

STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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LANDMARK 50:50 JOINT VENTURE AND FUNDING AGREEMENT WITH CHINA'S ANSTEEL GROUP FOR KARARA IRON ORE PROJECT

Gindalbie Metals Ltd (**ASX: GBG**) today announced a landmark two stage joint venture and project funding agreement with Anshan Iron & Steel Group Corporation ('AnSteel'), China's second largest steel producer, for the development of its **Karara Iron Ore Project** in Western Australia's Mid West region.

The President of AnSteel, Mr Jie Liu, and the Chairman of Gindalbie, Mr George Jones, signed an agreement in Canberra today (3 April, 2006), setting out the terms of a 50:50 joint venture agreement for development and financing the Karara Iron Ore Project, including proposed off-take arrangements for the proposed 10 million tonnes per annum of iron products.

Stage 1 – Feasibility Agreement

As part of the first stage of the Agreement, AnSteel and Gindalbie have committed to complete the ongoing Definitive Feasibility Study being undertaken under the Karara Project Alliance with Thiess Pty Ltd during calendar 2006 for both the magnetite and hematite phases of the project on a 50:50 basis.

Gindalbie recently announced an initial JORC compliant Inferred Resource of 737 million tonnes at 37.1% iron for the Karara magnetite deposit, covering approximately half the total strike length of the deposit.

Upon the successful completion of the Definitive Feasibility Study ('DFS') for the Karara Concentrate Pellet Project by February 2007 and a decision to mine being made by both parties, the second stage of the Agreement will commence.

Stage 2 – Decision to Mine

The second stage of the Agreement involves the commencement and construction of the Karara Concentrate Pellet Project. While the final funding requirements for the project will be determined by the DFS currently in progress, it is estimated that the capital cost will be approximately A\$1 billion, with the debt / equity ratio structured on a 70% debt: 30% equity basis.

Prior to the second stage of the agreement commencing, operating joint venture agreements, sales and marketing agreements for all the expected output and all necessary financing arrangements will be in place. Upon all documentation and financing being put in place, Ansteel will then earn its 50% interest in the Karara Iron Ore Project.

The key terms of the second stage of the Agreement are that AnSteel, to secure its 50% interest in the Karara Concentrate Pellet Project, will provide 75% of the equity funding component of this project and assist Gindalbie in securing its 25% share of equity funding, if requested by Gindalbie. AnSteel has also indicated its willingness to provide all necessary debt funding for the project, if requested by the joint venture partners, providing adequate security can be provided by the joint venture partners.

These arrangements address 100% of the financing requirements for the Karara Iron Ore Project. Other key elements of the agreement include:

- Karara Management Services Pty Ltd (KMS), a wholly owned subsidiary of Gindalbie, will be appointed Manager during the DFS and would be the initial manager of the Joint Venture, unless otherwise agreed between the parties. KMS will be remunerated for managing the DFS on a cost recovery basis;
- AnSteel will have the right to purchase the total output of iron products – including hematite, pellets and concentrate – from the Karara Iron Ore Project, including Gindalbie’s share of production;
- Ansteel will have the option to earn 50% of the Karara Hematite Project by refunding 50% of Gindalbie’s capital costs for the hematite project upon the decision to mine in respect to the Karara Concentrate Pellet Project and all financing for this Project being arranged; and
- Gindalbie and AnSteel have agreed to form a Joint Venture Committee, comprising two representatives from each party, to oversee the feasibility studies.

Commenting on the landmark joint venture agreement with AnSteel, Gindalbie’s Chairman, Mr George Jones, said: “The Agreement represents a major step for Gindalbie towards its objective of becoming a 10 million tonne per annum new Australian iron ore producer and iron pellet exporter.

“The agreement with AnSteel provides Gindalbie with a long-term commitment to jointly develop and fund a substantial new iron ore production centre on terms which leave Gindalbie with a strong level of ownership and a minimal requirement to raise new capital.

“Furthermore, with the majority of the funding for the Karara Concentrate Pellet Project in place, Gindalbie is in an excellent position to gain maximum leverage from its iron ore assets during this time of rapid growth in the iron ore industry.”

Mr Jones continued: “I am personally delighted to be able to continue the outstanding relationship which I developed with AnSteel in my former role as Chairman of Portman Limited in this substantial new venture, which represents an important new development for Australia’s iron ore industry,” he said.

“Ansteel has grown significantly since my Portman days and is leading the new generation of Chinese steel groups. Ansteel has expertise in all facets of the business from mining to concentrating, pelletising and steelmaking. I believe that Ansteel’s technical expertise will be of mutual benefit to the parties and could also result in a substantial reduction in capital costs for the Karara Iron Ore Project.”

“Our aim is to work closely with Ansteel in the true spirit of cooperation to complete the current Definitive Feasibility Studies on the Karara Concentrate Pellet Project during 2006, with a view to commencing development of Australia’s largest pellet project during 2007,” Mr Jones said.

The pellet project development contemplates construction of the pellet plant on site at the proposed new deepwater port at Oakajee, north of Geraldton, with concentrate to be delivered to Oakajee via a 250km slurry pipeline from a concentrator to be constructed on site at Karara.

BACKGROUND - AnSteel

AnSteel is currently China's second largest steel producer and the major steel producer in the North-east region of China, with crude steel production of 11.3 million tonnes in 2004 and annual sales revenues in excess of US\$8 billion in 2004. AnSteel's 2006 crude steel production and capacity will be in excess of 15 million tonnes per annum. One of China's oldest (first established in 1916) and the world's most influential steel company, AnSteel has recently announced a merger with Benxi Steel (7 million tonnes of crude steel production in 2004), also based in Liaoning Province, with completion of this merger expected in 2006 under the merged name of ANBEN STEEL GROUP COMPANY. ANBEN is expected to have total steel production capacity of 30 million tonnes per annum by 2010.

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. It reports that it has financial support for its investments with the China National Development Bank.

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