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MEDIA RELEASE

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GINDALBIE UPGRADES KARARA IRON ORE PELLET PROJECT AFTER INITIAL 737 MILLION TONNE RESOURCE EXCEEDS EXPECTATIONS

- **JORC compliant resource of 737mt at 37.1% Fe announced for the Karara magnetite deposit, exceeding the pre-feasibility target by 84%.**
- **Resource model highlights quality and size of Karara deposit, with widths up to 500m, exceptional uniformity and consistency. Step-out drilling to the north is continuing.**
- **Preliminary testwork indicates that blast furnace quality concentrate grading 68.8% Fe can be achieved from fine grinding.**
- **Mining Leases granted, covering both the hematite and magnetite projects at Karara, representing another key milestone towards development.**

Western Australian iron ore group Gindalbie Metals Ltd (**ASX: GBG**) has upgraded the base case production scenario for the pellet project component of its **Karara Iron Ore Project** in Western Australia's Mid West region after today announcing an initial JORC compliant Inferred Resource of **737 million tonnes at 37.1% Fe** for the Karara magnetite deposit.

The resource – which was estimated by RSG Global Consulting Group – represents a major step forward for the Company, exceeding by 84% its pre-feasibility target for the Karara magnetite deposit of 400 million tonnes and highlighting the size and quality of the deposit as the basis for a substantial, long-term iron ore business.

Drilling of the Karara magnetite deposit commenced in May 2005. The resource announced today is based on the results of approximately 46 Reverse Circulation and Diamond drill holes which tested approximately 1.8km of strike length of the deposit to a depth of 300 metres below surface. The Banded Iron Formation (BIF) which hosts the deposit has a total strike extent in excess of 4km, with significant potential for additions to the resource both along strike and at depth with ongoing drilling.

Information from over 3,900 composite samples was used by RSG to calculate the resource, with the success of the initial drilling and resource estimation reflecting the better than expected widths of magnetite-rich BIF intersected (up to 500m). In addition, drilling has confirmed the exceptional uniformity and consistency of the mineralisation both along strike and at depth. Recent diamond drilling (not included in the initial resource) has confirmed that the orebody continues down-dip for up to 600m below surface.

Test work to establish concentrate production grades is ongoing as part of the Definitive Feasibility Studies being undertaken under the Karara Project Alliance with Thiess Pty Ltd on the Karara Project. Preliminary test work has indicated that a blast furnace quality concentrate of 68.8% Fe, 4.5% SiO₂, 0.1% AL₂O₃ and 0.01% P can be achieved from fine grinding.

Further metallurgical test work, including bulk-sample grinding, concentrating, flotation and pelletisation is underway to determine the ultimate concentrate and pellet grade and quality. This work will define the process flow sheet as part of the Karara DFS, with the studies due for completion in late 2006.

BASE CASE PRODUCTION TARGET UPGRADED

As a result of the larger than expected initial magnetite resource and successful metallurgical tests, Gindalbie has increased the base case production scenario for the Karara Pellet Project from 4mtpa to 7mtpa of blast furnace quality concentrate and pellets. In addition, a northern step-out drilling program on the Karara deposit is continuing, with the objective of increasing the magnetite resource to greater than 1 billion tonnes. This drilling program is scheduled to be completed in June 2006.

At the increased production level, Gindalbie's development proposal contemplates building the pellet plant on site at the proposed new deepwater port at Oakajee, north of Geraldton, with concentrate to be delivered to Oakajee via a 250km slurry pipeline from a concentrator to be constructed on site at Karara.

Gindalbie's Managing Director, Mr David McSweeney, said the business case for establishing the Karara pellet plant at Oakajee was very strong in light of the premium price for pellets relative to iron ore fines and the continued growing demand for pellets in the global iron ore and steel markets.

"In 2005, pellets attracted a significant price premium, some A\$90/tonne FOB compared with A\$50/tonne for iron ore fines," Mr McSweeney said. "Moreover, demand is growing strongly, providing a very sound business case for this project, together with the natural advantages of operating in the Geraldton region."

"Financing negotiations for the estimated capital required for the pellet project are underway, together with negotiations with potential off-take partners and international financiers," he added. "The level of interest in this project is very high, providing recognition of the quality and potential of the Karara Project to become a major regional supplier of pellets over the next few years."

In parallel with the ongoing magnetite drilling, Gindalbie also has intensive drilling programs underway targeting hematite mineralisation at Karara which will underpin the planned first production phase of the project. The Company is targeting an initial 1.5mtpa hematite operation with production scheduled to commence in mid-2007. The hematite is to be mined and exported utilising existing road, rail and port infrastructure at Geraldton.

MINING LEASES GRANTED

Gindalbie also announced today that the Mining Leases covering both the hematite and magnetite projects at Karara had been granted by the Department of Industry and Resources, representing another significant positive milestone towards the project's development.

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