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## STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

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### GINDALBIE ADVANCES TOWARDS IRON ORE PRODUCTION

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**Gindalbie Metals advanced its Karara Iron Ore Project in WA's Mid West region on several fronts during the December Quarter. Highlights included the completion of successful drilling programs covering both the hematite and magnetite deposits (with the first JORC compliant magnetite resource estimate on target for completion in late February 2005), approval for a \$35 million expansion of the Port of Geraldton and the launch of the Geraldton Iron Ore Alliance.**

Gindalbie Metals Ltd (**ASX: GBG**) made further significant advances in its two-pronged objective of becoming a diversified iron ore producer at the **Karara Iron Ore Project\*** in Western Australia during the December Quarter, with excellent drilling results, Board approval for a Definitive Feasibility Study on the Karara magnetite project, and significant infrastructure developments in the Mid West region underpinning its progress.

Key highlights of the quarter included excellent results from an initial wide-spaced 4,000 metre program of RC drilling at key hematite targets and the completion of a 10,000 metre pre-feasibility drilling program at the Karara magnetite deposit leading to the first JORC compliant resource estimation for the deposit which is on target for release next month.

Gindalbie also received a significant boost during the quarter with the announcement by the Western Australian Government that it has committed \$35 million in funding to construct a new 5,000 tonne per hour shiploader at Berth 5 at Geraldton Port, effectively adding a further 10 million tonnes per annum of dedicated iron ore throughput capacity through the Port. Gindalbie plans to commence production of hematite ore at the rate of 1.5 million tonne per annum in 2007 coinciding with the commissioning of the new shiploader and utilising the existing haul road and rail network.

"The Government's commitment to expand the port of Geraldton represents a significant development for Gindalbie," said the Company's Managing Director, Mr David McSweeney. "It is important to note that the Company does not require the construction of any major new infrastructure components to facilitate the Karara hematite business."

"During the Quarter, we were advised by the rail utility, Westnet, that the Morawa-to-Geraldton railway has the capacity to handle the initial 1.5mt/annum capacity with just some minor upgrades in the form of two passing loops between Morawa and Mullewa," he added.

Gindalbie plans to utilise the existing 85 kilometre haul road from Karara to Morawa to truck DSO hematite ore to the rail head at Morawa for loading onto wagons for transportation via the 200 kilometre rail line to the Port of Geraldton. The existing haul road was used for iron ore haulage 40 years ago and does not pass through any towns or population centres; the last 20 kilometres is currently being upgraded by Midwest Corporation to facilitate its Koolanooka operations.

During the Quarter, Gindalbie's efforts to establish an infrastructure alliance between the various iron ore developers in the Geraldton region culminated in the announcement of the formation of the **Geraldton Iron Ore Alliance**, which will pursue a coordinated approach to common-user infrastructure development and stakeholder relations in the Mid West region.

The three initial members – Midwest Corporation Ltd, Murchison Metals Ltd and Gindalbie – have agreed to cooperate to facilitate the continued development of the iron ore industry in the Geraldton area, which is rapidly emerging as the most active region for new iron ore projects in Australia outside the Pilbara. Former Western Australian State Development Minister, Mr Clive Brown, has agreed to act as independent Chairman of the Geraldton Iron Ore Alliance.

### **KARARA HEMATITE PROJECT**

Gindalbie made significant progress in its objective to establish a significant hematite ore export business at Karara with the first program of reconnaissance drilling returning excellent results. Subject to establishing sufficient resources, Gindalbie intends to commence production at the rate of 1.5mt/annum of direct shipping ore (DSO) next year.

During the quarter, the Company completed its first RC drilling campaign to determine the existence and extent of hematite enrichment below four of the initial six surface outcrops discovered from mapping and rock chip sampling in the area.

The results – which included intersections of **18m @ 61.7% Fe, 16m @ 60.4% Fe, 6m @ 65.3% Fe, 24m @ 59.1% Fe, 8m @ 65.01% Fe** and **14m @ 61.3% Fe** – demonstrate that hematite enrichment of the Karara Banded Iron Formation (BIF) unit occurs to vertical depths greater than 100 metres at several locations.

Mr McSweeney said the results of the first-phase drilling had provided sufficient encouragement to initiate a second-phase of more closely spaced RC and diamond drilling to determine the distribution, quality and variability of these four prospects.

“Initial results suggest that a multi-pit blending strategy is likely to yield the best outcome for developing the direct shipping ore product from the various deposits identified to date,” he said.

Gindalbie also outlined a development timetable for the hematite project with drilling continuing until June 2006, mine planning and permitting occurring between January and September 2006, and commencement of development targeted for the December 2006 Quarter. This would position the Company to start mining in March 2007 and commence exports through the Port of Geraldton in June 2007.

### **KARARA MAGNETITE PROJECT**

During the Quarter, Gindalbie completed a program of 10,000 metres of RC and diamond drilling at the Karara magnetite deposit targeting an initial 400 million tonne magnetite resource. This drilling was extremely successful and has provided the necessary data for resource estimation to be completed in February 2006.

*\* Encompassing both the magnetite and hematite deposits previously referred to as the Mt Karara magnetite and Blue Hills hematite projects.*

Results from the drilling program during the Quarter, included **118m @ 37.4% Fe** from 38m, **194m @ 36.8% Fe** from 56m, **208m @ 37.6% Fe** from 42m, **34m @ 47.4% Fe** from 32m and **212m @ 33.9% Fe** from 40m.

The drilling campaign has continued to demonstrate that the Karara magnetite deposit is exceptionally large and uniform in grade and continuity over the 1.6 kilometres of strike tested to date. It has also significantly increased the Company's confidence in the potential of the Karara magnetite deposit to continue for at least a further 2km to the north and at depth.

The Company expects to achieve its target pre-feasibility resource of 400 million tonnes from the 1.6 kilometre of strike extent drilled to date and has recently commenced drilling the extensions of the Karara magnetite deposit to the north and east with the objective of further increasing the resource to over 800 million tonnes as part of the Definitive Feasibility Study. Gindalbie currently has 4 drilling rigs in operation on site at the Karara Project carrying out intensive drilling of both the magnetite deposit and the nearby Karara hematite deposits.

Following the excellent drilling results and, with the pre-feasibility study on the Karara magnetite deposit which commenced approximately 12 months ago nearing completion, Gindalbie's Board has committed to moving directly into a Definitive Feasibility Study (DFS) during 2006.

"Our confidence in moving to a full feasibility study on the magnetite project reflects our confidence in the continued strength of the iron ore market and the strong business case for magnetite pellet production in WA, our belief that the Geraldton area has or will have suitable infrastructure to support such developments including access to gas, and the exceptional quality and size of the Karara magnetite deposit," Mr McSweeney commented.

"The consistent iron grades achieved from recent drilling, the absence of significant internal dilution and the presence of low-grade iron ore in surface oxidation of between 20 to 60m further enhance the quality of this remarkable resource, which we believe will underpin a world-class, long-term iron ore operation," he added.

## **OUTLOOK**

Mr McSweeney said the March 2006 Quarter would be a time of unparalleled activity in Gindalbie's history with the commencement of the Definitive Feasibility Study on the magnetite project, an initial JORC compliant resource estimate for the magnetite deposit and continued resource definition and expansion drilling of both the hematite and magnetite deposits.

"In addition, we expect to be in a position to advance ongoing discussions with potential joint venture partners to take a 50% interest in the development of the Karara Iron Ore Project to conclusion" he added. "This will be the cornerstone to our strategy for financing the capital required to develop the project."

**- ENDS -**

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