

SECURITIES EXCHANGE ANNOUNCEMENT

3 September 2007

FURTHER UPGRADE TO MUNGADA HEMATITE RESOURCE AND ORE RESERVE ESTIMATION

KEY POINTS

- Further 19% increase in indicated and Inferred Resources for Mungada Hematite Project to 27.1 million tonnes grading 61.7% Fe.
- Metallurgical testwork, geotechnical drilling and pit optimisation design all completed with favourable results.
- Production inventory contains Probable Reserve and Inferred Resources totaling 14.3mt grading 61.5% Fe.

Gindalbie Metals Ltd (ASX: GBG) is pleased to announce a further substantial upgrade in Mineral Resources for the Mungada Hematite Project, located in the Mid West region of Western Australia to **27.1 million tonnes grading 61.7% Fe**, representing a 19% increase on the resource announced in early July of 22.8 million tonnes grading 61.9% Fe.

In addition to this Resource upgrade, the Company has estimated a Product Inventory of **14.3 million tonnes grading 61.5% Fe** for the purpose of the Bankable Feasibility Study (BFS) on the Mungada Hematite Project. The Product Inventory contains the Company's initial probable Ore Reserve of 10.9 million tonnes grading 61.7% Fe.

The upgrade is a result of in-fill, extension and deposit definition drilling, metallurgical testwork, geotechnical studies, pit designs, and mining studies carried out on ten hematite deposits at Mungada – namely, Blue Hills North, Karara South, Karara East, Mungada South, Skyhook, Tor, Wagonwheel, Gully, Terapod and Terapod West. A summary of the upgraded Mineral Resource inventory is set out in Table 1 below:

Table 1: Mineral Resource Inventory (57% Fe cut-off)

Resource	Tonnes Million	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %
Indicated	17,8	62.0	5.7	1.9	0.11	0.10	3.2
Inferred	9,3	61.1	6.3	3.0	0.12	0.25	4.3
Total	27,1	61.7	5.9	2.3	0.11	0.15	3.5

For the purpose of the BFS on the Mungada Hematite Project, the company has identified a Product Inventory as set out in Table 2 below:

Table 2: Product Inventory (57% Fe cut-off, and modified for dilution and ore loss)

Source	Tonnes Million	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %
Probable Reserve	10,9	61.7	6.0	2.2	0.10	0.07	3.5
Inferred Resource*	3,4	61.0	5.6	3.5	0.10	0.19	4.9
Total*	14,3	61.5	5.9	2.5	0.10	0.10	3.9

* *Inferred Resource refers to Inferred Resource within pit and modified for ore loss. It is not a JORC reserve classification.*

Reporting of Resources and Reserves is compliant with the standards and recommendations outlined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004), prepared by the Joint Ore Reserves Committee (JORC).

Technical details of the Resource estimation and open pit optimisation studies and Reserve estimation are outlined in Appendix A attached. These statements supersede all previous Mineral Resource and Ore Reserve estimates for the Mungada Hematite Project, and are based on geological interpretations and pit optimisations completed for all ten individual deposits up to 31 July 2007.

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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.

APPENDIX A

Mungada Hematite Project Mineral Resource and Ore Reserve Estimates

F J Hughes & Associates (FJH) have completed the update of Mineral Resources for Gindalbie Metals Ltd on ten deposits – Karara South, Blue Hills North, Karara East, Mungada South, Skyhook, Tor, Gully, Terapod, Wagonwheel and Terapod West. The Terapod West resource has not previously been defined and is a recent addition to the Resource Inventory. All other deposits except Gully have had substantial infill and extension drilling completed on them. Results of the Resource calculation are summarised in Table 1 of this Appendix A.

All deposits including Gully have undergone geological reinterpretation based on the following information:

- New drilling information – deposit definition (Terapod West), infill and extension drilling (all other deposits except Gully).
- Diamond core drilling for metallurgical and geotechnical studies.
- Systematic programme of downhole gyro surveying.
- Updated in situ bulk density parameters derived from downhole density surveys.
- Resource classification revision and upgrade based on drillhole spacing, block model estimation confidence, downhole gyro and density surveys.

The revised geological interpretation has included a comprehensive modelling of seven major variables Fe, SiO₂, Al₂O₃, P, S, LOI and density. Each variable has been individually interpreted based on lithological, geochemical and regolith characteristics specific to variable and deposit to provide suitable constraints for grade estimation.

Ordinary kriging with a 98% top cut has been used to interpolate all parameters except density. Density estimates were derived for all mineralised and non-mineralised domains at each deposit, based on the distribution of downhole density measurements within each lithological and geochemical domain, modified by location within the weathering profile. The regolith definition is critical for the estimation of density, which varies considerably with vertical depth and degree of weathering and oxidation within each defined lithological and geochemical domain.

Classification of the resources is based on, and meets the JORC standards of resource classification. Resources have been classified as Indicated based on a minimum drilling density of 100 metres along strike and 25 metres across strike of mineralisation. Variography has confirmed that a minimum drilling density of 50 metres to 25 metres along strike and 25 metres to 12.5 metres across strike is required to upgrade resources to Measured status, along with sufficient downhole survey and density determinations. Where downhole information is lacking, resources have been downgraded until such time as that information becomes available. Resources have been classified as Inferred where insufficient drilling information has resulted in an extrapolation of geological interpretation.

Special models derived from the block model interpretations were used to modify the Resource classifications. These models include average distance, slope of regression and number of points available to interpolate a block.

The JORC classified hematite resources, defined using a cut-off of 57% Fe, are summarised in the following table.

Table 1: Mungada Hematite Project – Mineral Resource Inventory Summary - August 2007 (57% Fe cut-off)

DEPOSIT	TOTAL RESOURCES							INDICATED RESOURCES							INFERRED RESOURCES						
	Tonnes x1000	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Tonnes x1000	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Tonnes x1000	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %
Wagonwheel	2,682	61.3	7.3	3.4	0.05	0.04	3.0	1,527	61.4	7.0	3.3	0.05	0.02	2.9	1,155	61.3	7.7	3.4	0.04	0.07	3.0
Tor	3,712	63.2	7.2	1.0	0.07	0.03	1.6	2,644	63.1	6.8	1.0	0.07	0.02	1.6	1,068	63.3	8.3	1.1	0.09	0.03	1.6
Karara South	382	60.9	6.2	1.8	0.15	0.15	3.8	227	61.0	6.0	1.9	0.15	0.16	3.9	155	60.8	6.4	1.8	0.15	0.14	3.8
Karara East	421	60.7	6.5	1.8	0.05	0.04	5.2	419	60.7	6.5	1.8	0.05	0.04	5.2	2	60.7	5.3	7.7	0.05	0.02	5.0
Terapod	1,248	62.0	5.5	2.9	0.07	0.05	5.3	1,120	62.0	4.9	3.0	0.07	0.04	5.3	128	61.8	10.7	2.2	0.07	0.06	5.0
Skyhook	3,029	61.4	6.7	1.5	0.07	0.04	2.8	2,580	61.6	6.6	1.4	0.07	0.04	2.8	449	60.3	7.4	2.0	0.06	0.09	2.8
Mungada South	1,573	63.0	3.8	1.4	0.14	0.05	3.3	1,240	62.9	3.8	1.4	0.14	0.05	3.7	333	63.2	4.0	1.2	0.12	0.06	1.8
Blue Hills North	4,586	62.3	5.9	1.2	0.11	0.03	1.1	3,942	62.4	5.8	1.3	0.11	0.02	1.2	644	61.6	6.5	0.8	0.13	0.04	0.6
Terapod West	3,796	61.3	5.1	4.4	0.05	0.41	5.6	1,628	62.1	4.7	3.9	0.05	0.39	5.5	2,168	60.7	5.5	4.7	0.05	0.41	5.7
Gully	5,696	60.4	5.3	2.6	0.23	0.34	5.5	2,443	60.5	4.7	1.8	0.25	0.30	5.2	3,253	60.3	5.7	3.3	0.21	0.37	5.8
Total	27,125	61.7	5.9	2.3	0.11	0.15	3.5	17,770	62.0	5.7	1.9	0.11	0.10	3.2	9,355	61.1	6.3	3.0	0.12	0.25	4.3

Metallurgical and Geotechnical Characterisation

Diamond core from several of the deposits has been used to characterise metallurgical and geotechnical properties for the hematite deposits in general. Parameters derived from these studies have been used in the ensuing pit optimisation and mine scheduling studies, and have confirmed the suitability of the ore for DSO shipping and fines sintering.

Metallurgical characterisation of hematite ore in the upper weathered portions of the deposits has confirmed an average lumps to fines ratio of 60:40, although this does vary from deposit to deposit. Further metallurgical drilling will better refine these parameters.

Geotechnical studies were completed by Coffey Mining and forwarded to RSG Global for pit optimisations.

Ore Reserves and Production Inventory

RSG Global were requested by Gindalbie to carry out pit optimisation and mining scheduling studies on all ten deposits based on the updated resources, metallurgical and geotechnical characterisations supplied by Gindalbie.

The Ore Reserve estimates incorporate the following updated information:

- Updated mineral resource block models.
- Updated geotechnical information on pit slope stabilities.
- Updated Whittle optimised pits.
- Revised definition of ore and low-grade cutoffs.
- Revised mining costs.
- Updated revenue information.
- Conversion of Indicated Resources to Probable Reserves within pits.
- Inclusion of Inferred Resources within pits for summary totals.

A summary of the Resources encapsulated within the updated pit designs is outlined in Table 2 of this Appendix A.

Mining dilution within the pit, both internal and edge, has been incorporated within the block model grade interpolations, which are whole block models. To ensure that Production Schedule estimates adequately reflect the proposed mining procedures, a 5% ore loss has been assumed, of which 2.5% has been assigned to Waste material as ore loss, and 2.5% ore has been redistributed to Low Grade material as misclassified ore. Table 3 of this Appendix A summarises the Proposed Production Schedule with ore loss allowance.

For five pits (Blue Hills North, Karara South, Karara East, Terapod and Wagonwheel), it is considered that the Low Grade material within the pit meets the product specifications to allow it to be classified as Ore material. The remaining Low Grade Material in the other pits will be separately stockpiled as Low Grade, as it is not considered in the production output of the pit.

Table 2: Mungada Hematite Project – Pit Resource Inventory Summary August 2007

Pit	MILL FEED (>57% Fe)							LOW GRADE (50-57% Fe)							Waste *1000	Total Material *1000	Strip Ratio	
	Tonnes	Fe	SiO ₂	Al ₂ O ₃	P	S	LOI	Tonnes	Fe	SiO ₂	Al ₂ O ₃	P	S	LOI			W+LG:O	W:O+LG
	*1000	%	%	%	%	%	%	*1000	%	%	%	%	%	%				
Blue Hills North	2,680	62.86	5.60	1.41	0.104	0.018	1.74	135	54.87	15.08	1.26	0.091	0.013	1.53	13,671	16,486	5.2	4.9
Gully	2,411	61.19	4.17	2.27	0.224	0.085	5.13	1,164	54.74	10.00	1.73	0.196	0.080	4.98	8,435	12,010	4.0	2.4
Karara East	359	60.86	5.93	1.87	0.049	0.044	5.39	57	55.78	11.37	1.68	0.054	0.037	5.60	1,239	1,655	3.6	3.0
Karara South	353	60.96	6.11	1.85	0.146	0.137	3.91	78	54.74	10.51	2.95	0.102	0.085	6.38	518	949	1.7	1.2
Mungada South	723	62.86	3.83	1.58	0.134	0.018	4.22	239	52.06	14.66	3.12	0.058	0.039	6.21	5,352	6,314	7.7	5.6
Skyhook	1,422	61.85	6.19	1.49	0.067	0.015	2.98	523	53.50	14.88	2.57	0.073	0.027	4.61	7,865	9,810	5.9	4.0
Terapod	507	61.85	4.15	3.61	0.073	0.035	5.83	294	53.52	13.21	4.56	0.073	0.040	6.79	2,393	3,195	5.3	3.0
Terapod West	3,238	61.55	5.04	4.46	0.046	0.309	5.45	157	55.57	7.96	1.92	0.069	0.593	6.69	14,092	17,486	4.4	4.2
Tor	1,398	62.77	7.58	0.92	0.070	0.010	1.86	960	53.14	21.27	1.12	0.058	0.011	1.87	4,325	6,683	3.8	1.8
Wagon Wheel	995	61.66	6.59	3.18	0.057	0.014	2.87	239	55.03	13.08	3.90	0.053	0.018	3.20	4,141	5,375	4.4	3.4
Total	14,086	61.94	5.43	2.45	0.101	0.099	3.81	3,846	53.98	14.33	2.14	0.105	0.064	4.24	62,031	79,963	4.7	3.5

Table 3: Mungada Hematite Project – Production Characterisation August 2007

Pit	Classify	MILL FEED (>57% Fe)							LOW GRADE (50-57% Fe)							Waste *1000	Total Material *1000	Strip Ratio	
		Tonnes	Fe	SiO ₂	Al ₂ O ₃	P	S	LOI	Tonnes	Fe	SiO ₂	Al ₂ O ₃	P	S	LOI			W+LG:O	W:O+LG
		*1000	%	%	%	%	%	%	*1000	%	%	%	%	%	%				
Blue Hills North	Probable	2,604	62.43	6.12	1.42	0.103	0.018	1.74								13,738	16,486	5.0	5.0
	Inferred *	144	63.18	4.93	1.11	0.114	0.030	1.63											
Karara East	Probable	405	60.15	6.71	1.81	0.050	0.043	5.42								1,248	1,655	3.1	3.1
	Inferred *	2	60.88	5.19	8.76	0.044	0.027	5.37											
Karara South	Probable	261	59.65	6.95	2.13	0.136	0.135	4.46								526	949	1.2	1.2
	Inferred *	162	60.08	6.86	1.92	0.141	0.116	4.22											
Terapod	Probable	741	59.04	7.16	3.85	0.074	0.036	6.10								2,406	3,195	3.1	3.1
	Inferred *	47	54.01	13.24	5.84	0.051	0.045	7.51											
Wagon Wheel	Probable	1,136	60.45	7.76	3.31	0.056	0.015	2.90								4,165	5,375	3.4	3.4
	Inferred *	73	58.86	9.56	3.49	0.052	0.017	3.45											
Gully	Probable	1,208	61.32	3.73	2.42	0.249	0.096	5.34	231	54.52	9.75	2.77	0.241	0.140	6.09	8,495	12,010	4.2	2.4
	Inferred *	1,083	61.04	4.66	2.11	0.197	0.072	4.90	994	55.19	9.71	1.52	0.187	0.066	4.73				
Mungada South	Probable	660	62.88	3.77	1.52	0.137	0.018	4.21	244	52.88	13.68	2.92	0.065	0.038	6.10	5,370	6,314	8.2	5.7
	Inferred *	26	62.47	5.24	2.98	0.063	0.025	4.32	13	51.76	18.20	4.85	0.042	0.032	5.47				
Skyhook	Probable	1,301	61.92	6.14	1.46	0.068	0.015	2.99	542	54.01	14.40	2.47	0.073	0.026	4.55	7,901	9,810	6.3	4.1
	Inferred *	50	60.10	7.32	2.24	0.040	0.017	2.76	16	54.53	11.96	3.29	0.048	0.021	3.00				
Terapod West	Probable	1,375	62.19	4.68	3.80	0.047	0.301	5.32	87	58.02	6.87	2.54	0.066	0.276	5.91	14,173	17,486	4.7	4.3
	Inferred *	1,700	61.03	5.33	4.99	0.046	0.315	5.54	151	57.37	7.02	2.92	0.058	0.624	6.47				
Tor	Probable	1,174	62.73	7.39	0.90	0.070	0.010	1.76	746	53.48	20.79	1.08	0.061	0.010	1.70	4,360	6,683	4.0	1.9
	Inferred *	153	63.06	9.09	1.02	0.069	0.009	2.59	249	53.47	20.76	1.18	0.050	0.012	2.38				
Total	Probable Reserve	10,865	61.68	5.96	2.18	0.10	0.07	3.52	1,851	53.90	15.95	2.01	0.088	0.047	3.86	62,383	79,963	4.6	3.5
	Inferred Resource*	3,440	61.03	5.57	3.52	0.10	0.19	4.92	1,422	55.08	11.46	1.66	0.147	0.115	4.49				
	Total*	14,305	61.53	5.86	2.50	0.099	0.095	3.85	3,273	54.41	14.00	1.86	0.113	0.077	4.13				

* Inferred Resource refers to Inferred Resource within pit and modified for ore loss. It is not a JORC Reserve classification.