

SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

6 September 2007

MAJOR AUSTRALIAN IRON ORE PROJECTS TO PROCEED FOLLOWING LANDMARK JOINT VENTURE AGREEMENT

Sydney, 6 September 2007 – Following a joint formal signing ceremony today, Western Australian iron ore company Gindalbie Metals Limited (**ASX: GBG**) is pleased to announce that it has executed a wide-ranging Joint Venture Development Agreement with leading Chinese steel and iron ore company, Anshan Iron & Steel Group Corporation (Ansteel), to proceed with development of the **Karara Magnetite Project** and **Mungada Hematite Projects** in Western Australia.

The announcement follows the delivery earlier this week of positive Bankable Feasibility Studies for both iron ore projects, which are located 225km east of Geraldton in the Mid West region of Western Australia. The projects will involve a total combined investment of up to **A\$1.8 billion** in new mining and processing facilities and associated infrastructure both in Western Australia and China.

The Agreement was signed in Sydney by the President of Ansteel, Dr Zhang Xiaogang, and the Chairman of Gindalbie, Mr George Jones in the presence of the President of The Peoples Republic of China, Mr Hu Jintao, and Australia's Prime Minister, Mr John Howard, reflecting the importance of the Agreement to both Gindalbie and Ansteel and to the continued development of Australia's iron ore industry.

Under the terms of the Development Agreement, Gindalbie and Ansteel have agreed to develop both the Karara and Mungada Projects subject to the following conditions:

- the signing of an Equity Joint Venture agreement for the Joint Venture Pellet Plant in north eastern China;
- finalisation of the approval for the decision to mine within two months;
- finalisation of off-take and financing arrangements; and
- environmental approvals being received for both the Australian and China Projects.

The financing terms of the Development Agreement are generally consistent with the original Karara Joint Venture Feasibility Study Agreement with the Project proposed to be funded on a 70/30 debt to equity ratio. For the equity component of the Project, Ansteel will contribute A\$105 million plus 50% of the required equity whilst Gindalbie will contribute the balance of equity funding which equates to approximately 25% of the total equity funding requirement. The Project is now to be developed under an incorporated structure.

Earlier this week Gindalbie completed a previously announced A\$39 million share placement to Ansteel, giving it a 12.78% interest in the Company.

The Development Agreement covers both the production of hematite lump and fines (with shipments targeted to commence in the first quarter of 2009) and magnetite concentrate in Australia and pellets in China (with production scheduled to commence in 2010).

On Monday, Gindalbie announced positive Bankable Feasibility Studies (BFS) confirming the technical and economic viability of a proposed A\$1.6 billion development of the Karara Magnetite Project and a A\$94 million development of the nearby Mungada Hematite Project. The Studies have been accepted by the Boards of both Gindalbie and Ansteel, clearing the way for development of the projects to proceed.

Commenting on the signing of the Development Agreement, Gindalbie's Chairman, Mr George Jones, said: "Today represents a historic day for Gindalbie and Ansteel, marking the culmination of 18 months of feasibility work which has laid the foundations not just for a successful and profitable new iron ore venture in Western Australia but which has also cemented a strong and cooperative relationship between our two organizations.

"It was with great pleasure today that I was able to sign this Joint Venture Development Agreement with President Zhang Xiaogang, which clears the way for development of both the hematite and magnetite phases of our project to proceed," Mr Jones continued. "This will bring a very significant investment to the Mid West region of Western Australia, and will make a very significant contribution to the region and the State through the development of infrastructure, long-term employment and business opportunities plus the payment of substantial royalties.

"We view this as the beginning of a long-term association based on a shared vision and common goals which will deliver substantial benefits for both parties and make a major contribution towards unlocking the mineral wealth of the Mid West region – which is one of the fastest growing new mining regions in Australia," he added. "Karara and Mungada are the foundation projects upon which Gindalbie intends to build a major resource company."

Ansteel's President and Chairman of the China Iron and Steel Association, Dr Zhang Xiaogang, said: "Ansteel is very pleased to commit to the development of these important new Australian iron ore projects through the formal signing of our Joint Venture Development Agreement with Gindalbie today. It is also an important step for Ansteel as part of its long term and sustainable development strategy. The high-quality iron products produced at Karara represent a key input to our long-term growth plans, and we would like to see production from Karara expand in the future to meet the growth requirements of our new steel-making facilities.

"We look forward to continuing to work closely with Gindalbie towards the timely and efficient implementation of these substantial projects as the basis for a profitable and mutually beneficial long-term business relationship," Dr Zhang added.

Subject to the timely receipt of environmental approvals and financing, the Karara Joint Venture is aiming to commence exports of hematite ore through Geraldton in the first Quarter of 2009 and deliver first ore from the Karara Magnetite Project by the first Quarter of 2010.

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BACKGROUND INFORMATION – Karara & Mungada Projects

The Karara Project is a substantial new integrated iron ore project in the Mid West region of Australia, which will produce some 11Mtpa of iron products from 2010, including an initial 8Mtpa of high-grade magnetite concentrate and blast furnace quality pellets from the Karara Magnetite Project and an initial 3.0Mtpa of direct shipping ore from the Mungada Hematite Project.

The project includes a joint venture pellet plant which will be constructed near the site of a major new steel-making facility being developed by Ansteel in north-eastern China, as well as extensive mining, processing and associated infrastructure in the Mid West region of Western Australia.

The development of the Karara Project – which was granted Major Project Facilitation (MPF) status by the Australian Federal Government last year is expected to generate significant short and long-term economic benefits in the Mid West region of Western Australia.

The Karara BFS concluded that, based on an initial JORC compliant Ore Resource of 1.43 billion tonnes at 36.3% Fe and an initial Ore Reserve defined as part of the study of 497 million tonnes at 36.3% Fe, the Project would generate an initial after tax free cash flow of A\$9.3 billion and an indicative annual cash surplus after tax of A\$360 million. The Project has a Net Present Value (NPV) using a 9% discount rate of A\$2.3 billion and an Internal Rate of Return (IRR) of 24.6%.

The BFS is based on a 20Mtpa mining operation producing on average 8Mtpa of magnetite concentrate grading 68.2% Fe, 4.7% SiO₂ and 0.01% P, with the initial Ore Reserve sufficient to underpin 25 years of production at the proposed 'start up' production rate of 8Mtpa.

Magnetite concentrate from Karara will be shipped to China via a process involving transportation on barges to a location off Geraldton for loading to a trans-shipper and ultimately onto Capesize vessels which will freight the high-grade iron ore concentrate to the port of Yingkou in China, for use in the joint venture pellet and directly in Ansteel's new steel mill.

The BFS for the Mungada Hematite Project concluded that, based on an initial Product Inventory of 14.3 million tonnes at 61.5% Fe (resource of 27.1 million tonnes at 61.7% Fe), the Project would generate an initial after tax free cash flow of A\$184 million.

The Project has a Net Present Value using a 10% discount rate of A\$79.6 million and IRR of 27.5%. Direct Shipping Ore from Mungada will be exported at an initial rate of 3Mtpa through the Port of Geraldton directly to China.

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 16 million tonnes, annual sales revenues in excess of US\$11 billion and a profit of approximately US\$1.5 billion in 2006.

Ansteel is considered to be one of the country's key growth companies and has strong government 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 5.0Mtpa 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

Listed on the Australian Stock Exchange since 1994, Gindalbie Metals Ltd is an emerging Australian iron ore company based in Perth, Western Australia. Gindalbie is developing a strategic portfolio of high-quality production and exploration assets located some 225km east of the port of Geraldton which will underpin its vision to become a leading independent supplier of iron ore products to world markets over the next decade.

The initial focus of Gindalbie's growth strategy is the Mungada Hematite and Karara Magnetite Projects, however its longer term growth will be propelled by the exploration and development of its extensive 1,900 sq km tenement portfolio in the Mid West region, which includes numerous prospective magnetite and hematite exploration targets expected to deliver a long-term pipeline of growth opportunities.

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