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## STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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# GINDALBIE FORGES KEY ALLIANCE WITH THIESS FOR KARARA IRON ORE PROJECT

### *COLLABORATIVE AND INTEGRATED APPROACH TO DEFINITIVE FEASIBILITY STUDY ON BOTH HEMATITE AND MAGNETITE PROJECTS*

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Western Australian iron ore group Gindalbie Metals Ltd (**ASX: GBG**) today announced the signing of a Project Alliance Agreement with integrated engineering and services group, Thiess Pty Ltd, to facilitate the completion during calendar 2006 of an integrated Definitive Feasibility Study (“DFS”) for development of both the magnetite and hematite components of its **Karara Iron Ore Project** in Western Australia’s Mid West region.

The Project Alliance Agreement provides for a collaborative approach to the management and completion of all studies – including preliminary engineering design, planning, procurement, cost estimates, scheduling, permitting, stakeholder management and technical and commercial risk management – covering both the Karara magnetite/pellet project and the Karara hematite direct shipping ore (DSO) project.

The agreement secures the involvement of one of the world’s leading mining services providers in the feasibility and pre-development phase of the Karara Project and is anticipated to lay the foundation for a subsequent Project Alliance Agreement with Thiess for the design, construction, commissioning and operation of the Karara Project, subject to achieving acceptable cost estimates and development scheduling and securing debt and equity funding. The Alliance will be known as the “Karara Alliance”.

Established in 1933, Thiess is a world-class integrated engineering and services group with operations throughout Australia, South East Asia and the near Pacific, annual turnover in excess of \$3 billion and work in hand of almost \$9 billion.

Thiess has recent expertise in the development of magnetite deposits as a result of its involvement in Project Magnet in South Australia for OneSteel and also owns 50% of Promet Engineers, which was appointed last year by Gindalbie as consulting process engineers to the Karara Iron Ore Project.

As part of the Project Alliance Agreement with Thiess, a dedicated project office for the Karara Iron Ore Project will be established in Perth including a multi-disciplinary Alliance Management Team comprising representatives from both Gindalbie and Thiess.

Commenting on the announcement of the Thiess Alliance, Gindalbie's Managing Director, Mr David McSweeney, said, "The Karara Alliance represents a significant endorsement of the potential of the Karara Iron Ore Project and further demonstrates Gindalbie's commitment to achieving its goals of becoming a direct shipping iron ore producer by mid-2007 from the Karara hematite deposits and further, to becoming the largest regional supplier of quality pellet feed/ pellets by 2010 based on the world-class Karara magnetite deposit."

"The Karara Alliance will facilitate a timely and commercial Definitive Feasibility Study on both phases of the project, providing a strong platform from which to launch the commencement of construction and development of both the hematite and magnetite projects."

"The Alliance also represents the best vehicle for realising the synergies to be gained from developing both a direct shipping hematite business and a magnetite pellet project in parallel," Mr McSweeney added. "It will enable Gindalbie to draw on the enormous depth of expertise and resources available within one of the world's leading engineering services groups."

Gindalbie recently completed the first-phase of resource drilling the Mt Karara magnetite deposit, with detailed resource estimation work now underway ahead of the scheduled announcement of the first JORC compliant resource in late February 2006. Initial drilling has also been completed on the Mt Karara hematite deposits.

The establishment of a JORC compliant resource estimate will form the basis of the DFS to be carried out this year on the magnetite/pellet project.

The Company expects to achieve its target resource of 400 million tonnes from the drilling undertaken on the first 1.6 kilometres of the 4 kilometre long strike extent of the deposit. The drilling to date has confirmed the magnetic interpretation of the ore body is an accurate representation of the actual Mt Karara magnetite orebody. Based on this interpretation, the Company has commenced a new round of drilling over the strike extent of the orebody not yet drill tested with the aim of increasing the resource base at Mt Karara to at least 800 million tonnes as part of the DFS.

Gindalbie is currently carrying out intensive drilling at the Karara Iron Ore Project on both the magnetite deposit and the nearby Karara hematite deposits.

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