

## SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

8 April 2008

# GINDALBIE TARGETS MAJOR EXPANSION OF KARARA IRON ORE PROJECT

### *FEASIBILITY STUDY COMMENCES ON 50% INCREASE IN MAGNETITE PRODUCTION*

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Gindalbie Metals Limited (**ASX: GBG** – “Gindalbie”) has moved to substantially expand the scope of its iron ore business in Western Australia with the commencement of a Feasibility Study on increasing the start-up production rate of the **Karara Magnetite Project** from 8mt/annum to **12mt/annum** of magnetite concentrate.

The expansion plans are based on the substantial scale and exploration potential of the world-class Karara Magnetite deposit, where an aggressive A\$7 million exploration program is currently underway to almost double the total Karara magnetite resource base to a targeted **2.5 billion tonnes**. The expansion feasibility study will not impact on the delivery of the fully-funded 8mt/annum Karara Magnetite Project, where detailed design work is well advanced.

In addition, Gindalbie and its 50% joint venture partner, China’s Anshan Iron & Steel Group Corporation (“Ansteel”), will review the economics of further staged expansions of the Project.

#### **Expansion Opportunities**

Gindalbie has already completed a Bankable Feasibility Study for the Karara Magnetite Project (published September 2007) which showed a A\$1.6 billion project development with initial output of 8mt/annum of magnetite concentrate delivered a robust financial return based on 2007 iron ore prices, before the recent 65% price increase.

The 8mt/annum production rate was based on an initial Ore Reserve of 497 million tonnes at 36.3% Fe, which was calculated on only a portion of the Indicated and Inferred Resource of 1.43 billion tonnes at 36.3% Fe, to underpin a 25-year mine-life for the purposes of the Bankable Feasibility Study. However, the BFS also indicated that the current resource would be capable of sustaining a long-life operation at a much higher production rate.

With this in mind, the Karara Joint Venture commenced an aggressive A\$7 million drilling program last year targeting extensions to the current resource inventory and to convert current resources to additional reserves. The current Ore Resource is contained within a pit design 2km in length, 700 metres wide and 300 metres deep. However, results from the current drilling program demonstrate the strike and depth extension of the Karara orebody. Gindalbie is on schedule to complete the current drilling program by 30 June 2008, with the objective of increasing the resource inventory to 2.5 billion tonnes. A resource of that size would allow Gindalbie to produce 1 billion tonnes of premium quality magnetite concentrate grading 68-69%Fe.

A 2.5 billion tonne resource will be sufficient to underpin an increased start-up production rate from 2010 of 12mt/annum of magnetite concentrate – a 50% increase on the 8mt/annum base case in the Bankable Feasibility Study. The Feasibility Study will also assess the viability of further increases to the magnetite concentrate production rate.

The Study, which will take approximately six months to complete but will not impinge on the current progress of the Karara development, will examine the capital, equipment and logistical requirements for this increased production rate from the base case presented in the September 2007 Bankable Feasibility Study.

### 112 Million Tonne Magnetite Resource Defined at Blue Hills North

As reported in November last year, extensive high-grade magnetite mineralization has been identified at depth below the Blue Hills North (BH2) hematite deposit, which is located on the Karara tenements 5km along strike from the Karara magnetite deposit. Gindalbie is pleased to advise that subsequent drilling has resulted in the definition of an Indicated and Inferred JORC Code compliant resource for the magnetite deposit at BH2 comprising **112 million tonnes at an average grade of 41.1% Fe** (See Table 1).

Resource Classification	Mt	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	S (%)
Indicated	22	41.3	36.8	0.4	0.09	0.03
Inferred	90	41.1	34.9	0.5	0.10	0.03
<b>TOTAL</b>	<b>112</b>	<b>41.1</b>	<b>35.3</b>	<b>0.5</b>	<b>0.10</b>	<b>0.03</b>

**Table 1 – Blue Hills North Magnetite Head Grade Resource Statement**

Recent Davis Tube Recovery (DTR) test work on drill core from this deposit has confirmed the potential to produce a high-grade Direct Reduction (DR) quality magnetite concentrate grading 71% Fe and 1.9% SiO<sub>2</sub> at 43% weight recovery (See Table 2). Because of its relatively higher grade compared with the Karara magnetite deposit and ability to produce a high-quality DR concentrate with low contaminants, the BH2 magnetite deposit represents a significant strategic opportunity for the Karara Joint Venture.

Resource Classification	Mt	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	S (%)	Weight Recovery (%)
Indicated	22	70.8	2.1	0.1	0.01	<0.01	43.0
Inferred	90	71.0	1.8	0.3	0.01	<0.01	43.2
<b>TOTAL</b>	<b>112</b>	<b>71.0</b>	<b>1.9</b>	<b>0.2</b>	<b>0.01</b>	<b>&lt;0.01</b>	<b>43.1</b>

**Table 2 – Blue Hills North Magnetite Concentrate Resource Statement**

The Expansion Feasibility Study will review the opportunity to deliver initial feed to the Karara Magnetite Project from BH2 to generate strong early cash flow for the Joint Venture. This would have the additional benefit of providing an early source of high-grade hematite ore from the pre-strip of the BH2 magnetite deposit, which lies directly beneath the hematite deposit.

The Karara Joint Venture is also conducting an aggressive regional exploration program with a view to developing other potential hematite and magnetite resources at Karara.

Commenting on the announcement, Gindalbie's Managing Director, Mr Garret Dixon, said: "The commencement of the Expansion Feasibility Study represents the latest in a series of positive milestones for the Karara Project, following the recent finalization of the Subscription Agreement with Ansteel for the A\$534 million equity funding component of the Project.

"We have always emphasized the substantial opportunities to expand the Project from the base case production levels defined in the September 2007 Bankable Feasibility Study," Mr Dixon said. "Importantly, Ansteel have agreed to take all of the additional production being considered by the new Feasibility Study, and they are strongly supportive of this initiative to aggressively expand the initial scope of the Project to 12mt/annum."

Subject to the timely receipt of environmental approvals and financing, Karara Mining is aiming to commence exports of hematite ore through Geraldton Port in 2009 and deliver first magnetite concentrate ore from the Karara Magnetite Project by 2010.

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### **Competent Person Compliance Statement**

The information in this report that relates to Mineral Resources 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.

#### **Background – Gindalbie Metals Ltd**

Gindalbie is an independent Australian resource company which is developing a substantial long-term iron ore business based on the A\$1.8 billion Karara Iron Ore Project, located in the Mid West region of Western Australia.

The Karara Project, which is being developed through a joint venture with Ansteel, one of China's leading steel and iron ore companies, will deliver a diversified range of iron products – including high-grade magnetite concentrates, blast furnace quality pellets and high-grade hematite – to world markets from the end of this decade.

Gindalbie has an aggressive growth strategy to increase production of both magnetite and hematite from Karara and other deposits in the Mid West region to a targeted level of more than 35mt/annum by the middle of next decade.

#### **Background – Ansteel**

Ansteel is currently one of China's largest steel producers and is the major producer in the north-east region of China, with crude steel production of 16 million tonnes, annual sales revenues in excess of US\$11 billion and a profit of approximately US\$1.5 billion in 2006.

Ansteel is considered to be one of the country's key growth companies and has strong government support in securing new sources of long-term iron ore supply through international investment.

Ansteel is developing a new integrated iron and steel making facility at Bayuquan, adjacent to the Port of Yingkou, approximately 100 kilometres south-west of its current steel making facility in the city of Anshan. The new facility will have the capacity of 5.0Mtpa of finished steel products and is the facility that the Karara Iron Ore Project's products will feed upon commencement of production.

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