

STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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LANDMARK AGREEMENT FOR CHINA'S ANSTEEL TO TAKE UP STRATEGIC INVESTMENT IN GINDALBIE

Western Australian iron ore group Gindalbie Metals Ltd (**ASX: GBG**) is pleased to announce that it has reached agreement with its joint venture partner in the Karara Iron Ore Project, leading Chinese steel and iron ore company Anshan Iron & Steel Group Corporation (**AnSteel**), for AnSteel to take a strategic equity position in Gindalbie.

The proposed investment will further strengthen the relationship between Gindalbie and AnSteel and represents a strong vote of confidence by AnSteel in the forthcoming joint development of the Karara Project, as well as in Gindalbie's long-term growth strategy as a mid-tier Australian iron ore producer.

Under a Share Subscription Agreement signed with AnSteel, Gindalbie will issue **65 million shares at 60 cents** each to AnSteel's Hong Kong investment vehicle, Angang Group Hong Kong Co., Limited, to raise **A\$39 million**. Following completion of the share placement, AnSteel will become Gindalbie's second largest shareholder with a **12.94% interest**.

The Share Subscription Agreement is conditional upon AnSteel receiving approval and sign-off from relevant Chinese regulatory authorities, which are expected to be received within two months. After completion of the placement, AnSteel will be invited to nominate a representative to join Gindalbie's Board, with the timing of this appointment to be jointly determined by Gindalbie and AnSteel.

Gindalbie and Ansteel have been discussing the possibility of a strategic investment for some time and, in setting the placement price, the Gindalbie Board gave close consideration to the Company's share price over the last 3 months.

The placement is being made within Gindalbie's existing 15% placement capacity. Following completion of the share placement to AnSteel, Gindalbie will have 502,294,406 shares on issue.

The funds raised through the placement to AnSteel will be applied to the continued development of both the Karara Magnetite Project and the Mungada Hematite Project, both of which are being developed through the existing 50:50 Joint Venture between Gindalbie and AnSteel.

Following completion of the placement, Gindalbie will have cash reserves in excess of **\$60 million**, providing a strong platform to commence development of the Mungada Hematite Project this year and to complete the Bankable Feasibility Study on the Karara Magnetite Project, which is scheduled to be finalised by the end of August 2007. Development of the Mungada Hematite Project is scheduled to commence in the second half of 2007, at an initial production rate of 2mt/annum in 2008.

Commenting on the announcement, Gindalbie's Executive Chairman, Mr George Jones, said: "I am very pleased that AnSteel has agreed to take up this strategic investment in Gindalbie, which represents another important chapter in our relationship. I believe that AnSteel has sent a very clear message, not only about their commitment to the development of the Karara Project, but also about their confidence in Gindalbie's future as a rapidly growing Australian iron ore company."

"AnSteel's investment clearly demonstrates their belief in our management team as well as in our technical, corporate and financial ability to deliver on the growth vision we have set out through the development of the Karara Project and our other iron ore assets in the Mid West region – which will ultimately deliver a substantial value uplift for all our shareholders," Mr Jones added.

Gindalbie's Managing Director, Mr Garret Dixon, said: "We have developed a very close and successful working relationship with AnSteel as a joint venture partner, and I am now very pleased to welcome them as a major shareholder in the Company, particularly as we move towards completion of the Bankable Feasibility Study on the Karara Magnetite Project by the end of August and commence development of the Mungada Hematite Project within the next few months."

Commenting on the agreement, AnSteel's President, Mr Zhang Xiaogang, said: "We have been working closely with Gindalbie over the last 18 months to advance the Karara Project to a position where we are very confident in the capacity of this Project to be able to deliver a long-term supply of high-quality iron ore for us. This strategic investment in the Australian resource sector is a very important step by Ansteel into the international capital and metals markets."

"While the Karara Bankable Feasibility Study is still to be completed, we are very confident that the Project will be developed," he added.

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, with the overall Karara Magnetite Project targeted to commence production at the rate of 8mt/annum of blast furnace quality pellets and concentrate by early 2010.

The Bankable Feasibility Study on the Mungada Hematite Project is also targeted for completion by the end of August 2007, ahead of a development decision and proposed commencement of construction during the second half of 2007.

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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 22 million tonnes and annual sales revenues in excess of US\$11 billion. Ansteel is expected to have annual steel production of 30 million tonnes by 2010.

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 Bayuquan, 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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