

## SECURITIES EXCHANGE ANNOUNCEMENT

3 September 2007

### Gindalbie Delivers Positive Bankable Feasibility Study on Karara Magnetite Project

#### Key Points

- **Karara Bankable Feasibility Study (BFS) completed on schedule confirming the technical and financial viability of an estimated A\$1.6 billion project development.**
- **A\$2.25 billion NPV<sub>9%</sub> and 24.6% Internal Rate of Return with forecast A\$9.33 billion after tax free cash flow from the first 25 years of operation.**
- **Rail is the preferred concentrate transport mode to facilitate future expansion, with ore to be transhipped to China using Capesize vessels.**
- **First ore delivery targeted for Q1 2010, subject to timely receipt of environmental approvals and completion of financing.**
- **Infrastructure capacity to be installed to facilitate future expansions**

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

The BFS has confirmed that the Karara Magnetite Project is an economically robust, long-life iron ore project which will generate substantial returns for the Karara Joint Venture partners and deliver significant benefits to the Mid West region, the City of Geraldton and the State of Western Australia.

Under the terms of the Joint Venture with Ansteel, an initial output of 8Mtpa (million tonnes per annum) of magnetite concentrate will be produced on site at Karara, 225km south-east of Geraldton, with this product being transported to Geraldton Port via rail.

The decision to use rail as the product transport mode in the BFS has been made by the joint venture participants on the basis that they are likely to significantly expand the production rate at Karara in the near future. In this regard, the proposed upgraded rail network provides the Project with an ore transport system capacity of 30mtpa. The rail option offers a fully scalable transport solution with only incremental capital required to implement future expansions of the Project. However, the use of a slurry pipeline remains an option while the final negotiations on rail transport are concluded.

Ansteel has expressed its desire to expand production from Karara to meet its own growth requirements within its steel-making operations in China.

Magnetite concentrate from Karara will be shipped to China via a process involving transportation on barges to a location off Geraldton for loading to a trans-shipper and ultimately on to Capesize vessels which will freight the iron ore concentrate to the port of Yingkou in north-west China.

In China, the joint venture will supply 4Mtpa of magnetite concentrate to the joint venture owned pellet plant to produce 4Mtpa of Blast Furnace (BF) Pellets which in turn will be sold directly to Ansteel in China for use in its steel making business. The remaining 4Mtpa of magnetite concentrate transported to Yingkou, will be sold directly to Ansteel for use in its sintering operations.

The Karara magnetite deposit is a world-class deposit with unique qualities in terms of its scale, quality, consistency and extremely low waste: ore stripping ratio (0.42: 1), which will result in very low overall mining costs.

The substantial size of the resource (1.43 billion tonnes) and the potential for it to be further significantly expanded with future exploration underpins a long-life operation with the ability to lock in competitive long-term (15 year plus) contracts for the supply of key services, infrastructure and financing. This represents a significant advantage in the current highly competitive environment in the mining industry in Western Australia.

In this regard, the Karara Joint Venture has defined feasible options for all the key services and inputs required for development of the project, including:

- power supply, with negotiations well advanced towards finalization of long-term power purchase contract;
- electrical reticulation to the Karara Project via connection to the South West Interconnected System (SWIS);
- water supply sources;
- concentrate transport solutions; and
- access to storage, shiploading facilities and other required services at Geraldton Port to facilitate the transshipment of ore to China.

#### Summary of Key BFS Outcomes

- NPV<sub>9%</sub> after tax of A\$2.25 billion, IRR after tax of 24.6%, & Project Equity IRR after tax of 37.5%
- Free Cash Flow after tax from the initial Ore Reserve of A\$9.33 billion from the first 25 years of operation
- Average post tax annual Free Cash Flow of A\$360 million
- Resource defined to JORC Standard of 1,426 Mt (655 Mt Indicated and 771 Mt Inferred) with an initial Probable Ore Reserve of 497Mt, sufficient to underpin the initial 25 year production profile.
- Completion of initial mine planning and detailed mine design confirming a very favourable waste to ore ratio of 0.42 to 1.0.

#### Mineral Resources and Ore Reserves

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

*Karara Magnetite Deposit Mineral Resources as at 30 June 2007*

Resource Classification	Mt	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)
Indicated	655	36.4	42.65	0.82	0.091	-0.69
Inferred	771	36.2	42.76	0.94	0.087	-0.79
<b>TOTAL</b>	<b>1,426</b>	<b>36.3</b>	<b>42.71</b>	<b>0.89</b>	<b>0.089</b>	<b>-0.74</b>

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

*Karara Magnetite Deposit Ore Reserve Statement as at 31 August 2007*

Item	Ore Reserve (Mt)	Grade (%)	Process Plant Weight Recovery (%)	Concentrate (Mt)	Concentrate Fe (%)	SiO <sub>2</sub> (%)
Probable	497	36.3	39.6	197	68.2	4.75
<b>TOTAL ORE RESERVES</b>	<b>497</b>	<b>36.3</b>	<b>39.6</b>	<b>197</b>	<b>68.2</b>	<b>4.75</b>

The Karara deposit is a world-class magnetite orebody, with a mine life at the initial 8Mtpa production rate of more than 60 years, or the potential to support a significantly increased production rate over a shorter mine life.

The extensive scale of the resource (1.43 billion tonnes) and the potential for further additions to the resource inventory through ongoing exploration highlights the likelihood that concentrate production at Karara will be substantially increased once the project is in production.

**Key Project Metrics – First 25 Years of Production**

- Ore mined: 497Mt (20Mtpa)
- Waste: Ore stripping ratio of 0.42: 1
- Average magnetite concentrate production of 8 million dry metric tonnes per annum
- Average magnetite concentrate grade of 68.2% Fe
- Pellet production of 4 Million tonnes per annum
- Average pellet grade of 66% Fe

**Capital Cost Estimates**

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

*Capital Cost by Area*

Description	Capital Cost A\$ (million)
Mine Site Costs	886.4
Infrastructure Costs	290.8
Transport System Costs	195.9
<b>Total – Australia</b>	<b>1,373.1</b>
Pellet Plant – China	186.2
<b>Total Project Capital Costs</b>	<b>1,559.3</b>
Contingencies	147.0
<b>Total Project Capital Allowance</b>	<b>1,706.3</b>

## Operating Cost Estimate

The average annual operating cost estimate for the Concentrate operations in Australia at full production is as follows:

### *Operating Cost by Area*

Cost Items	A\$ M per annum	A\$/t Concentrate
Mine Site Operating Costs	244.8	30.60
Transport Costs – Mine to Port to China	272.4	34.05
Royalties	35.5	4.44
<b>Landed Cost - Concentrate in China</b>	<b>552.7</b>	<b>69.09</b>

In addition the following operating costs will be incurred in the joint venture pellet plant in China. (These costs exclude the cost of the actual supply of concentrate from the joint venture in Australia):

Cost Items	A\$ M per annum	A\$/t Pellets
Pelletising Costs	43.6	10.90

## Financial Evaluation

Extensive financial modelling has been undertaken for both the concentrate operations in Australia and the pellet plant operations in China. A summary of the financial analysis and model outcomes is as follows:

Items	Unit	Value
Discount rate	%	9%
Project NPV after tax	A\$ Million	\$2,252
Project IRR after tax	%	24.6%
Indicative Annual Cash Surplus after Tax	A\$ Million	\$360
Life Of Mine Cash Surplus after Tax	A\$ Million	\$9,333
Project IRRE after tax	%	37.5%

*All numbers presented above are for 100% of the Project*

The financial results in the BFS are based on a concentrate price of A\$111.9 per tonne of concentrate (C&F China) and A\$178.58 per tonne of pellets (C&F China). The Equity IRR is based on a 70/30 debt to equity ratio.

## Summary

Gindalbie's Board is delighted with the outcome of the BFS, which has demonstrated the robust nature of the Karara Iron Ore Project from both a technical and financial perspective and provides a strong foundation for the Joint Venture to proceed with development of the Project. Gindalbie and Ansteel are now working closely together to finalise the terms of the Development Joint Venture Agreement and expect to be in a position to sign this in the near future.

The successful development of the Karara Project is expected to bring significant benefits to regional communities in the Mid West region of Western Australia, the City of Geraldton and the State of Western Australia through increased employment, construction of regional infrastructure and ongoing royalty payments to the State.

In addition, the substantial scale of the Project will enable Gindalbie to be a cornerstone customer to many infrastructure providers in the Mid West region, which will in turn deliver significant benefits to regional communities in the form of new and expanded infrastructure.

The key areas of focus for the joint venture participants over the coming months will be to secure all the required environmental approvals for the Karara Project in a timely fashion and to put all necessary debt and equity funding in place for the Project. The Project is expected to deliver first ore by the first quarter of 2010.

As part of the Karara Joint Venture agreement, Ansteel has previously agreed to provide 75% of the equity funding for the Project and to underwrite all of the required debt funding. The participants expect that a debt to equity ratio of 70/30 can be supported by the Project Cash Flows.

The Board of Gindalbie would like to take this opportunity to thank all of its staff, consultants and contractors for the significant effort in delivering the Feasibility Study on time, which paves the way for the development of a substantial new iron ore business in Western Australia.

The successful development of the Karara Project will deliver substantial long-term returns for Gindalbie shareholders and make an important contribution to the continued expansion and development of Western Australia's world-class iron ore export industry.

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### **Competent Person Compliance Statement**

*The information in the report that relates to the Magnetite 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.*