conjunction with mooring lines, to secure vessels to the Berth. Karara’s MoorMaster system has been undergoing certification testing and it is expected that the Geraldton Port Authority will progressively provide clearance for Karara vessels to remain berthed during certain adverse weather classifications as confidence is gained with the MoorMaster system’s performance in Geraldton.



Berth 7 MoorMaster system



Train loading at Karara

Mining and Shipping

Magnetite Mining

Approximately 1.3 million tonnes of magnetite ore has been mined and crushed or stockpiled, providing feed for the commissioning and ramp up of the magnetite concentrator.

Hematite Mining

Hematite DSO mining continued at the Terapod North and Terapod South pits and also commenced at Terapod West.

During the Quarter there were 22 shipments, totalling 1.3 million tonnes of hematite DSO. More than 600,000 tonnes of crushed and uncrushed hematite DSO remains stockpiled.



Iron ore stockpiles

The following table summarises mining activities.

Karara Magnetite			
<i>Unit: '000t</i>	Sept Qtr	Dec Qtr	Total
Magnetite Total	442	459	901

Karara Hematite DSO			
<i>Unit: '000t</i>	Sept Qtr	Dec Qtr	Total
High Grade Hematite	-	147	147
Medium Grade Hematite	-	20	20
Low Grade Hematite	350	239	589
Hematite DSO Total	350	406	756

Karara Project Exploration

Karara's exploration activities during the December Quarter focused on completing resource estimates to support mine planning and operations.

An updated resource block model was prepared for Terapod West, a satellite deposit located immediately adjacent to the existing Terapod mine, which enabled mining to commence during the December Quarter. The updated resource estimate includes results from an additional 66 Reverse Circulation (RC) holes for 6396m completed on a nominally 25m by 25m spacing during the September Quarter.

At Hinge, located approximately 11km north of the Terapod mine, a maiden hematite and magnetite resource estimate incorporating results of 98 RC holes for 7303m completed on a 50m by 25m spacing was prepared. The Mineral Resource estimate was completed by Snowden Mining Industry Consultants ("Snowden") and is reported in the tables below:

Hinge Hematite Mineral Resource Reported above a 57% Fe cut-off grade

JORC (2004)	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)
Measured	0.68	60.2	6.4	1.8	0.08	0.02	4.9
Indicated	0.99	60.4	6.9	1.8	0.07	0.01	4.0
Inferred	0.04	58.1	7.1	1.9	0.12	0.01	7.0
Total	1.70	60.3	6.7	1.8	0.07	0.02	4.4

**Small discrepancies may occur due to rounding*

Hinge Magnetite Mineral Resource Reported above a 0% Fe cut-off grade

JORC (2004)	Oxidation State	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)
Inferred	Transitional	0.61	59.6	9.0	0.8	0.06	0.01	2.3
Inferred	Fresh	0.75	60.7	7.7	0.8	0.06	0.01	2.4
Total		1.37	60.2	8.3	0.8	0.06	0.01	2.4

Project Funding

Debt and Equity

During the Quarter all conditions precedent under the Tranche 3, US\$250 million project debt facility for the Karara Project were satisfied. The Tranche 3 facility provided a debt solution to the anticipated funding shortfall which arose because of the exchange rate assumptions made in respect of the original Karara Project Loan Facility and subsequent Working Capital Facility (both of which were denominated in US Dollars).

As at 31 December 2012 all three tranches of the project credit facility were fully drawn down.

GINDALBIE REGIONAL EXPLORATION

Exploration activities during the December Quarter focused on work packages required to support the Shine Feasibility Study.

A diamond drilling program comprising 9 holes for 1062m was completed to provide data and samples required to assess the geotechnical properties used for mine planning at Shine.

A reconnaissance exploration program comprising 7 RC holes for 262m was drilled at the Andorra Project, located about 40km north of Shine. A total of 2 holes were drilled 30m apart on a single line to test a small approximately 400m by 30m outcrop of Channel Iron Deposits (CID) and further 5 holes were drilled 40m apart on a single line to test iron-enriched Banded Iron Formation (BIF). Preliminary interpretation, based on visual geological logging, indicate that the CID has very limited thickness (<4m) with no significant mineralisation identified in the BIF and assay results are pending.

Exploration activities for Gindalbie and Karara during the March Quarter 2013 will focus on RC drill testing of high priority aeromagnetic targets.

CORPORATE

Equity Raising

During the Quarter Gindalbie successfully completed a A\$40 million fully underwritten placement to institutional and sophisticated investors.

Approximately 156.9 million shares were issued to sophisticated and institutional investors under the Institutional Placement at an offer price of A\$0.255 per share, representing a 13.6% discount to the last closing price of Gindalbie shares on 29 November, 2012. The Institutional Placement was fully underwritten and managed by UBS AG, Australia Branch and was made in accordance with ASX Listing Rule 7.1 (issues not exceeding 15% of capital).

The equity proceeds strengthened Gindalbie's balance sheet, and may be used by Gindalbie to fund its share of contributions to the Karara Mining joint venture if required, during commissioning of the Karara Project.

Ansteel, Gindalbie's major shareholder wishes to maintain its approximate 36% interest in Gindalbie. Therefore, in addition to the Institutional Placement, Gindalbie proposes to conduct an additional conditional placement of approximately A\$22 million to Ansteel at the Institutional Placement Price, to enable Ansteel to regain its approximate 36% equity interest it held in Gindalbie prior to settlement of the Institutional Placement. The Ansteel Placement is conditional on Gindalbie shareholder approval at an extraordinary general meeting on 8 February 2013, Gindalbie obtaining a waiver of Listing Rule 10.13.3 and other regulatory conditions precedent.

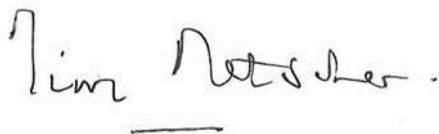
Cash Reserves

At 31 December 2012, Gindalbie Metals Ltd had cash reserves of just over A\$70 million and Karara Mining Limited (KML) had cash reserves of just over A\$106 million. Gindalbie has nil corporate debt.

Shareholder Information

As at 31 December, the Company had 1,404,350,200 shares on issue and 18,371 shareholders. The Top 40 shareholders held 61.18% of the Company.

GINDALBIE 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.

The information in this report that relates to the Mineral Resources is based upon information compiled by John Graindorge. John Graindorge is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to 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". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. John Graindorge consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.