

STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

29 May 2007

IRON ORE INTERSECTIONS INDICATE BROAD ZONES OF MAGNETITE AND HEMATITE AT MUNGADA

Gindalbie Metals (ASX code: GBG) is pleased to announce that further Reverse Circulation (RC) drilling undertaken at the **Blue Hills North** (BH2) deposit, part of its Mungada Hematite Project in Western Australia, has identified further iron ore mineralisation below the existing hematite resource. The results indicate that this new zone has the potential to produce either direct shipping hematite ore or DR (Direct Reduction) grade magnetite concentrate.

The drilling is part of an ongoing hematite exploration and resource development program focused on the Mungada Ridge area.

Indicative intersections from the recent deeper drilling at Blue Hills North are shown in Table 1:

| Hole ID | From (m) | To (m) | Interval (m) | Fe (%) | SiO ₂ (%) | P (%) |
|-----------|----------|--------|--------------|--------|----------------------|-------|
| MGC356 | 118 | 226 | 108 | 52.7 | 19.8 | 0.14 |
| Including | 181 | 213 | 32 | 55.7 | 16.7 | 0.14 |
| MGC357 | 88 | 163 | 75 | 51.4 | 22.2 | 0.13 |
| Including | 121 | 130 | 9 | 62.2 | 4.9 | 0.16 |
| MGC358 | 89 | 176 | 87 | 49.9 | 23.2 | 0.15 |
| Including | 141 | 174 | 33 | 57.2 | 10.6 | 0.21 |

Table 1: Blue Hills North Intersections

The results indicate that the deeper mineralisation at Blue Hills North is characterised by exceptional magnetic properties and magnesium-carbonate alteration, resulting in ore that grades on average over 50% Fe with a reduced silica content but elevated levels of magnesium, calcium and phosphorous.

Within this broad zone of alteration is coarse grained magnetite featuring substantial depletion of silica and further enrichment of iron. Near surface, the oxidised zone has been enriched and converted to hematite, grading +62% Fe, 3-5% silica and 0.06% phosphorous (as shown in Fig. 1 attached).

This style of deeper mineralisation at Blue Hills North offers two separate opportunities to the Company, namely:

- the potential to produce DSO (Direct Shipping Ore) hematite from the upper, oxidised zone. These ores are expected to achieve grades of more than 62% Fe and would be supplied as either lump or fines products; and
- the potential to produce altered, partially enriched magnetic ores which would be mined separately and either fed to the proposed Karara magnetite concentrator as supplemental feed to the nearby Karara magnetite deposit or alternatively concentrated separately to produce a DR quality iron concentrate.

Testwork on similar ores associated with smaller areas of alteration at Karara yielded very high grade concentrate, (+70% iron and < 2% silica) with very high weight recovery (+70%) at the proposed grind size of 25µm.

Testwork programs will now be undertaken on these ore types to determine:

- their metallurgical performance as DSO ores to sinter plants and blast furnaces;
- their weight recovery and concentration characteristics at various grind sizes for the Karara concentration processes; and
- their impact on grinding characteristics and power demand within the proposed grinding circuit at Karara.

The geological model developed at Blue Hills North will be applied across the Mungada Hematite Project to identify further opportunities to extend both the hematite and magnetite resources of the Project.

Gindalbie's Managing Director, Mr Garret Dixon, said: "Ongoing exploration activities at Mungada are continuing to identify potential new sources of ore to grow the existing hematite resource base, with high-grade results announced last month from the MR7 Prospect and now significant intersections returned from drilling beneath the existing BH2 deposit."

"These latest results from Blue Hills North potentially open up significant new opportunities for the Company, including the potential to produce DR quality concentrate in the future from the Mungada hematite deposits in addition to DSO hematite. The results have also underpinned a revised geological model which will be applied across the entire project and may result in additions to both our hematite and magnetite resource inventories."

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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 and Andrew Munckton who are Members of the Australasian Institute of Mining and Metallurgy. Andrew Munckton is employed by Gindalbie Metals Ltd. Felicity Hughes is an independent Geological Consultant. Felicity Hughes and Andrew Munckton have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves". Felicity Hughes and Andrew Munckton consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

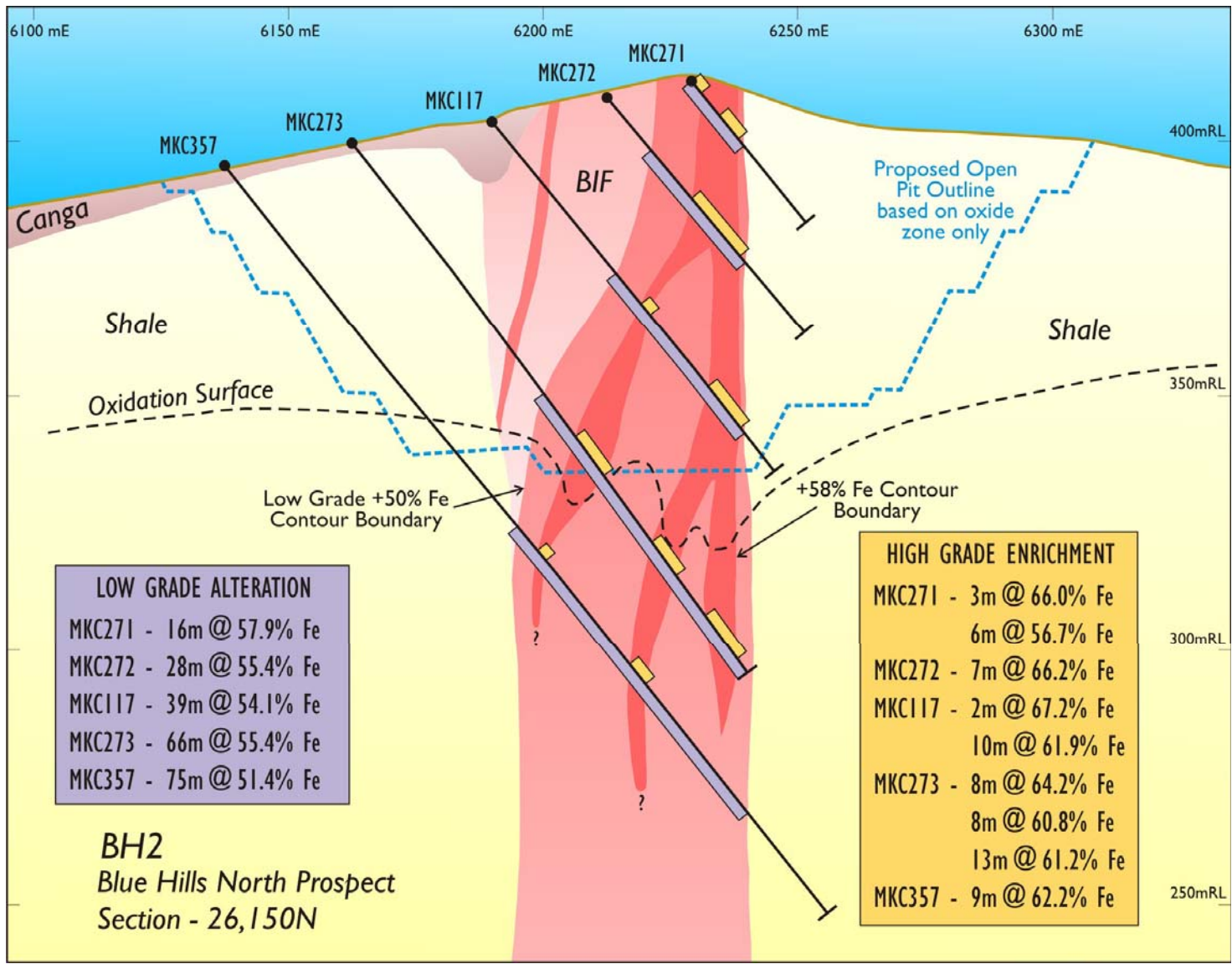


Figure 1