GINDALBIE
METALS LTD
ABN 24 060 857 614

Level 9, London House
216 St Georges Terrace
PERTH WA 6000

PO Box 7200
CLOISTERS SQUARE WA 6850

Tel: (+61) 8 9480 8700
Fax: (+61) 8 9480 8799

www.gindalbie.com.au

SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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NEW HIGH GRADE MAGNETITE DISCOVERY AT KARARA

KEY POINTS

- **Extensive high-grade magnetite mineralization identified at depth beneath BH2 hematite deposit.**
- **Davis Tube testwork on this material produces a DR quality magnetite concentrate grading +70% Fe and 2% SiO_2.**
- **Results confirm the Company's view that the Karara hematite deposits comprise near-surface supergene ore, marking areas of high-grade magnetite enrichment at depth.**
- **Ongoing drilling underway to further test this style of mineralization.**
- **New geological model being applied across the Karara Iron Ore Project, with potential to delineate substantial additional resources of high-grade magnetite.**

Gindalbie Metals Ltd (**ASX Code: GBG**) is pleased to announce that recent Davis Tube Recovery (DTR) test work on drilling under the existing **BH2 hematite deposit** at its Karara Iron Ore Project in Western Australia has confirmed the presence of an extensive zone of high-grade magnetite mineralization beneath the existing hematite resource.

The high grade magnetite material produces a Direct Reduction ('DR') quality magnetite concentrate, grading >70% Fe and 2% SiO_2 at greater than 45% weight recovery.

The mineralisation occurs below the level of oxidation (generally 50 metres below surface) and currently extends to the base of drilling at a depth of 250 metres below surface. Drilling covers a strike length of approximately 800 metres and defines mineralisation consistently between 50 metres and 70 metres horizontal width.

The BH2 deposit is one of 10 hematite deposits which comprise the current hematite resource inventory of 27.1 million tonnes at 61.7% Fe at Karara.

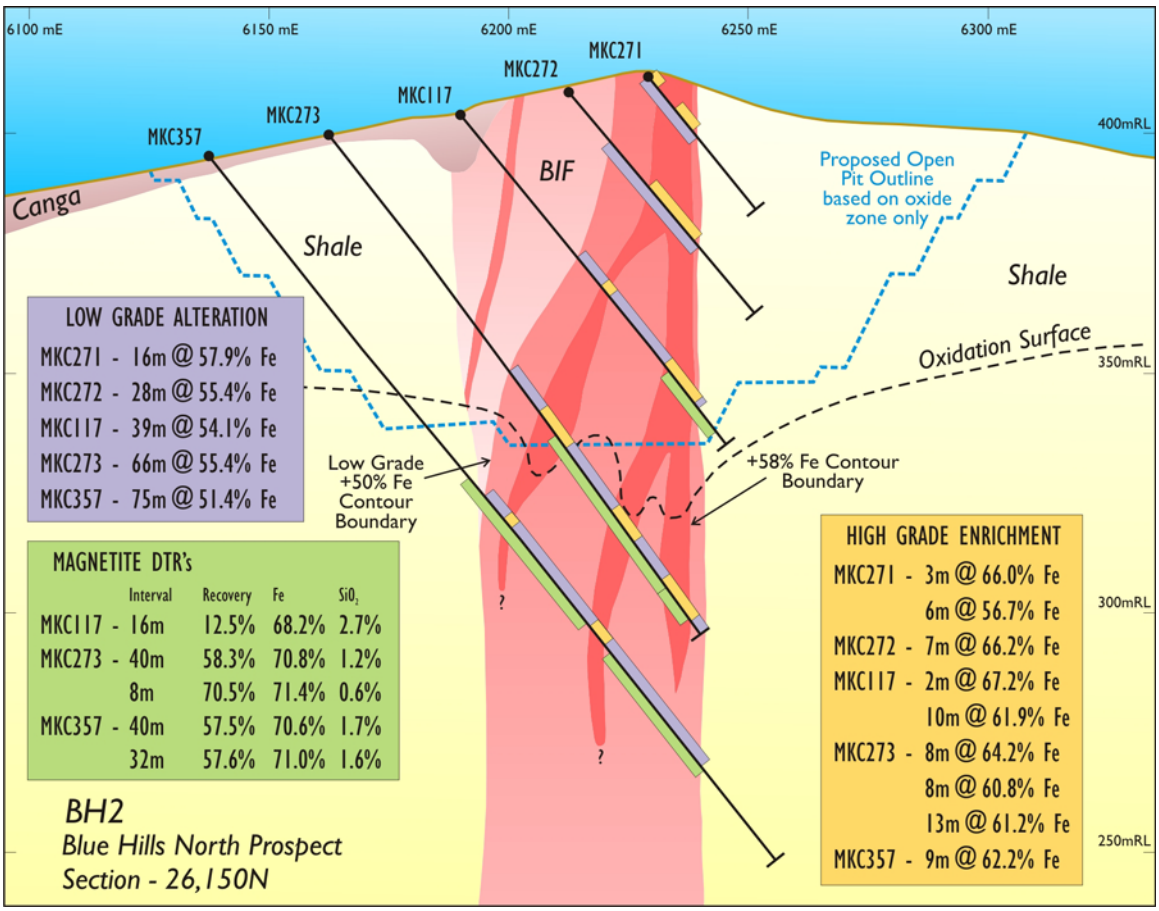
To date some 3,800 metres of RC samples have been submitted to test the liberation characteristics of enriched magnetite alteration at BH2. The results were extremely encouraging with a premium quality concentrate being produced from the combined suite of samples. This highlights the potential of the magnetite mineralisation located beneath the hematite resources to deliver substantial future value for Gindalbie as this material has not been included in any of the Company's current resource estimate.

The table below sets out the typical results received to date from the DTR test work. Of particular note are the extremely low levels of phosphorus and silica in concentrate derived from higher levels in the Head Grade:

					Concentrate Grade				Head Grade			
Hole ID	**From (m)**	**To (m)**	**Interval (m)**	**Recovery (%)**	**Fe %**	**SiO_2 %**	**P%**	**S%**	**Fe %**	**SiO_2 %**	**P %**	**S %**
MKC116	86	150	64	53.3	71.2	1.6	0.013	0.000	49.5	26.0	0.129	0.041
MKC262	30	78	48	36.7	70.1	2.1	0.008	0.008	36.7	42.0	0.086	0.078
MKC263	42	130	88	42.4	70.9	1.9	0.007	0.003	39.1	38.7	0.095	0.043
MKC265	44	60	16	61.2	71.3	0.6	0.011	0.002	62.0	9.3	0.215	0.005
MKC266	44	148	104	38.9	70.5	2.5	0.006	0.005	39.5	40.6	0.087	0.024
MKC266	148	160	12	68.4	69.6	0.5	0.006	0.004	59.7	5.1	0.079	0.007
MKC266	160	174	14	49.9	70.7	2.3	0.006	0.005	41.0	37.8	0.087	0.024
MKC269	56	152	96	41.2	70.3	2.8	0.007	0.006	39.9	39.5	0.085	0.021
MKC273	80	132	52	60.6	70.9	1.1	0.010	0.001	54.7	16.6	0.167	0.017
MKC276	88	120	32	53.0	70.9	1.2	0.005	0.002	50.8	23.6	0.046	0.023
MKC279	56	174	118	34.4	70.1	2.7	0.009	0.005	39.1	40.5	0.085	0.028
MKC280	32	100	68	37.1	70.4	2.5	0.007	0.004	39.2	40.5	0.090	0.025
MKC301	80	168	88	44.5	70.6	2.6	0.006	0.006	39.0	40.0	0.072	0.038
MKC304	56	136	80	43.5	70.2	2.8	0.008	0.005	42.4	35.8	0.102	0.022
MKC304	136	160	24	76.6	71.7	0.7	0.015	0.005	63.4	3.7	0.141	0.030
MKC305	76	140	64	49.1	70.8	2.3	0.011	0.000	45.0	32.9	0.096	0.014
MKC307	76	140	64	54.7	70.7	1.6	0.012	0.000	50.8	22.4	0.134	0.040
MKC330	68	100	32	31.8	70.3	1.3	0.022	0.001	46.9	29.7	0.128	0.008
MKC331	56	120	64	37.8	70.1	2.7	0.009	0.003	39.0	40.5	0.089	0.024
MKC356	114	146	32	56.4	70.6	1.8	0.013	0.130	48.8	19.8	0.143	0.195
MKC356	146	150	4	75.2	71.0	0.7	0.015	0.002	59.8	3.7	0.200	0.017
MKC356	150	182	32	59.6	70.9	1.7	0.015	0.002	48.8	26.1	0.123	0.010
MKC356	182	190	8	80.5	70.6	2.1	0.018	0.002	59.1	13.3	0.155	0.013
MKC356	190	234	44	56.5	70.4	1.8	0.017	0.015	49.8	22.0	0.134	0.079
MKC357	88	168	80	59.4	70.8	1.6	0.011	0.002	50.1	22.9	0.129	0.028
MKC358	92	140	48	53.1	70.9	1.7	0.009	0.004	44.8	31.3	0.114	0.024
MKC358	140	156	16	72.4	71.4	1.0	0.013	0.003	58.4	10.4	0.213	0.016
MKC358	156	180	24	57.8	70.8	1.3	0.010	0.004	47.9	20.5	0.183	0.043
MKC359	96	184	88	51.5	71.0	2.0	0.006	0.005	44.0	32.4	0.086	0.023
MKC359	184	204	20	58.2	71.9	0.8	0.005	0.004	58.2	9.4	0.107	0.005
MKC360	56	266	210	40.1	71.1	2.0	0.006	0.003	39.8	39.7	0.080	0.020
MKC363	34	246	212	42.5	71.0	2.1	0.006	0.004	40.0	39.3	0.080	0.028
MKC364	60	231	171	40.5	70.9	2.4	0.006	0.004	39.3	39.6	0.083	0.037
Average				**45.1**	**70.7**	**2.1**	**0.008**	**0.006**	**42.9**	**34.4**	**0.098**	**0.032**

The cross-section below shows the nature of the mineralisation at the BH2 deposit with the high grade hematite zone extending from surface to approximately 100 metres below surface within a lower grade magnetite zone that extends for a further 100 metres.

The drilling undertaken to date confirms the Company's view that the Direct Shipping Ores (DSO) at the Karara Iron Ore Project comprise near-surface supergene ore that marks areas of high grade magnetite enrichment at depth.



Ongoing drilling is being undertaken at the BH2 deposit to test the extent of this style of mineralisation to the north and south of the planned hematite open pit. The geological model identified at BH2 is also now being applied across the Karara Iron Ore Project and the Company is confident that further high grade magnetite mineralisation is likely to be defined.

While the extent of this high-grade magnetite mineralisation can not yet be quantified, the Company believes that sufficient quantities can be defined at Karara to enable DR quality concentrates and pellets to be produced, which realise a premium price in the market.

The high-grade magnetite identified at BH2 is not currently included in any of the Company's existing resource estimates. Once sufficient drilling and DTR test work has been completed, resource estimation work will be undertaken to underpin a new Ore Reserve estimation for this deposit.

Commenting on the announcement, Gindalbie's Managing Director, Mr Garret Dixon said: "The recent test work results from the BH2 deposit have confirmed a potentially very significant new geological model for the Karara area. What we consider to be particularly exciting is the very high iron grade (70.7%), the low silica grade (2.1%) and the ability to produce a DR quality concentrate from material that would, under normal direct shipping ore operations, be classified as waste.

"A further attraction of this material is that DR quality concentrate and pellets receive an additional price premium in the market due to the higher quality of the final iron ore product.

"We are looking forward to continuing to identify new areas of high-grade magnetite as part of our ongoing exploration campaign in the immediate vicinity of the existing hematite and magnetite resources at Karara. If successful, this work has the potential to add substantial value to our existing resource base," Mr Dixon added.

ENDS

Released by:
Nicholas Read
Read Corporate
Telephone: (+61-8) 9388-1474

On behalf of:
Mr Garret Dixon/ Mr Darren Gordon
Managing Director/Chief Financial Officer
Telephone: (+61-8) 9480-8700

Competent Person Compliance Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Munckton who is a Member of the Australasian Institute of Mining and Metallurgy.

Mr Munckton is a full-time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit 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 Exploration Results, Mineral Resources and Ore Reserves". Mr Munckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.