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## **MEDIA RELEASE**

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# **GINDALBIE DELIVERS INITIAL 14MT HEMATITE RESOURCE TO UNDERPIN KARARA DSO PROJECT**

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Western Australian iron ore group Gindalbie Metals Ltd (**ASX: GBG**) has put in place another important component in the two-stage development strategy for its **Karara Iron Ore Project** in Western Australia's Mid West region after today announcing, on behalf of the Karara Iron Ore Joint Venture, an **initial hematite resource** to underpin the Stage 1 Direct Shipping Ore (DSO) phase of the project.

The Inferred Resource – contained within the first nine deposits to be covered by Gindalbie's hematite resource development program at Karara – totals **14.1 million tonnes at 60.6% Fe**. This will underpin a multi-pit hematite mining operation which will form the basis of an initial 3mt/annum DSO export project, with production scheduled to commence in the second quarter of 2008.

The Definitive Feasibility Study for the Stage 1 Karara Hematite Project is well advanced with mine design and optimisation work scheduled to commence in the March 2007 Quarter. This will proceed in parallel with the broader development of the Stage 2 Karara Magnetite Project, for which the Definitive Feasibility Study is nearing completion. The combined developments will underpin a world-class, long-life iron ore business.

The initial hematite resource estimate further strengthens Gindalbie's iron ore resource inventory, following the 75% increase in the resource base of the Karara Magnetite Deposit announced in November last year to 1.29 billion tonnes grading 36.3% Fe. It also significantly exceeds the Company's base case target for the Karara Hematite Project, which was to delineate an initial resource of +10 million tonnes grading on average +60% Fe within these nine deposits.

The initial resource estimate – which only incorporates drilling results up to September 2006 – was calculated following the completion of more than 29,000 metres of Reverse Circulation (RC) drilling and diamond drilling within the first nine Karara deposits earmarked for development by Gindalbie. The resource is limited to a depth of 120 metres below surface in each of the nine deposits.

Drilling at several deposits has continued between October and December 2006, with approximately 10,000 metres drilled during this period aimed at extending the mineralization and increasing drill density sufficiently to define Measured and Indicated Resources. Results received to date from this drilling include:

- BH1 Deposit – 13 metres @ 65.8% Fe from surface in Hole MKC275
- MR5 Deposit – 34 metres @ 64.0% Fe from 48 metres in Hole MGC210  
27 metres @ 63.1% Fe from 92 metres in Hole MGC242

The Company is confident that the results of this drilling will continue to upgrade the prospectivity of the Karara region for the delineation of additional hematite resources.

The in-fill drilling program is scheduled to continue into the June 2007 Quarter and is expected to upgrade the initial hematite resource to Measured and Indicated Status, forming the basis for Ore Reserve estimation and detailed mine planning.

Gindalbie's Managing Director, Mr Garret Dixon, said the initial hematite resource would underpin the current Definitive Feasibility Study on the Karara Hematite Project, enabling the Stage 1 Project to be fast-tracked through to production in early 2008.

"Our business strategy is to bring the Karara Hematite Project on stream as rapidly as possible to generate early cash flow and take advantage of the current strength of the iron ore market and record levels of demand for iron ore," Mr Dixon said. "This initial resource establishes sufficient critical mass to establish an initial 3mt/annum DSO business, however drilling will be ongoing over the course of this year and beyond to significantly expand our hematite resource inventory."

"There is potential to extend the existing deposits and there are numerous new discoveries and other prospects to be tested in the Karara area alone," he said. "In addition, our regional exploration activities are also gathering momentum, and we expect to commence drilling on the 100%-owned Lodestone Prospect, 50km south east of Karara, during the current quarter."

The Karara Hematite Project – which is part of Gindalbie's 50/50 Joint Venture with leading Chinese steel producer, AnSteel – will utilise existing road, rail and port infrastructure in the Mid West region. Gindalbie is targeting commencement of hematite mining in the fourth quarter of 2007, subject to obtaining relevant statutory approvals, with exports through the Port of Geraldton scheduled to commence in the second quarter of 2008.

This development will proceed in parallel with construction of the much larger Stage 2 Karara Magnetite Project, which is targeting commencement of production in late 2009. This Project will involve the mining of up to 25mt/annum of raw magnetite ore followed by concentration on site at Karara to produce 8mt/annum of 69% magnetite concentrate.

This material will be slurried via a 225km pipeline to the Port of Geraldton, from where it will be shipped to the Port of Yingkou in China to a new jointly owned, state-of-the-art Pellet Plant to be constructed by Gindalbie and AnSteel.

Gindalbie and AnSteel signed Memoranda of Understanding (MOU) with the Geraldton Port Authority in November 2006 for storage and loading facilities at two berths for both the hematite and magnetite phases of the Project.

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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.*

**Background – AnSteel**

AnSteel is currently one of China's largest steel producers and is the major producer in the north-east region of China, with crude steel production of 13 million tonnes, annual sales revenues in excess of US\$11 billion and a profit of approximately US\$1.5 billion in 2005.

Under current Chinese central government policies, AnSteel is considered to be one of the country's key growth companies and has strong support in securing new sources of long-term iron ore supply through international investment.

AnSteel is developing a new integrated iron and steel making facility at Ba Yu Quan, adjacent to the Port of Yingkou, approximately 100 kilometres south-west of its current steel making facility in the city of Anshan. The new facility will have the capacity of 5.0 mtpa of finished steel products and is the facility that the Karara Iron Project's products will feed upon commencement of production.

**Background – Gindalbie Metals Ltd**

Gindalbie Metals is a publicly-listed Western Australian iron ore company, focused on the development of the Karara Iron Ore Project in the State's Mid West region in joint venture with AnSteel. Gindalbie's vision is to become a leading integrated supplier of iron products by the end of this decade – delivering high-quality hematite ore, high-grade magnetite concentrate and blast furnace quality pellets to world markets, in particular the rapidly expanding Chinese steel industry.

A well-established Australian mining and resources company which has been listed on the Australian Stock Exchange (ASX Code: GBG) since 1994, Gindalbie has a strong Australian and international institutional and retail shareholder base to support this growth vision. The realization of this vision is expected to deliver significant returns to Gindalbie shareholders.

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