



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

MEDIA RELEASE

9 July 2007

GINDALBIE SIGNIFICANTLY ENHANCES MUNGADA HEMATITE PROJECT WITH 62% RESOURCE UPGRADE

Western Australian iron ore group Gindalbie Metals Ltd (**ASX: GBG**) has further enhanced the start-up hematite phase of its planned iron ore operations in the Mid West region of Western Australia, today announcing a **62% increase** in the resource for the **Mungada Hematite Project** to **22.8 million tonnes**.

The upgraded resource estimate – which covers the first 10 hematite deposits to be covered by Gindalbie's hematite resource development program – also features a significant improvement in resource quality to **61.9% Fe, 6.0% SiO₂, 2.1% Al₂O₃, 0.09% P, 0.11% S and 3.1% LOI**. This reflects a significant increase in iron grade and reduction in contaminants, as well as an improvement in the resource quality and JORC classification to Indicated and Inferred.

The upgrade has been achieved with the completion of substantial drilling programs and extensive metallurgical testwork over the past 12 months, and follows the initial Inferred Resource of 14.1 million tonnes announced for the first nine hematite deposits in January this year.

Significantly, approximately 67% of the resource has now been classified as Indicated, totalling **15.3 million tonnes at 62.2% Fe**. This will underpin resource optimisation and open pit mine designs and estimation of Ore Reserves for the Mungada Hematite Project – with a high level of conversion to Ore Reserves expected from the Indicated Resources.

"We are very pleased with this outcome, which has been achieved following extensive work carried out by our experienced geological team as part of the Mungada Project Bankable Feasibility Study," said Gindalbie's Managing Director, Mr Garret Dixon. "Not only has the tonnage increased significantly, but we have also seen an improvement in grade, reduction in contaminant levels, an upgrade in JORC classification and an increased confidence level in the resource. This will provide a strong foundation to our planned Stage 1 hematite operations at Karara."

The Indicated portion of the resource, comprising 15.3 million tonnes at 62.2% Fe will underpin a minimum of six years of Direct Shipping Ore (DSO) operations from Mungada at the initial production rate contemplated by the BFS of 2mt/annum – with significant scope to increase production above this start-up level.

The BFS on the Mungada Project is on schedule for completion in August 2007, in parallel with the BFS on the Karara Magnetite Project. Both projects are being progressed under the Karara Joint Venture between Gindalbie and AnSteel.

"The updated resource will underpin a profitable hematite project at Karara utilising existing rail, road and port infrastructure," Mr Dixon commented. "Our objective with this project is to expedite development in order to take advantage of current strong demand and prices in the global iron ore market to generate early cash flow for the Joint Venture."

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With the completion of the Mungada BFS by late August, the Joint Venture is aiming to commence construction at Mungada, subject to receipt of environmental approvals, during the second half of 2007, with production and first exports scheduled for the second half of 2008.

"It is important to emphasise that this resource inventory covers just the first 10 hematite deposits to be intensively explored by Gindalbie," Mr Dixon continued. "Our extensive 1,900 square kilometre tenement holding contains numerous additional hematite targets, both on ground where we hold 100% of the iron ore rights and within the Karara Joint Venture ground. We expect that, with ongoing exploration in the region, we will continue to steadily build up our hematite resource inventory."

"Our medium term objective is to grow our hematite resources to a level that can sustain a major upgrade in production to a long-term sustainable level of 6-8mt/annum," he said. "That will position Gindalbie as one of the more significant emerging hematite producers in Australia, complementing our world-class magnetite operation at Karara."

The hematite resource upgrade follows the announcement last week of a further increase in the resource for the Karara Magnetite Project to **1.43 billion tonnes grading 36.3% Fe** and the signing of two Memorandums of Understanding (MOUs) with infrastructure groups for the future expansion of the project.

"The continued growth in our resources – both hematite and magnetite – demonstrates the prospectivity of our projects and provides a strong foundation for our long-term growth ambitions in the iron ore industry," Mr Dixon added. "We have already confirmed the potential of the Karara Magnetite Project to grow to more than 2 billion tonnes, and we are confident that our hematite exploration has only just started to uncover the potential of our project areas."

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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
www.gindalbie.com.au