



## STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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# KARARA IRON ORE PROJECT FEASIBILITY STUDY UPDATE

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Gindalbie Metals Ltd (**ASX: GBG**) today announced that, following successful high-level Joint Venture meetings in China with its partner AnSteel, it has been agreed to defer completion and delivery of the final Bankable Feasibility Study on its **Karara Iron Ore Project** in Western Australia until August 2007.

Commenting on the announcement, Gindalbie's Managing Director, Mr Garret Dixon, said: "During a series of significant and productive meetings with AnSteel, we reached agreement on a range of important outcomes for both parties and for the Karara Project, which are positive for everyone involved in this Project."

"In the view of both parties, the revised completion timetable for the Karara Feasibility Study accommodates the expanded project scope," he added "As part of this, several important aspects of the detailed engineering and design for the Project will be undertaken in China, providing access to AnSteel's expertise as one of the world's most experienced magnetite companies."

"AnSteel's President and senior executives affirmed their strong, long-term commitment to this Project and to accelerating its development to ensure that it is capable of meeting the requirements of their new 5mt/annum steel-making facility currently being constructed at Bayuquan adjacent to the Port of Yingkou in north-east China," Mr Dixon commented. "The partners are adopting a truly cooperative approach to the development based on a genuine sharing of costs and risks and a shared, long-term vision, while at the same time leveraging off the respective strengths and skills of both partners."

The reason for this decision is that the Joint Venture partners are still to finalise the process flowsheet for the Karara Magnetite Project. This has resulted from:

- the Karara magnetite deposit being much larger than originally anticipated following the resource upgrade announced late last year to 1.29 billion tonnes at 36.3% Fe;
- delays in obtaining the Representative Ore Sample for the required Pilot Plant testwork due to more samples having to be taken from the larger resource base. The initial pilot plant testwork results have been positive and have provided an opportunity to reduce the grinding requirement of the material for which further work is now required. With some of the pilot plant testwork results still outstanding, the full benefits from the results are yet to be incorporated into the Feasibility Study; and
- AnSteel having recently advised the Joint Venture of a review of their preferred concentrate off-take specifications and requirements which will be favourable to the Karara Magnetite Project.

In addition, the Joint Venture is still to finalise Ore Reserve estimation for the Karara Magnetite Deposit and settle on:

- Its preferred power solution for the project; and
- Its preferred shipping arrangement at the Geraldton Port.

The extension will enable Gindalbie and AnSteel to complete detailed engineering and design for the major components of the project, including the on-site concentrator, associated infrastructure and the Karara Pellet Plant to be constructed in north-east China.

In addition, it will permit completion of value engineering of certain aspects of the Project and completion of the final process flowsheet to meet the off-take specifications requested by AnSteel to achieve the requirements of its new 5mt/annum steel mill at Bayuquan.

As part of this process, Gindalbie and AnSteel have agreed that several key elements of the engineering and detailed design process for the Karara Magnetite Project will be undertaken in China, reflecting a cooperative approach between AnSteel and Gindalbie to optimising the Project and leveraging off AnSteel's extensive expertise in magnetite mining and production.

Gindalbie is currently preparing an updated budget and timetable for the detailed design and engineering phase of the Bankable Feasibility Study which is expected to be approved in mid March 2007. AnSteel and Gindalbie will make a final decision to proceed with the Karara Project following completion and delivery of the Bankable Feasibility Study in August 2007.

Subject to confirmation of the budget and timetable by the Joint Venture partners in March, Gindalbie does not anticipate any change to the targeted commencement of production from the Karara Magnetite Project in late 2009. The detailed engineering phase will run in parallel with the environmental approvals and permitting process for both the Karara Magnetite and Karara Hematite Projects, which are targeted for completion by October 2007. The Public Environmental Review (PER) document for the Karara Hematite Project has recently been lodged, with the PER for the Karara Magnetite Project to be lodged in April 2007.

In addition, several pre-development activities – including procurement of long-lead items – will commence during the final engineering phase of the Bankable Feasibility Study, enabling the Joint Venture to commence the development and construction process as soon as a final Decision to Mine is made.

As part of the recent Joint Venture discussions, Gindalbie and AnSteel have agreed that the Feasibility Study on the Karara Hematite Project will effectively be completed as part of the broader Bankable Feasibility Study, reflecting an integrated approach to the parallel development of these projects. AnSteel will make a final decision on its participation in the Karara Hematite Project following completion and delivery of the Bankable Feasibility Study in August 2007.

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