

SECURITIES EXCHANGE ANNOUNCEMENT AND MEDIA RELEASE

3 September 2007

Gindalbie Delivers Positive Bankable Feasibility Study on Mungada Hematite Project

Key Points

- **Mungada Bankable Feasibility Study (BFS) completed on schedule confirming the technical and financial viability of an estimated A\$94 million project development.**
- **A\$79.6 million NPV_{10%} and 27.5% Internal Rate of Return with forecast A\$184 million life-of-mine free cash flow.**
- **Hematite lump and fines products averaging 61.5% Fe will be shipped via Berth 5 at Geraldton Port in Panamax vessels at an initial rate of 3.0Mtpa to Ansteel in China.**
- **First ore delivery targeted for Q1 2009, subject to timely receipt of environmental approvals and completion of financing.**

Gindalbie Metals Limited (ASX:GBG) is pleased to announce the results of the Bankable Feasibility Study (BFS) on the Mungada Hematite Project in Western Australia's Mid West region, which is being developed in Joint Venture with **Anshan Iron and Steel Group Corporation (Ansteel)**.

The BFS has confirmed that the Mungada Hematite Project is an economically robust direct shipping ore (DSO) project which will generate lump and fines products for Ansteel at an initial rate of 3Mtpa (million tonnes per annum) from the initial Product Inventory of 14.3 million tonnes.

Under the terms of the Joint Venture with Ansteel, 3Mtpa of DSO will be produced on site at Karara, 225km south-east of Geraldton, with this product being initially transported to Geraldton Port via road and rail and then rail only once the adjacent Karara Magnetite Project is commissioned by Gindalbie and Ansteel in early 2010. (See separate ASX Announcement today – Karara Magnetite Project Feasibility Study Results).

The decision to use a road/rail transport combination in the first 15 months of production is in line with the stated desire of the Joint Venture to generate early cash flows for the joint venture participants in the lead up to the commissioning of the Karara Magnetite Project.

Hematite DSO from Mungada will be shipped to China via a storage and loading facility which will integrate with the expanded Berth 5 ship loading facility at Geraldton Port. Ansteel will take all 3Mtpa of production from the Hematite Project.

Summary of Key BFS Outcomes

- NPV_{10%} after tax of A\$79.6 million and IRR after tax of 27.5%
- Free Cash Flow after tax from the initial Production Inventory of A\$184 million
- Resource defined to JORC Standard of 27.1 Mt (17.8 Mt Indicated and 9.3 Mt Inferred) with an initial Product Inventory of 14.3 Mt, including a 10.9 Mt Probable Ore Reserve, sufficient to underpin an initial 6 year production profile.

Mineral Resources and Ore Reserves

The Mineral Resources and Ore Reserves for the Karara Magnetite Deposit have been estimated by FJ Hughes and Associates in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as follows:

Mungada Hematite Project - Mineral Resources as at 31 August 2007

Resource Classification	Mt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Indicated	17.8	62.0	5.7	1.9	0.11	3.2
Inferred	9.3	61.1	6.3	3.0	0.12	4.3
TOTAL	27.1	61.7	5.9	2.3	0.11	3.5

Following completion of mine planning and detailed mine design activities, an Ore Reserve Statement has also been prepared, as follows:

Mungada Hematite Project Ore Reserve Statement and Production Estimate as at 31 August 2007

Source	Ore Reserve (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Probable Reserve	10.9	61.7	6.0	2.2	0.10	3.5
Inferred Resource	3.4	61.0	5.6	3.5	0.10	4.9
TOTAL PRODUCT INVENTORY	14.3	61.5	5.8	2.5	0.10	3.8

Capital Cost Estimates

Capital cost estimates were prepared by Gindalbie in conjunction with Arcon Engineers and other consultants. The estimated capital cost breakdown for the Project is as follows:

Capital Cost by Area

Description	Capital Cost A\$ (million)
Mine Site Costs	45.1
Infrastructure Costs	36.0
Transport System Costs	13.0
Total Projected Capital Costs	94.1
Contingencies	14.0
Total Project Capital Allowance	108.1

Operating Cost Estimate

The operating cost estimate for the hematite operation is split between two periods as follows. The first period to 31 March 2010 has the project transporting ore on road and rail whilst post 31 March 2010 all hematite ore will be transported on rail only following the commissioning of the Karara Magnetite Project by Gindalbie and Ansteel.

Operating Cost by Area

Cost Items	A\$/dry tonne – Pre 31 March 2010	A\$/dry tonne – Post 31 March 2010
Mine Site Operating Costs	23.28	23.28
Transport Costs – Mine to Port	23.65	12.75
Royalties	4.73	4.73
FOB Cost of Ore at Geraldton Port	51.66	40.76

Financial Evaluation

Extensive financial modelling has been undertaken on the Mungada Hematite Project. A summary of the financial analysis and model outcomes is as follows:

Items	Unit	Value
Discount rate	%	10%
Project NPV after tax	A\$ Million	\$79.6
Project IRR after tax	%	27.5%
Project Total Cash Surplus after Tax	A\$ Million	\$184

The financial results are based on a Fines price of A\$58.7 per tonne (FOB Geraldton) and a Lump price of A\$75.0 per tonne (FOB Geraldton).

Summary

Commenting on the results of the BFS on the Mungada Hematite Project, Gindalbie's Managing Director, Mr Garret Dixon, said: "In addition to the landmark BFS completed on the world-class Karara Magnetite Project which was also announced today, we are very pleased to confirm that the Feasibility Study on the Mungada Hematite Project has been completed with very positive outcomes."

"These two projects will essentially be developed by separate project teams, with the hematite project providing the opportunity for early cash flow to be generated from 2009 onwards as the construction and development of the larger scale magnetite project is completed," Mr Dixon said.

"The BFS has confirmed that the Mungada Hematite Project is technically and economically viable, representing an opportunity for us to move swiftly to take advantage of strong iron ore prices and high levels of demand for high-grade direct shipping ore," he said. "This initial DSO production base will be further enhanced once the magnetite project commences production, enabling us to switch to an all-rail transport option which will deliver significant operating cost benefits. Importantly, the Mungada Hematite Project will fully cover the higher start-up costs associated with the initial mine and infrastructure development. It will be something that we can really build upon."

"We are also very pleased that Ansteel has indicated that it will take up its option to participate in the Mungada Hematite Project on the same terms as the broader Joint Venture, bringing their expertise and financial strength to the venture as well as the security of a long-term off-take arrangement," Mr Dixon commented.

"While the hematite business will commence at an initial rate of 3Mtpa, our view is that there is enormous potential to grow this business rapidly with ongoing exploration," he continued. "We have a large number of high-quality hematite exploration targets, both at Mungada/Karara and in our broader 1,800 sq km tenement holding, and we intend to continue systematic exploration to increase our hematite resource inventory."

"We are very confident that the hematite business can grow to a long-term sustainable level of over 6Mtpa with continued exploration, and this will complement our larger-scale magnetite business, which clearly represents the main focus of the Karara Joint Venture," he concluded.

Released by:
Nicholas Read
Read Corporate
Telephone: (+61-8) 9388-1474

On behalf of:
Mr Garret Dixon/ Mr Darren Gordon
Managing Director/Chief Financial Officer
Telephone: (+61-8) 9480-8700

Competent Person Compliance Statement

The information in the report to which this statement is attached that relates to the Mineral Resource is based on information compiled by Felicity Hughes, who is a Member of the Australasian Institute of Mining and Metallurgy. Felicity Hughes is an Independent Consultant Geologist employed by Gindalbie Metals Ltd.

Felicity Hughes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she 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". Felicity Hughes consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.