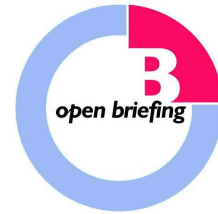


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Gindalbie Metals Limited (ASX Code: GBG) has completed the feasibility study for its Karara Magnetite and Mungada Hematite Projects in Western Australia. Can you update us on the status of the project? What are the next steps in the development timeline?

CEO Garret Dixon

We're very pleased to have completed those feasibility studies on time in August, which confirmed the viability of a combined A\$1.8 billion project development. The BFS for both Mungada and Karara showed that they will deliver excellent returns to shareholders. Since then, we moved quickly to sign a development agreement with our joint venture partner Ansteel, in the presence of Chinese President Hu Jintao and Prime Minister John Howard in Sydney in September. Following that signing – which was a very important milestone for the project – we moved immediately into the development phase. We're currently arranging the detailed engineering logistics; including placing orders for long-lead items to ensure we get into production as quickly as possible.

We're also progressing the environmental approvals process for both projects, with the Public Environmental Review (PER) documents for both projects well advanced. The next steps include finalising the subscription agreements with AnSteel and arranging our longer term project financing.

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The West Australian Government has recently completed an Environmental Review of the Mid West region, including Gindalbie's project areas. The review found no reasonable objection to the development of magnetite; however "the Government (was) not predisposed to the extraction of the hematite deposits of the area". What impact does this have on the future of the Mungada Hematite Project?

CEO Garret Dixon

The review has recently been completed but this has been work in progress for some time. I think the Government should be strongly applauded for taking such a proactive role in development projects. First, taking a high level view, the West Australian Government is clearly saying in the review that the Mid-West region is, strategically, going to be the next major iron ore province in Australia and that they strongly support the development of industry there through a number of projects.

There are a few areas in the report which we are currently working through with the Government, in particular the comments with respect to the development of the hematite and magnetite projects. I think the most important thing to emphasise is that both the hematite deposits at Mungada and the magnetite deposit at Karara actually form part of the same project and it's the *total* Karara Iron Ore Project that we are pushing very hard to develop. Overall we are encouraged by the very strong support the Government has shown for iron ore mining in the area and in particular the support for our Karara Iron Ore Project.

At a technical level, it should be noted that hematite and magnetite don't occur separately and, while we refer to the hematite and magnetite components separately, they are in fact part of a large, integrated iron ore project. Geologically, the mineralisation is closely related and often both styles of deposit will occur as part of the same broader geological structure – as our recent drilling at Karara has highlighted.

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Cashflow from the Mungada Hematite Project is to be used, in part, to fund the Karara Magnetite Project. In light of the Environmental Review, is this Project potentially at risk?

CEO Garret Dixon

There is no risk to the Karara Magnetite Project. The project is well funded, being effectively guaranteed by our joint venture partner, AnSteel. This is a fundamental reason why we first entered into the joint venture with them. Together, we have been talking to two of the largest Chinese banks, who are very keen to financially support this project. The cash flow from Mungada has never really been earmarked to support the Karara Magnetite Project. Our intention was always to get into hematite production early simply to maximise the benefits to our shareholders. The BFS shows that the hematite project is a solid project which will deliver significant benefits to the Mid-West region and help underwrite the upgrade of existing infrastructure.

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You recently announced a new high grade magnetite discovery at Karara. What have been the most significant results to date? Do these results impact the current magnetite resource?

CEO Garret Dixon

We're really quite pleased with this new discovery. Drilling below one of the existing hematite deposits has identified a substantial zone of high grade magnetite ore that concentrates to over 70% iron, with less than 2% silica. This would give us a Direct Reduction (DR)-quality magnetite concentrate that should be able to command a premium price in the market.

This new discovery is in an area that hasn't been included in any of our reserves or resources previously, so the potential for additions to the current resource base is excellent. Further drilling in this area is planned and following this we should be in a position to update our resource and reserve statement over this part of the project area.

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Last week, you announced the signing of a power supply contract for the Karara Project with Verve Energy. How significant a milestone is this for the Project? Can you comment briefly on your progress in securing other key supply contracts?

CEO Garret Dixon

Power is one of the largest operating costs for any magnetite project, and therefore securing a competitive energy supply contract was always going to be one of our most important challenges. We're very happy with the 15-year power supply agreement we achieved with Verve which will ensure that we have a sufficient and reliable power source to bring the Karara Project on stream. I think it's also worth noting that this contract effectively provides a baseload customer to underpin new and upgraded power infrastructure required to service the many new resource and mining projects planned for the Mid-West region, so we really see it as a win-win outcome for Gindalbie, Verve and the broader region.

Given that the BFS is complete, we're effectively now in a development phase and we're well down the track in terms of securing all other key inputs and services. The current materials and personnel shortages are of course challenges affecting all resource companies; however I think we have a significant edge because of the location of our project, the extensive magnetite experience of our joint venture partner, Ansteel, and the excellent contact networks of our team.

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You have recently completed Phase 1 of drilling on the Lodestone Prospect. What have been your findings so far? How does it compare with Karara? What are your future plans?

CEO Garret Dixon

Lodestone is a very exciting prospect for us and an important part of our longer term development strategy in the Mid-West region. Lodestone has a very similar magnetic signature to Karara and drilling to date indicates that the eastern limb of the deposit could be another large magnetite resource with billion tonne potential. The testwork completed to date certainly indicates that the magnetite at Lodestone can produce a very good concentrate.

Gindalbie currently holds 100% of Lodestone, however in developing the project in the future we would in all likelihood be looking to secure a partner so that we can retain exposure to the upside at Lodestone while focusing our resources at Karara. Because it is located just 50 kilometres from the Karara Project, it has a great advantage in its proximity to infrastructure and therefore the potential for an accelerated development.

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On September 24, a merger was proposed between Gindalbie and Sundance Resources. This has since been terminated. Why did you elect not to continue merger discussions with Sundance?

CEO Garret Dixon

The proposed merger presented a potential corporate opportunity to Gindalbie – something we are always keen to investigate in a bid to grow the company and add value for our shareholders. In this case, however, following due diligence and considering extensive feedback from shareholders it was decided by both companies not to proceed.

We have been steadily putting the “building blocks” in place. Gindalbie now has excellent people in place, we have world class iron ore resources at Karara, and the BFS showed that the projects will produce excellent returns.

With these building blocks underpinning Gindalbie's future, we are able to look for opportunities to further grow the company.

In the Sundance case, while the logic behind the proposal was to create a bigger iron ore company, it must be made clear it was not necessary to underpin the development of the Karara project, which our BFS shows is financially robust on a standalone basis. Having said that, Gindalbie remains constantly on the lookout for project and corporate opportunities that will help us achieve our goal of growing this company.

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Gindalbie is part of the Geraldton Iron Ore Alliance advocating for the expansion of iron ore capacity to port facilities at Geraldton and the construction of new facilities at Oakajee. Potential consolidation between members of the Alliance has also become a recent issue. Could this have any impact on the overall Alliance and the pursuit of its agenda? What role can Gindalbie play in ensuring the Alliance's objectives remain on track?

CEO Garret Dixon

I think the industry itself has always recognised the potential for consolidation of some iron ore groups and I don't think this one has been a particular surprise to people. It certainly doesn't diminish the value and the strength of the Alliance; it's actually been made stronger and we remain very much committed as a group to support the development of iron ore infrastructure in the area beyond our individual projects.

Gindalbie supports the Alliance's push for development of the port at Oakajee and we are doing everything we can to make sure that happens in the future. Importantly though, we're not restricted by development of Oakajee for our initial production. We have great access through the existing port at Geraldton and are looking to put in the order of 10 to 12 million tonnes of product through the port by early 2010. Our planned future expansions however, can significantly help to underwrite the production required to get Oakajee off the ground.

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Thank you Garret.

For further information on Gindalbie Metals Limited visit www.gindalbie.com.au or call Garret Dixon on +61 8 9480 8700.

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