

STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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EXCELLENT KARARA HEMATITE DRILLING RESULTS UNDERPIN POSITIVE QUARTER FOR GINDALBIE

- Successful hematite drilling programs at Mungada Ridge and Blue Hills support Gindalbie's objective of delineating an initial hematite resource at Karara of +10mt of +60% Fe.
- Formal commencement of Joint Venture with AnSteel, with payment of inaugural cash call of \$8.5M.
- Revised base case production of 8mtpa of blast furnace pellets and concentrate agreed with AnSteel for Karara Magnetite Project, to be exported through the Port of Geraldton.
- Successful magnetite drilling confirms continuity of Karara magnetite deposit for at least 4km.
- Cash reserves of \$36M at Quarter end, underpinning Gindalbie's growth and development plans.

Gindalbie Metals Ltd (ASX: **GBG**) made further significant progress in its two-stage strategy to develop its **Karara Iron Ore Project** in WA's Mid West region during the June 2006 Quarter, with over 20,000m of successful drilling programs advancing both the hematite and magnetite components of the project and its newly established joint venture with Anshan Iron and Steel Group Corporation (AnSteel), China's second largest steel producer, formally commencing with payment of an inaugural Joint Venture cash call of \$8.5 million.

The 50:50 Joint Venture held its first meeting during the quarter, with representatives of AnSteel relocating to Perth to contribute technical and operational support to the project teams for both the hematite and magnetite projects. The partners are funding feasibility studies focused on development of the Karara Project as a major new integrated iron ore export project.

Gindalbie's Managing Director, Mr David McSweeney, said important progress was achieved on a number of fronts during the June Quarter, including successful in-fill drilling for the hematite deposits and in-fill and extensional drilling for the Karara magnetite deposit, while the feasibility studies moved into full swing with the formal establishment of the Joint Venture structure with AnSteel.

"A highlight was the excellent drilling results received from a number of hematite targets being drilled out in close proximity to the Karara magnetite project," Mr McSweeney said. "The results received to date have been excellent, and have increased our confidence in the potential to achieve our initial hematite resource target of in excess of 10 million tones of iron ore grading over 60% iron from both a grade and tonnage perspective."

Indicative results received during the Quarter from the 10,900m in-fill RC drilling program included **29m @ 64.0% Fe** from the MR3 prospect, **21m @ 63.4% Fe** from MR2 and **17m @ 63.5% Fe** from MR5. At Blue Hills, near the major Karara magnetite deposit, indicative results included **13m @ 66.4% Fe** and **13m @ 65.8% Fe** at the BH2 Prospect.

Mr McSweeney said the initial drilling at the BH2 Prospect at Karara had been particularly encouraging, confirming multiple zones of high-grade hematite over 500m of strike, open at depth and along strike.

“Intensive drilling will continue during the September 2006 Quarter, as we advance towards our objective of an initial hematite resource estimate towards the end of the year,” he added.

The Stage 1 hematite project will utilize existing infrastructure including an existing 85km haul road and 200km rail network, with ore to be exported via the new Berth 5 expansion at Geraldton. Gindalbie has announced a revised development timetable for the hematite project as a result of the timeframe required for the delivery and commissioning of the new \$35 million shiploader at Berth 5 by the Geraldton Port Authority, and a new environmental approvals process timetable instituted during the Quarter.

“We are now targeting commencement of hematite mining during the 3rd Quarter of 2007, with exports to commence through Geraldton at an initial rate of 1.5mtpa during the 1st Quarter of 2008,” Mr McSweeney. “The revised timetable is a function of delays in the approvals process and the realities involved in development of new infrastructure projects in the current environment in the WA resources sector.”

“However, aggressive exploration and resource definition drilling will continue throughout the next 18 months, which should enable us to fast-track our plans to develop additional hematite resources to support a relatively swift ramp up from hematite production of 1.5mtpa to 3mtpa by 2009,” he added.

All elements of the feasibility study for the Stage 2 magnetite project proceeded well during the Quarter, with Gindalbie and AnSteel agreeing to a new base case production scenario of 4mtpa of blast furnace pellets and 4mtpa of concentrate.

Mr McSweeney said the magnetite development proposal had been modified at the new production level to contemplate building of the pellet plant on a site at the industrial park at Narngulu, 6km east of Geraldton, with concentrate slurry to be delivered to Narngulu and to the proposed new Berth 7 at the Port of Geraldton via 220km slurry pipeline from a concentrator to be constructed on site at the Karara mine.

“Together with AnSteel, we are also examining the business case for establishing the Karara pellet plant at site adjacent to AnSteel’s new 5mtpa steel mill at the Port of Yingkou in the province of Liaoning, China,” he added. “These positive developments with the feasibility program continued to be supported during the Quarter by successful resource extension drilling programs of the Karara magnetite deposit itself.”

Following the announcement of an initial inferred resource of 737 million tonnes grading 37.1% Fe, Gindalbie completed 12,200m of drilling during the Quarter to test the 2km strike to the north of the initial resource. The results confirmed that the magnetite deposit is continuous in grade and style of mineralization for at least 4km; they will be incorporated in a revised resource estimate.

Under a development schedule for the magnetite project prepared during the Quarter, Gindalbie and AnSteel are targeting commencement of construction by January 2008, leading to commencement of exports through the port of Geraldton in the 1st Quarter of 2010.

Gindalbie remains in a strong financial position to pursue its exploration, feasibility and development activities, with cash reserves at the end of the June Quarter of \$36 million, including its share of the inaugural first Joint Venture cash call. In addition, the Company finalized the sale of the Minjar Gold Project to Monarch Gold Mining Company Ltd during the Quarter, for a total consideration of \$10 million payable in stages over 12 months.

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