

KARARA FUNDING UPDATE

Further to the ASX Announcement of 10 June 2013 regarding the restructure of the Karara Project and funding arrangement with Ansteel, Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) advises that Karara Mining Limited (KML) has received an \$84 million cash injection from Ansteel, representing the first instalment of bridging finance to cover Karara’s working capital requirements.

Under a Binding Memorandum of Cooperation between Ansteel and Gindalbie which has now been concluded, Ansteel has undertaken to provide bridging finance to KML to fund forecast cash requirements over the next 12 months.

Gindalbie’s Managing Director, Mr Tim Netscher, said the \$84 million cash injection reflected Ansteel’s continued strong support for the Karara Project.

Ansteel’s bridging funding removes the need for Gindalbie to raise further equity capital to support KML’s working capital requirements during this period. Ansteel, Gindalbie and KML will negotiate a longer-term working capital facility with third party banks and financial institutions to repay Ansteel’s bridging finance.

As previously announced (see ASX Announcement – 30 April 2013) a separate transaction for injection by Ansteel of a \$30 million convertible loan to KML will be used by KML to refund an earlier \$30 million loan by Gindalbie and will leave the company cashed-up and able to pursue other opportunities, while still maintaining a significant stake in a major, long-life mining asset. This transaction is subject to Australian Foreign Investment Review Board, Chinese regulatory and other necessary approvals which have not yet been granted.

Gindalbie is also pleased to announce that agreement has now been reached with Ansteel to set the reference benchmark pricing index during the first year of the magnetite concentrate sales agreement from the now obsolete annual Hamersley Iron FOB price to the Platts IODEX 62% Fe CFR index. Furthermore KML has negotiated the right to sell 30% of magnetite concentrate produced during the first year of the concentrate sales agreement to independent third parties. Ansteel continues to be obliged to purchase the remaining 70% of concentrate under the agreement. On the first anniversary of the start of the concentrate sales agreement, the pricing mechanism under this agreement will be renegotiated based on the established market price for Karara magnetite concentrate or other similar magnetite concentrate products.

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