

MEDIA RELEASE

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GINDALBIE DELIVERS UPGRADED KARARA MAGNETITE RESOURCE, SIGNS INFRASTRUCTURE MOUS

Western Australian iron ore group Gindalbie Metals Ltd (**ASX: GBG**) has further strengthened the long-term growth platform for its **Karara Iron Ore Project** in Western Australia with the announcement of a further increase in the project's magnetite resource to **1.43 billion tonnes grading 36.3% Fe** and the signing of two Memorandums of Understanding (MOUs) with infrastructure groups for the future expansion of the project.

Gindalbie said today (**Friday**) that the upgraded mineral resource inventory for the Karara Magnetite Deposit represented an 11% increase from the resource of 1.29 billion tonnes at 36.3% Fe announced in November 2006.

In addition, the updated resource model has identified a substantial mineral inventory lying below the resources – highlighting the world-class nature of the deposit and its long-term growth potential.

Extensive additional Davis Tube Recovery (DTR) test work has also confirmed the premium quality of the Karara Magnetite Deposit, with extensive DTR analysis producing a concentrate grading **68.8% Fe, 4.2% SiO₂, 0.08% Al₂O₃ and 0.01% P at a weight recovery of 40.7%**.

Pelletizing test work 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 Karara Project's target blast furnace market.

The Indicated component of the updated resource – comprising **655 million tonnes at 36.4% Fe** – demonstrates the continuity and robustness of the earlier DTR testwork and is sufficient for the first 32 years of production from the Karara Magnetite Project based on the current design capacity of 20mt/annum of ore and 8mt/annum of iron concentrate production.

The Indicated Resource will form the basis of final pit optimisation, pit design and Ore Reserve estimation for the Karara Magnetite Project, which is expected to be completed as part of the Bankable Feasibility Study (BFS) currently being completed by Gindalbie and its joint venture partner, AnSteel – and due for delivery by the end of August 2007.

Gindalbie's Managing Director, Mr Garret Dixon, said the Karara Joint Venture Partners were confident of achieving a very high level of conversion to Reserves from the Indicated component of the updated Resource. "It is also important to note that recent drilling has confirmed the presence of a substantial volume of mineralized material below 350 metres, demonstrating that this mineralization extends to at least 600 metres below surface," he said.

"The model contains a large mineral inventory in addition to the 1.4 billion tonne JORC compliant resource, and we are currently evaluating the potential for additional drilling to upgrade this material for inclusion in future resource estimates," he continued.

MOUs Signed for Future Expansion of Karara

As part of its strategic planning for the long-term expansion of the Karara Project, Gindalbie also today announced that it has signed Memorandums of Understanding (“MOUs”) separately with Yilgarn Infrastructure Limited and Mid West rail operator, WestNet, to study opportunities to accommodate future expansions of its Karara Iron Ore Project through the development of either new, and/or upgraded existing, port and rail infrastructure in the region.

Under the MOU signed with Yilgarn, Gindalbie and Yilgarn have agreed to work together to explore opportunities for the utilisation of Oakajee Port infrastructure and possible extended rail infrastructure to cater for the longer-term needs of the Karara Magnetite and Mungada Hematite Projects in the Mid West region of Western Australia.

“Gindalbie supports the Western Australian Government’s long term plans for the development of the new port at Oakajee to handle the shipment of bulk products from the Mid West region,” Mr Dixon commented. “It is important that we secure a seat at the table in the planning and development process for this important piece of infrastructure for the State.”

Separately, Gindalbie has signed an MOU with WestNet to examine opportunities for the utilization of an upgraded rail network in the Mid West region to accommodate its concentrate transportation requirements. WestNet has engaged GHD to work on plans for a major upgrade of its railway from Mullewa to Geraldton and the construction of a heavy haulage spur line to the proposed new port at Oakajee. The rail network could be extended to the south-east to service the Karara Project.

The Karara Joint Venture’s initial Mungada Hematite Project will utilize existing road and common user rail infrastructure, with exports via Berth 5 at Geraldton Port, while the Karara Magnetite Project will utilize either a 225km slurry pipeline or the Westnet rail network to transport magnetite concentrate to Geraldton for export via new berth facilities at the Port.

Mr Dixon said: “It is important for the Karara Joint Venture to accelerate strategic planning for its future infrastructure requirements – including additional rail and port capacity required to service production from the Karara Magnetite Project over and above the initial planned level of 8mt/annum and, potentially, from the Mungada Hematite Project, over above the initial planned level of 2-3mt/annum.

“Given the scale of the Karara magnetite deposit – which has the potential to hold well over two billion tonnes based on the upgraded resource and the identified mineral inventory – our intention is to move as rapidly as possible to expand the Project above its initial planned production levels,” he added.

“To support this expansion, we will need to be able access new and upgraded port and rail infrastructure in the Mid West region and it is important to start planning for this now, particularly in light of the increasing demand with new production coming on stream from other iron ore companies,” Mr Dixon said.

“An expansion at Karara would deliver the next cheapest source of iron ore for both Gindalbie & AnSteel. In addition, the large number of hematite and magnetite exploration targets within our 1,900 sq km tenement holding outside of the Karara JV is anticipated to produce multiple new iron ore deposits, which Gindalbie will develop,” Mr Dixon said.

Lodestone Exploration Drilling

Earlier this month, Gindalbie commenced drilling at its 100%-owned Lodestone deposit, which is located approximately 50km south-east of Karara. The aerial magnetic signature of this target is similar to Karara, and Gindalbie is assessing the potential of the area to host a magnetite deposit of similar scale to Karara. The drilling program is expected to take approximately six weeks to complete, with first results expected in the September 2007 Quarter.

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