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SECURITIES EXCHANGE ANNOUNCEMENT

3 September 2007

KARARA MAGNETITE PROJECT ORE RESERVE ESTIMATION AND MINERAL RESOURCE UPDATE

KEY POINTS

- **Bankable Feasibility Study ('BFS') pit design contains an initial Ore Reserve of 497 million tonnes at an average grade 36.3% Fe.**
- **Ore Reserve sufficient for 25 years of operation at the initial 8Mtpa concentrate production rate.**
- **Indicated and Inferred Resource of 929 million tonnes grading 36.3% Fe remains outside of the pit design. These resources can be upgraded to Reserves with additional drilling.**
- **Metallurgical testwork and pilot plant testing predict that 197 million tonnes of concentrate at 68.2% Fe and 4.7% SiO₂ can be produced from the BFS Ore Reserve.**
- **Further drilling planned to upgrade the Karara Mineral Resource inventory.**

SUMMARY

Gindalbie Metals Ltd (**ASX: GBG**) is pleased to announce the completion of pit designs and calculation of initial Ore Reserves for the Bankable Feasibility Study on the **Karara Magnetite Project**.

This work is the result of the in-fill resource drilling programme, geotechnical evaluation, metallurgical testing, pit design and JORC Ore Reserve classification at the Karara Magnetite Project, located in the Mid West region of Western Australia, which is being developed in joint venture with Anshan Iron and Steel Group Corporation (Ansteel), Gindalbie's 50% Joint Venture partner.

The latest resource/reserve work has resulted in the reporting of:

- **Probable Ore Reserves of 497 million tonnes** at an average grade of Fe 36.3% from within the Indicated Resource;
- **Indicated and Inferred Resources of 929 million tonnes** at an average grade of Fe 36.3% which remain outside of the initial pit design after estimation of the Ore Reserve;
- **Forecast concentrate production of 197 million tonnes** grading 68.2% Fe and 4.7% SiO₂ from the BFS Ore Reserve; and

- An initial pit design which will provide sufficient concentrate for the first 10 years of production.

The open pit design is illustrated in Figure 1 and summarized in Table 1 below:

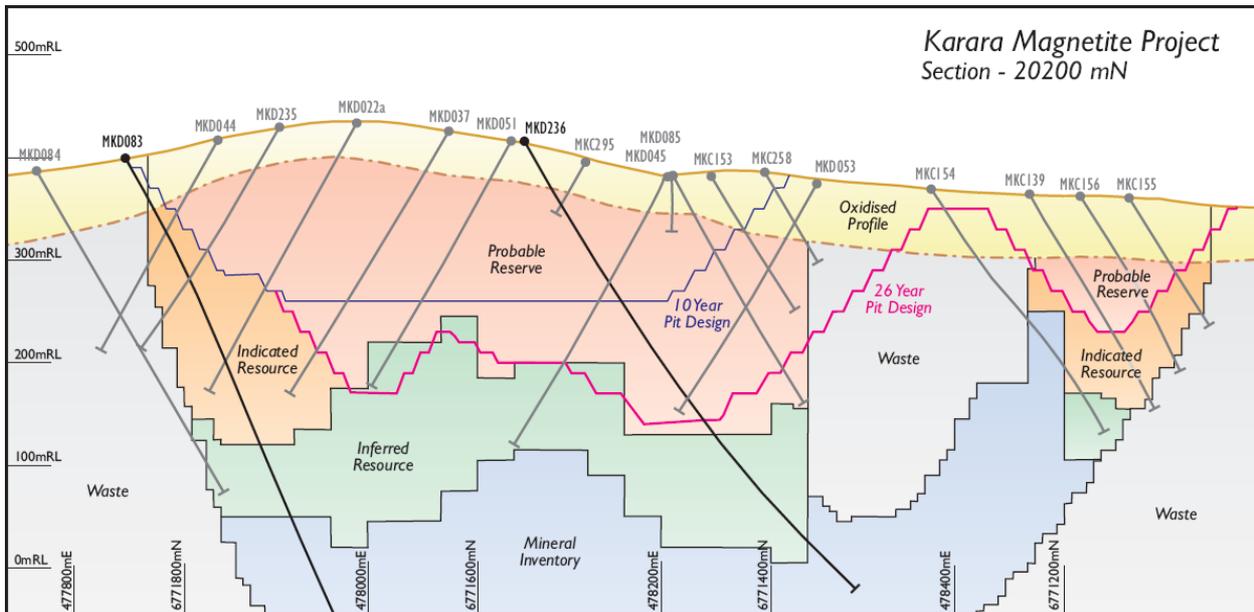


Figure 1: Cross Section of Karara Magnetite Deposit – Section 20,200mN

Assaying, metallurgical testwork and pilot scale concentrate and pellet production results have confirmed the premium quality of the Karara Magnetite Deposit, with extensive DTR analysis and parallel testing of concentrate quality in China, the USA and Australia.

All test results are in alignment and confirm that 197 million tonnes of concentrate at 68.2% Fe and 4.7% SiO₂ can be produced from the initial BFS Ore Reserve.

Table 1: Karara Magnetite Ore Reserves & Concentrate Estimates – August 2007						
Pit Design	Mt	Fe %	SiO₂ %	Al₂O₃ %	P %	LOI
Ore	497	36.3	42.71	0.89	0.089	-0.74
Concentrate	197	68.2	4.75	0.08	0.10	-2.9
Calculated by independent consultants Coffey Mining within the Indicated Resource.						

Pelletizing test work on concentrate produced from the deposit, conducted by leading North American group Metso at its design and test facilities, has confirmed the suitability of the concentrate for the proposed pellet making process and the high quality of the product for the Karara Project's target blast furnace market.

The Reserve, Resource, Concentrate and Pellet Making results further reinforce Gindalbie's belief that the Karara Project will present a long-term source of premium quality concentrate and pellets for AnSteel, its 50% partner in the project, and the wider Asian steel industry.

A substantial mineral inventory at Karara remains outside the initial open pit design, highlighting the world-class nature of the deposit and its long-term growth potential. This material can be upgraded to Reserves and Resource status with additional drilling.

Table 2: August 2007 Reserve & Resource Classification						
Reserve Classification	Mt	Fe %	SiO₂ %	Al₂O₃ %	P %	LOI
Probable	497	36.3	42.71	0.89	0.089	-0.74
Resource Classification	Mt	Fe %	SiO₂ %	Al₂O₃ %	P %	LOI
Indicated	158	36.4	42.65	0.82	0.091	-0.69
Inferred	771	36.2	42.76	0.94	0.087	-0.79
Subtotal	929	36.3	42.71	0.89	0.089	-0.74
Note: 1. The reserve was defined to provide sufficient material from the indicated resource material to support a minimum of 25 year mine life. 2. DTR Mass Recovery > 20% and Sulphur < 0.25%; Excluding Western Mafics/Shale Units 3. Resources are exclusive of Reserves						

Reporting of Resources and Reserves is compliant with the standards and recommendations outlined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004), prepared by the Joint Ore Reserves Committee (JORC).

Technical details of the Resource estimation and open pit optimisation studies and Reserve estimation are outlined in Appendix A attached. These statements supersede all previous Mineral Resource and Ore Reserve estimates for the Karara Magnetite Project, and are based on geological interpretations and pit optimisations completed for the deposit up to 31 July 2007.

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Competent Person Compliance Statement

The information in the report that relates to the Magnetite Mineral Resource is based on information compiled by Alex Virisheff, who is a Member of The Australasian Institute of Mining and Metallurgy. Alex Virisheff is employed by RSG Global.

Alex Virisheff has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves". Alex Virisheff consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

APPENDIX A

KARARA MAGNETITE RESERVE

The Reserve estimate for the Karara Magnetite Deposit follows the completion of over 207 drillholes intersecting the targeted fresh BIF; 26,774 whole rock samples and 3,455 DTR determinations. The south end of the Probable Reserve is covered by a 50 metre by 100 metre drilling grid.

The Karara deposit extends over a width of 750 metres in the south with drillhole spacing approximately on a 100 metre by 50 metre grid oriented west to east. Refer geological cross-section 20200mN in Figure 1.

The Probable Ore Reserve of 497 million tonnes grading 36.3 % Fe is defined to provide sufficient material for the first 25 years of production at the 'start up' design capacity of the Karara Concentrator Facility. The pit design was optimised to include only material with a mass recovery factor greater than 20% and Sulphur grade less than 0.25%. Waste material such as mafic and shale units were excluded from reserve blocks. The reserves are defined immediately below the oxidation profile within the fresh BIF unit.

Geotechnical pit wall stability studies were carried out by independent consultants Coffey Mining. They determined an overall slope angle of 60 degrees for pit optimisation purposes and pit design slope parameters of:

- Bench Height: 20 metres
- Batter Angle: 70 degrees
- Berm width: 8 metres

Metallurgical Testwork

Extensive metallurgical testing was developed and executed over 2006 and 2007 to develop an understanding of the magnetite deposit and its processing responses. Initially, bench scale tests were performed to establish the overall metallurgical behaviour of the material and enabled the preparation of conceptual processing plant flow sheets. Pilot plant tests were conducted to demonstrate that an acceptable quality of concentrate can be produced from the Karara ore, and to verify the conceptual plant flowsheet and finally specific engineering testwork for equipment selection and sizing using pilot plant sample material.

Due to changes to flow sheet design, the proposed grind size has been coarsened to 35 μm . This circuit consists of a flotation stage, a magnetic separation stage, and a regrind stage to regrind the floats to 80% passing 25 μm prior to scavenger flotation.

Metallurgical test results indicate an iron concentrate from the Karara Magnetite Ore is achievable to the specifications tabulated below (Table 3).

Table 3: Planned Concentrate Specification at a Product Size of $P_{80} = 35\mu\text{m}$									
Concentrate Specification	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	CaO %	MgO %	K ₂ O %	Mn %
	68.2	4.75	0.10	0.01	0.05	0.25	0.22	0.14	0.03

Pellet Plant Testwork

Concentrate dewatering and pelletising tests were first completed on concentrate produced during May 2006 to estimate filter machine surface area and pellet plant "balling" response of the fine Karara concentrate.

A main pilot plant run on P_{80} passing 25 μm was complete and the final concentrate sample has undergone Pellet Plant testwork.

Karara Resource and Pit Design

Resources are reported for the fresh rock component of the mineralisation only and exclude discrete internal sub-grade and non-BIF units (such as minor dolerite dykes discovered in the north extension drilling).

The resource defines the magnetite-rich Banded Iron Formation (BIF) unit that hosts the Karara Magnetite Deposit over a strike length of 3.2km, a width of between 400-750 metres and a depth of 400 metres below surface.

Cross-section 20200mN in Figure 1 demonstrates the world-class nature of the Karara deposit with proven geological continuity and multiple tiers of mineralised inventory.

Additional Mineral Inventory

The geological model for the Karara Magnetite Deposit remains open at depth and contains a large body of material below the level of defined Reserves and Resources identified in Figure 1.

The mineral inventory is based on a number of deeper diamond drill holes penetrating below the general level of drilling around 200 metres RL. Eight deep diamond drill holes clearly demonstrate that the mineralisation continues at least 200 metres below the general level of drilling, to between the 200 – 400 metres RL.

The geological model confirms the potential for the Karara Magnetite deposit resource inventory to be increased to more than 2 billion tonnes, underpinning the longer-term growth and future expansion of iron concentrate production from the Karara deposit.

Planned production scheduling and blending sample data

Upon project development approval, further in-fill drilling is planned to increase sample density to at least 100 metre x 50 metre spacing and, in some cases, 50 metre x 50 metre grid spacing within the planned initial 10 year pit area in the southern portion of the Ore Reserve. This drilling will provide detailed production scheduling data and a detailed blending program for the concentrator operations.