MEDIA RELEASE

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GINDALBIE DELIVERS POSITIVE BANKABLE FEASIBILITY STUDY FOR A$1.6 BILLION KARARA IRON ORE PROJECT

Western Australian iron ore group Gindalbie Metals Ltd (ASX: GBG) has laid the foundations for the development of a world-class iron ore business with its 50/50 Chinese Joint Venture partner, Anshan Iron & Steel Group Corporation (Ansteel), after today announcing the completion of a positive Bankable Feasibility Study (BFS) for a proposed A$1.6 billion development of the Karara Magnetite Project in WA’s Mid West region.

Gindalbie advised today (Monday) that it had completed the BFS on schedule, confirming the technical and financial viability of a long-life iron ore project which is expected to generate substantial returns for the joint venture partners and deliver significant benefits to the region and the State of Western Australia. The Karara Magnetite Project is located 225km east of the Port of Geraldton.

The BFS concluded that, based on a JORC compliant Ore Resource of 1.43 billion tonnes at 36.3% Fe and an initial Ore Reserve defined as part of the study of 497 million tonnes at 36.3% Fe, the Karara Magnetite Project would generate an initial after tax free cash flow of A$9.3 billion from the first 25 years of operations and an indicative annual cash surplus after tax of A$360 million. The Project has a Net Present Value using a 9% discount rate of A$2.3 billion and an Internal Rate of Return (IRR) of 24.6%.

The BFS is based on a 20Mtpa mining operation producing on average 8Mtpa of magnetite concentrate grading 68.2% Fe and 4.7% SiO₂, with the initial 497 Mt Ore Reserve sufficient to underpin 25 years of production at the proposed ‘start up’ production rate. The substantial size of the resource (1.43 billion tonnes) – with 929 million tonnes at 36.3% Fe of Indicated and Inferred Resources outside of the initial pit design – and the scope for further resource additions, reinforces the potential for production to be increased significantly above this level.

“Ansteel has expressed its desire to expand production from Karara to meet its own growth requirements at its new steel-making facilities in China, and we therefore view the BFS as very much a base case for what we envisage will in time become a much larger project,” said Gindalbie’s Managing Director, Mr Garret Dixon.

The decision to use rail as the product transport mode in the BFS has been made by the joint venture participants on the basis that they are likely to expand the production rate at Karara in the future, as this provides a fully scalable option with only incremental transport capital required. However, concentrate transport using a slurry pipeline remains a viable option while final negotiations on rail transport are concluded.

Magnetite concentrate from Karara will be shipped to China via a process involving transportation on barges to a location off Geraldton for loading to a trans-shipper and ultimately onto Capesize vessels which will freight the high-grade iron ore concentrate to the port of Yingkou in China, for use in the joint venture pellet plant and directly in Ansteel’s new steel mill.

Subject to the timely receipt of environmental approvals and financing, the Karara Joint Venture is aiming to deliver first ore from the Karara Magnetite Project by the first Quarter of 2010.

“We are very pleased with the outcome of the Study, which has vindicated our belief that the world-class magnetite ore body at Karara will underpin the development of a substantial iron ore mine and associated downstream processing facilities and infrastructure,” Mr Dixon said.
“Following acceptance of the BFS results by Gindalbie and AnSteel, the joint venture participants are now working closely together to finalise the terms of the Development Joint Venture Agreement and we expect to be in a position to sign this in the near future, clearing the way for implementation of the project to proceed.”

Mr Dixon said “The development of the Karara Magnetite Project will bring significant benefits to Gindalbie shareholders with a forecast 37.5% project return on equity. Once the project is up and running, it will produce substantial free cash flow each year which is able to be used for the development of other iron ore projects. It really is the cornerstone project for Gindalbie - the project upon which we can build a very substantial iron ore Company.”

In addition, there will be flow on benefits to regional communities in the Mid West region of Western Australia, the City of Geraldton and the State of Western Australia through increased employment, construction of regional infrastructure and ongoing royalty payments to the State.

“The scale of the Project will enable Gindalbie to be a cornerstone customer to many infrastructure providers in the Mid West region, which will in turn deliver significant benefits to regional communities in the form of new and expanded infrastructure,” he said. “This will also enable us to lock in very competitive long-term contracts for the supply of key services, infrastructure and financing.”

“In this regard, we have defined feasible options for all the key services and inputs required for development of the Project including power, water, concentrate transport and access to storage and shiploading facilities at the Port of Geraldton,” Mr Dixon continued. “We look forward to finalising these key items over the coming months.”

“The key areas of focus for the joint venture participants now will be to secure all the required environmental approvals for the Karara Project in a timely fashion and to put all necessary debt and equity funding in place for the Project,” Mr Dixon concluded.

Full details of the Bankable Feasibility Study and Ore Reserve and Resource statements for the Karara Magnetite Project can be found in separate ASX Announcements lodged today.

In addition, the Company has separately released Bankable Feasibility Study Results and Ore Reserves and Resource Statements for the Mungada Hematite Project which is also being developed in a 50/50 joint venture with Ansteel.

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

On behalf of: Mr Garret Dixon/Mr Darren Gordon
Managing Director/Chief Financial Officer
Telephone: (+61-8) 9480-8700
www.gindalbie.com.au
Background – AnSteel

AnSteel is currently one of China’s largest steel producers and is the major producer in the north-east region of China, with crude steel production of 13 million tonnes, annual sales revenues in excess of US$11 billion and a profit of approximately US$1.5 billion in 2005. Under current Chinese central government policies, AnSteel is considered to be one of the country’s key growth companies and has strong support in securing new sources of long-term iron ore supply through international investment.

AnSteel is developing a new integrated iron and steel making facility at Bayuquan, adjacent to the Port of Yingkou, approximately 100 kilometres south-west of its current steel making facility in the city of Anshan. The new facility will have the capacity of 5.0 mtpa of finished steel products and is the facility that the Karara Iron Project’s products will feed upon commencement of production.

Background – Gindalbie Metals Ltd

Gindalbie Metals is a publicly-listed Western Australian iron ore company, focused on the development of the Karara Iron Ore Project in the State’s Mid West region in joint venture with AnSteel. Gindalbie’s vision is to become a leading integrated supplier of iron products by the end of this decade – delivering high-quality hematite ore, high-grade magnetite concentrate and blast furnace quality pellets to world markets, in particular the rapidly expanding Chinese steel industry.

A well-established Australian mining and resources company which has been listed on the Australian Stock Exchange (ASX Code: GBG) since 1994, Gindalbie has a strong Australian and international institutional and retail shareholder base to support this growth vision. The realization of this vision is expected to deliver significant returns to Gindalbie shareholders.