



GINDALBIE
METALS LTD
ABN 24 060 857 614

Level 9, London House
216 St Georges Terrace
PERTH WA 6000

PO Box 7200
CLOISTERS SQUARE WA 6850

Tel: (+61) 8 9480 8700
Fax: (+61) 8 9480 8799

www.gindalbie.com.au

MEDIA RELEASE

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GINDALBIE ANNOUNCES 75% INCREASE IN KARARA MAGNETITE RESOURCE TO 1.29 BILLION TONNES

Western Australian iron ore company Gindalbie Metals Ltd (**ASX: GBG**) has reinforced the potential of its Karara Iron Ore Project in the State's Mid West region to underpin a long-life, world-class iron ore business after announcing a **75% increase** in the resource base of the Karara Magnetite Deposit to **1.29 billion tonnes grading 36.3% Fe**. The upgraded magnetite resource forms the centerpiece of the Definitive Feasibility Study on the Karara Project due for completion in the first quarter of 2007.

The substantial resource upgrade follows completion of over 37,000 metres of resource definition drilling at the Karara deposit during the year. It incorporates a substantial extension of the original resource model announced in March this year (737 million tonnes at 37.1% Fe) as well as an upgrade in the resource category from Inferred to Indicated and Inferred.

The Indicated Resource component totals **569 million tonnes grading 36.6% Fe**, which is sufficient for approximately 28 years of production at the 8mt/annum design capacity of the Karara concentrator facility subject to the current feasibility study.

The upgraded Resource follows a step-out drilling program along the northern extension of the deposit and in-fill drilling programs in the south and central areas of the initial resource area which was defined earlier this year. The upgraded resource defines the magnetite-rich BIF (Banded Iron Formation) unit that hosts the deposit over a strike length of 3.2km, a width of between 400-600 metres and a depth of 300 metres below surface.

In addition to the resources defined above, the geological model remains open at depth and contains a large body of (as yet) unclassified material, generally located below the defined resources. The body of unclassified material is based on a number of deeper drill holes below the general level of drilling at 300 metres which have sought to define the depth limitation of the mineralised BIF.

This drilling consisted of 8 diamond drill holes and demonstrates that the mineralisation extends to at least 600 metres below surface. It is anticipated that this material will be assessed in the future once the Karara Project is in production.

The increased confidence in the resource estimate and proven geological continuity of the ore body will enable pit optimisation, pit design and Ore Reserve calculations for the Karara Magnetite Deposit to proceed. This work is scheduled for completion between November 2006 and January 2007.

Recent assaying and metallurgical testwork results have also confirmed the Karara Magnetite Deposit's premium quality, with extensive Davis Tube Magnetic Separation analysis producing a **concentrate grading 69% Fe, 3.9% SiO₂, 0.04% Al₂O₃ and 0.01% P at a weight recovery of 40%**.

Pelletizing testwork on concentrate produced from the deposit, conducted by leading North American group Metso at its design and test facilities, has confirmed the suitability of the concentrate for the proposed pellet making process and the high quality of the product for the Company's target blast furnace market.

Commenting on the announcement, Gindalbie's Executive Chairman, Mr George Jones, said:

"This substantial resource upgrade, together with the excellent concentrate testwork results, has provided further evidence to support our view that the Karara Project will deliver a source of premium quality concentrate and pellets for our joint venture partner, AnSteel, for many decades into the future. The Indicated component of the resource alone will underpin a 28 year mine life based on our current design throughput rates."

"However, there is clearly also significant potential for the inferred resource and other material not yet classified for this deposit to be upgraded to underpin a 40-50 year mine life iron ore project," he added. "This is a world-class deposit in every sense, with substantial tonnages, low strip ratios and technically straightforward mining and processing. It represents the foundation of our new iron ore business in joint venture with AnSteel."

"Our work over the past year has added substantial value to the Karara Project and confirmed the Karara Magnetite Deposit as one of the larger and higher quality magnetite resources in the world," Mr Jones said.

Gindalbie and AnSteel, China's second largest steel producer, recently announced that they had agreed on a joint proposal to locate the 4mt/annum Pellet Plant for the Karara Iron Ore Project within the confines of a major new steel mill to be constructed by AnSteel in north-eastern China.

AnSteel has earmarked a site for the new Pellet Plant, which would be owned on a 50:50 basis by the joint venture partners, in the port city of Yingkou in north-eastern China, within a major new RMB22.6 billion (A\$3.75 billion) steel mill complex due for completion in 2008. The Karara Pellet Plant will meet a significant proportion of the new AnSteel facility's input requirements.

The Stage 2 Karara Concentrate/Pellet Project involves the mining of up to 25mt/annum of raw magnetite ore followed by concentration on site at Karara to produce 8mt/annum of 69% magnetite concentrate. This material will be slurred via a 225km pipeline to the Port of Geraldton, from where it will be shipped to the Port of Yingkou in China to the new joint venture Pellet Plant.

The Definitive Feasibility Study for the Karara Concentrate Pellet Project is scheduled for completion by February 2007 to be followed by a decision to mine.

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Released by:
Jan Hope /Nicholas Read
Jan Hope & Partners
Telephone: (+61-8) 9388-1474

On behalf of:
Mr George Jones
Executive Chairman
Telephone: (+61-8) 9480-8700
Mobile: +61 (0)412 949 250
Web: www.gindalbie.com.au

Competent Person Compliance Statement

The information in the report that relates to the Mineral Resource is based on information compiled by Alex Virisheff, who is a Member of The Australasian Institute of Mining and Metallurgy. Alex Virisheff is employed by RSG Global.

Alex Virisheff has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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 Mineral Resources and Reserves". Alex Virisheff consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.