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STOCK EXCHANGE ANNOUNCEMENT AND MEDIA RELEASE

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GINDALBIE'S KARARA IRON ORE PROJECT GRANTED MAJOR PROJECT FACILITATION STATUS BY AUSTRALIA'S FEDERAL GOVERNMENT

Australian iron ore company Gindalbie Metals Ltd (**ASX: GBG**) has received a significant boost as it moves towards development of its **Karara Iron Ore Project** in Western Australia next year, with the announcement today that the Federal Government has granted **Major Project Facilitation (MPF)** status to the integrated project.

The Minister for Industry, Tourism and Resources, Ian Macfarlane, made the announcement today, saying the joint venture between Gindalbie and its partner, Anshan Iron and Steel Group Corporation (AnSteel) was another example of the growing trade and investment relationship between Australia and China.

As a result of the project being awarded MPF status, the Australian Government's inward investment agency, Invest Australia, will work with Gindalbie to progress the project through the approvals process and identify any Federal Government programs that may assist it.

Gindalbie's Executive Chairman, Mr George Jones, said the grant of MPF status represented a significant development in terms of facilitating the approvals process and reflected positive recognition of the significance of the project as a major future contributor to Australia's exports and the economy of Western Australia.

"We are very pleased to have received this important vote of confidence and support from the Federal Government for development of the Karara Project," Mr Jones said. "The grant of MPF status gives important recognition of the significance of the Karara Project as a long-term producer of iron products, including high-grade ore, magnetite concentrate and pellets."

"It also recognizes the strong relationship between Gindalbie and AnSteel which underpins the project, and the significant bilateral investment and cooperation embodied in the development of this project," he added. "The integrated Karara Project will involve a significant investment in mining, processing and transportation infrastructure in the Mid West region, together with a joint investment by Gindalbie and AnSteel in a new pellet plant facility in China."

Mr Jones said the Karara Project was one of a new generation of iron ore projects in Australia with a large-scale magnetite deposit at its core and with the involvement of a strong Chinese partner underpinning project finance and development. "The project will involve a significant downstream processing component, which represents a significant positive for the industry in Australia," he said.

The project is expected to generate approximately 550 jobs during construction, with a similar number of ongoing operational jobs. Once in full production by 2010, the Karara Project will produce 10mt/annum of iron products, generating approximately A\$750 million per annum in export revenue.

Mr Jones said the grant of MPF status would also reinforce the important bilateral relationship with AnSteel. "We signed the joint venture agreement with AnSteel in Canberra in April this year in the presence of senior representatives from both countries," he said. "The project development is premised on a very strong relationship between our two companies, which includes technical cooperation, a marketing and off-take agreement for all the iron products produced at Karara and financing arrangements."

Gindalbie recently announced a 75% increase in the resource base of the Karara Magnetite Deposit, which forms the centerpiece of the current Definitive Feasibility Study, to 1.29 billion tonnes grading 36.3% Fe.

The Karara Definitive Feasibility Study is expected to be completed by February 2007. The Stage 1 hematite project will commence production at an initial rate of 2mt/annum from early 2008, while the Stage 2 Concentrate/Pellet project will commence production at the rate of 8mt/annum from late 2009.

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 slurried 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.

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 A\$3.5 billion (RMB22.6 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.

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