

STOCK EXCHANGE ANNOUNCEMENT

5 July 2006

KARARA PELLETT PROJECT PORT UPDATE

Gindalbie Metals Ltd (ASX: GBG – “Gindalbie”) is developing the two stage Karara Iron Ore Project in joint venture with Anshan Iron and Steel Group Corporation (‘AnSteel’), China’s second largest steel producer. Stage 1 of the project involves mining of direct shipping hematite ore from Karara at an initial rate of 1.5 million tonnes per annum. The second stage involves the mining and concentrating of the 737 million tonne magnetite resource at Karara.

The logistics of the Stage 1 project involve mining onsite followed by road haulage along the existing 85 kilometre long haul road to Morawa where a rail siding will be built for loading ore onto rail wagons for cartage on the existing Mid West railway network, 200 kilometres to the port of Geraldton.

The logistics of the Stage 2 project involve the mining of up to 20 million tonnes per annum of raw magnetite ore followed by a concentration on site at Karara to produce 8 million tonnes per annum of magnetite concentrate (68.8% Fe). This material will then be transported via a 225 kilometre slurry pipeline to the industrial estate at Narngulu, 6 kilometres east of Geraldton.

The joint venture participants have reviewed their base case feasibility study, which now provides for the export of its concentrate and pellets through the Geraldton Port. Gindalbie is working closely with the Geraldton Port Authority to facilitate the necessary port upgrades required to meet its 8 million tonne per annum magnetite project.

The decision to export the Karara concentrate and pellet products through the Geraldton Port was made by the Karara Joint Venture partners to provide maximum certainty for its development and shipment plans.

Gindalbie Metals Ltd is a member of the Geraldton Iron Ore Alliance and maintains its support for the development of the Oakajee port and rail infrastructure as a strategic option for Gindalbie’s future expansion plans.

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