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SECURITIES EXCHANGE ANNOUNCEMENT

6 July 2007

FURTHER INCREASE IN KARARA MAGNETITE RESOURCE TO 1.43 BILLION TONNES

KEY POINTS

- **Upgraded resource estimate of 1.43 billion tonnes grading 36.3% Fe for Karara magnetite deposit.**
- **Substantial mineral inventory identified below 350 metres.**
- **Davis Tube Recovery (DTR) analysis produces a concentrate grading 68.8% Fe, 4.2% SiO_2, 0.08% Al_2O_3 and 0.01% P at a weight recovery of 40.7%.**
- **Indicated Resource of 655 million tonnes at 36.4% Fe to underpin open pit design and Ore Reserve, with a high conversion rate expected.**
- **MOUs signed with Yilgarn Infrastructure and WestNet to study infrastructure development opportunities to accommodate future expansions of the Karara Project.**
- **Drilling underway at 100%-owned Lodestone Project targeting a Karara-style magnetite deposit.**

SUMMARY

Gindalbie Metals Ltd (**ASX: GBG**) is pleased to announce a further increase in the mineral resource inventory for its **Karara Magnetite Deposit** in Western Australia to **1.43 billion tonnes grading 36.3% Fe**. The updated resource model has also identified a substantial mineral inventory at Karara, highlighting the world-class nature of the deposit and its long-term growth potential.

The revised 1.43 billion tonne Karara Magnetite Resource represents an 11% increase from the Indicated and Inferred Resource of 1.29 billion tonnes at 36.3% Fe announced in November 2006, but excludes a substantial mineral inventory below the Resource. This material can potentially be upgraded to JORC compliant resource status with additional drilling.

The Indicated component of the resource – comprising **655 million tonnes at 36.4% Fe** – demonstrates the continuity and robustness of the earlier estimate and is sufficient for the first 32 years of production from the Karara Magnetite Project based on the current design capacity of 20mt/annum of ore and 8mt/annum of iron concentrate production.

Based on the extensive work completed to date, Gindalbie is confident of achieving a very high level of conversion to Reserves from the Indicated component of the updated resource.

Assaying and metallurgical testwork results have confirmed the premium quality of the Karara Magnetite Deposit, with extensive DTR analysis producing a concentrate grading **68.8% Fe, 4.2% SiO_2, 0.08% Al_2O_3 and 0.01% P at a weight recovery of 40.7%.**

Pelletizing test work on concentrate produced from the deposit, conducted by leading North American group Metso at its design and test facilities, has confirmed the suitability of the concentrate for the proposed pellet making process and the high quality of the product for the Karara Project's target blast furnace market.

The resource upgrade and concentrate testwork results further reinforce Gindalbie's belief that the Karara Project will present a long-term source of premium quality concentrate and pellets for AnSteel, its 50% partner in the project, and the wider Asian steel industry.

UPDATED KARARA MAGNETITE RESOURCE

The updated resource estimate for the Karara Magnetite Deposit (Fig.1) follows the completion of over 21,000 metres of in-fill drilling around the southern half of the deposit, over the previously defined Indicated Resource area, as well as the completion an additional 15,000 whole rock assays. The updated resource estimate, which was calculated by independent consultants RSG Global, is set out in table 1 below:

Resource Classification	Mt	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	LOI (%)
Indicated	655	36.4	42.65	0.82	0.091	-0.69
Inferred	771	36.2	42.76	0.94	0.087	-0.79
Total	**1,426**	**36.3**	**42.71**	**0.89**	**0.089**	**-0.74**

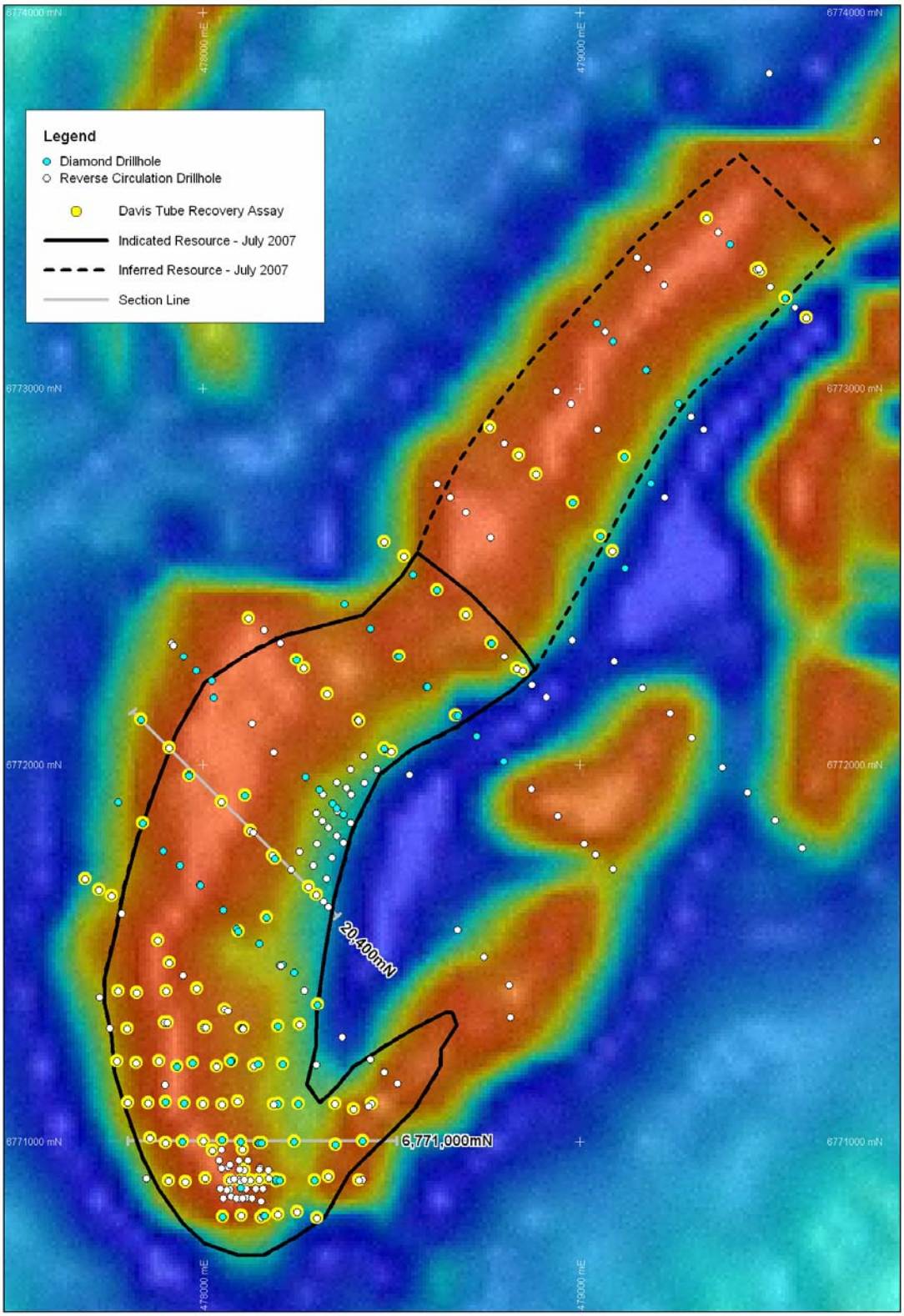
Table 1: Updated Karara Magnetite Resource – June 2007

The new resource represents the third increase in the mineral resource inventory for the Karara Magnetite Deposit since exploration commenced in May 2005. The current resource is double the original Inferred Resource of 737 million tonnes at 37.1% Fe announced in March 2006 and represents a further incremental increase on the Indicated and Inferred Resource of 1.29 billion tonnes at 36.3% Fe announced in November 2006.

The Indicated Resource of 655 million tonnes grading 36.4% Fe is sufficient for approximately 32 years of production at the design capacity of the Karara concentrator facility subject to the Bankable Feasibility Study (BFS) currently being completed by Gindalbie and AnSteel (8mt/annum of iron concentrate production).

The increased confidence in the estimate and proven geological continuity of the Karara Magnetite Deposit will enable the completion of pit optimisation, pit design and Ore Reserve estimation – which is expected to be completed as part of the BFS in August 2007. Based on the extensive work completed to date, the Karara Joint Venture Partners are confident of achieving a very high level of conversion to Ore Reserves from the Indicated component of the updated resource.

Figure 1: Drill Hole and DTR locations for Karara Magnetite Deposit



The updated resource defines the magnetite-rich Banded Iron Formation (BIF) unit that hosts the Karara Magnetite Deposit over a strike length of 3.2km, a width of between 400-600 metres and a depth of 350 metres below surface.

A typical cross section of the resource is shown in Figure 2 below:

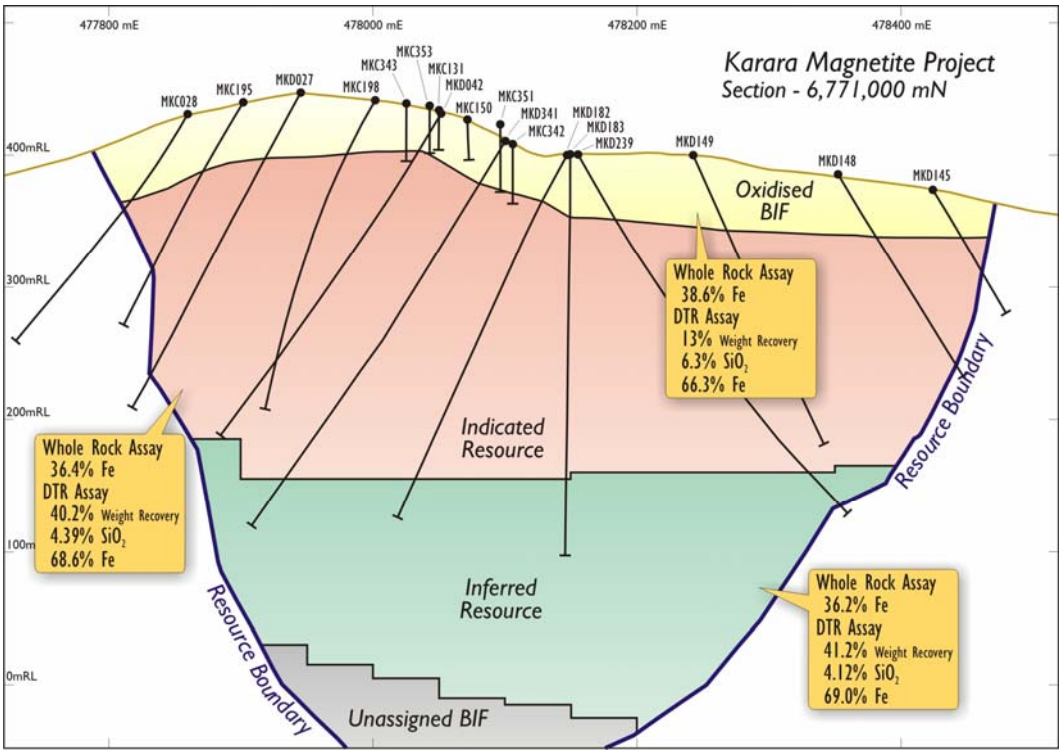


Figure 2: Cross Section of Karara Magnetite Deposit – Section 6,771,000 mN

Resources are reported for the fresh rock component of the mineralisation only and exclude discrete internal sub-grade and non-BIF units (such as minor dolerite dykes discovered in the north extension drilling).

The oxidised component of the BIF unit, which contains some areas of goethite-hematite enrichment and extends to a depth of 24-45 metres from surface, has been estimated separately and for now has been excluded from further consideration for the magnetite project. Fresh mineralisation extends from 25-45 metres below surface to over 600 metres depth, however resource estimation has been limited to a depth generally of 350 metres below surface (see below).

Drilling of the fresh BIF unit has been undertaken on an east-west or south east-north west oriented grid (see Figure 3) with a drill spacing of either 100 metres x 50 metres or up to 200 metres x 100 metres for Indicated Resources. This Resource area will provide the basis for open pit design, production scheduling data and Ore Reserves.

The Inferred Resource generally lies in areas of 200 metre x 100 metre drill density, although areas of up to 400 metres x 100 metres spacing have been used, particularly in the northern zones of the deposit.

Once the project development has been approved, further in-fill drilling is planned to increase drill density to at least 100 metre x 50 metre spacing and, in some cases, 50 metre x 50 metre spacings within the planned initial 10 year pit area in the southern portion of the Indicated Resource zone. This drilling will provide detailed production scheduling data and a detailed blending program for the concentrator operations.

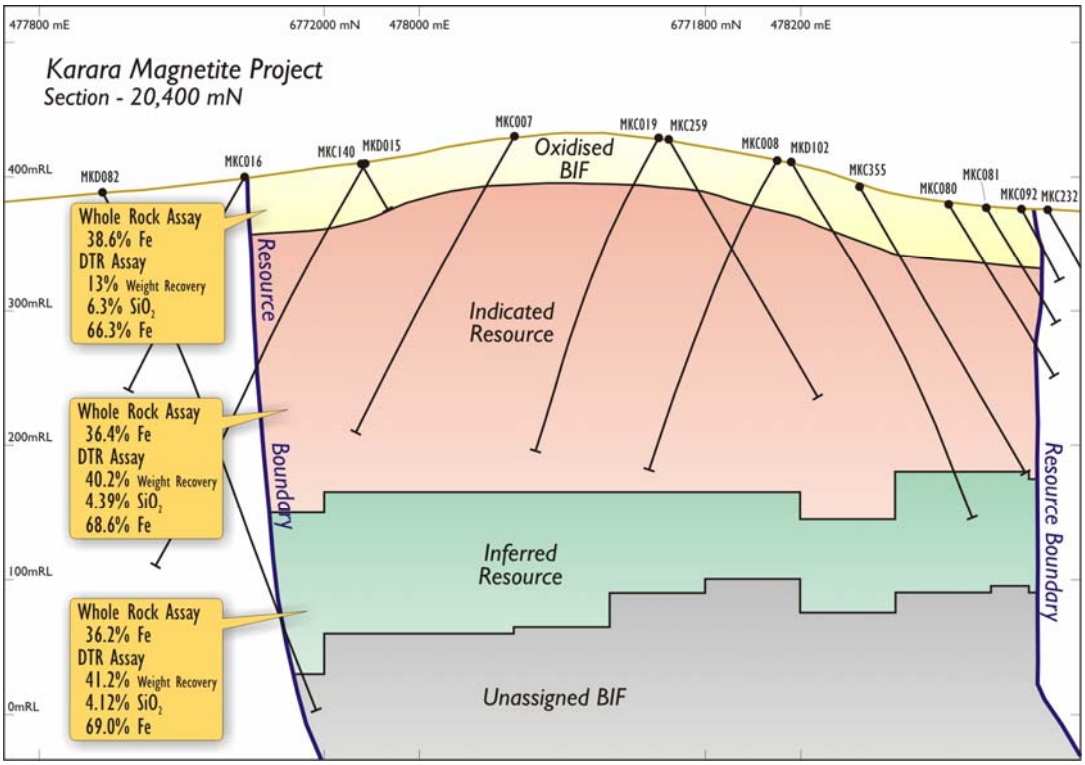


Figure 3: Cross Section of Karara Magnetite Deposit – Section 20,400mN

Additional Mineral Inventory

In addition to the Indicated and Inferred Resource set out above, the geological model for the Karara Magnetite Deposit remains open at depth and contains a large body of material below the level of defined resources. This body of material, or mineral inventory, is based on a number of deeper diamond drill holes below the general level of drilling.

This deeper drilling comprised eight diamond drill holes which clearly demonstrate that the mineralisation extends to at least 600 metres below surface. The Karara Joint Venture Partners are evaluating the potential for further drilling to upgrade this mineral inventory.

While this work is unlikely to commence before the Karara Magnetite Project is in production, the geological model confirms the potential for the Karara Magnetite deposit resource inventory to be increased to more than 2 billion tonnes, underpinning the longer-term growth and future expansion of iron concentrate production from the Karara deposit.

Davis Tube Recovery (DTR) Testwork and Concentrate Grade

In addition to the updated resource model based on whole rock assay data, RSG Global has also developed a Concentrate Model for the Karara Magnetite Deposit based on 175 drill holes containing 4,053 Davis Tube Recovery (DTR) and concentrate assays available to date. The location of the DTR drill holes is shown in Figure 1.

While the DTR test work results are at a lower density than the whole rock assay data, the confidence level in the DTR model is significantly improved from the November estimate and should be regarded as indicative of the entire deposit.

The results to date indicate that a high-quality concentrate can be produced from within the Resource model area. The DTR samples are 4 metre composite samples taken from generally 400 metre x 100 metre spaced drill holes in the Inferred Resource area with a combination of 400 metre x 100 metre and 100 metre x 50 metre spaced drill holes in the Indicated Resource area as shown in Fig. 1.

Assay results of the DTR concentrate are summarised in Table 2 below:

Zone	**Weight Recovery (%)**	**Fe (%)**	**SiO_2 (%)**	**Al_2O_3 (%)**	**P (%)**	**LOI (%)**	**CaO (%)**	**MgO (%)**	**S (%)**
Indicated Resource	40.2	68.6	4.39	0.08	0.01	-2.9	0.17	0.17	0.08
Inferred Resource	41.2	69.0	4.12	0.07	0.01	-3.0	0.15	0.16	0.08
Subtotal	**40.7**	**68.8**	**4.25**	**0.08**	**0.01**	**-3.0**	**0.16**	**0.16**	**0.08**

Table 2: DTR Concentrate Resource for the Karara Project – June 2007

INFRASTRUCTURE MOUs

As part of its strategic planning for the long-term expansion of the Karara Project, Gindalbie is also pleased to advise that it has signed Memorandums of Understanding ("MOUs") separately with Yilgarn Infrastructure Limited and Mid West rail operator, WestNet, to study opportunities to accommodate future expansions of its Karara Iron Ore Project through the development of new, and/or the upgrade of existing, port and rail infrastructure in the region.

Under the MOU signed with Yilgarn, Gindalbie and Yilgarn have agreed to work together to explore opportunities for the utilisation of Oakajee port infrastructure and possible extended rail infrastructure to cater for the longer-term needs of the Karara Magnetite and Mungada Hematite Projects in the Mid West region of Western Australia.

Separately, Gindalbie has signed an MOU with WestNet to examine opportunities for the utilization of an upgraded rail network in the Mid West region to accommodate its concentrate and ore transportation requirements. WestNet has engaged GHD to work on plans for a major upgrade of its railway from Mullewa to Geraldton and the construction of a heavy haulage spur line to the proposed new port at Oakajee. The rail network could be extended to the south-east to service the Karara Project.

The Karara Joint Venture's initial Mungada Hematite Project will utilize existing road and common user rail infrastructure, with exports via Berth 5 at Geraldton Port, while the Karara Magnetite Project will utilize either a 225km slurry pipeline or the existing WestNet rail network to transport magnetite concentrate to Geraldton for export via new berth facilities at the Port.

The Karara Joint Venture is accelerating the strategic planning process for its future infrastructure requirements – including additional rail and port capacity required to service production from the Karara Magnetite Project over and above the initial planned level of 8mt/annum and, potentially, from the Mungada Hematite Project, over above the initial planned level of 2-3mt/annum.

Given the scale of the Karara magnetite deposit – which has the potential to hold well over two billion tonnes based on the upgraded resource and the identified mineral inventory – Gindalbie intends to move as rapidly as possible to expand the Karara Project above its initial planned production levels.

LODESTONE DRILLING PROGRAM

Earlier this month, Gindalbie commenced drilling at its 100%-owned Lodestone deposit, which is located approximately 50km south-east of Karara. The aerial magnetic signature of this target is similar to Karara, and Gindalbie is assessing the potential of the area to host a magnetite deposit of similar scale.

The initial drilling program is expected to take approximately six weeks to complete, with first results expected in the September 2007 Quarter.

Resource drilling programs details, QA/QC techniques and resource estimation methodologies for the Karara Magnetite Project is set out in Appendix A to this announcement.

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We're merging with
coffey mining
A Coffey International Limited company

5 July 2007

General Manager - Operations
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Attention: Mr Andrew Munckton

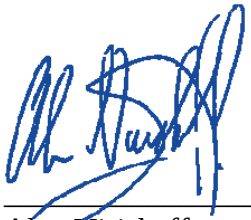
Dear Sir

MT KARARA MAGNETITE PROJECT

The Mineral Resource for the Mt Karara Magnetite Project is complete. The Mineral Resource Statement as at 5 July, 2007 is tabulated below.

The information in the report to which this statement is attached that relates to the Mineral Resource is based on information compiled by Alex Virisheff, who is a Member of The Australasian Institute of Mining and Metallurgy. Alex Virisheff is employed by RSG Global Consulting Pty Ltd.

Alex Virisheff has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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 Mineral Resources and Reserves". Alex Virisheff consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.



Alex Virisheff
Principal Consultant – Resources
RSG Global

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Mt Karara Magnetite Project

Mineral Resource – June 2007
Whole Rock Grade Estimates Derived by Ordinary Kriging
Resource Classification Based on JORC Code Guidelines
Reported within Fresh BIF Horizon (no grade cutoff applied)

Resource Classification	Material Type	Tonnes (Mt)	Whole Rock Grades (%)											
			Fe	SiO_2	Al_2O_3	P	LOI	CaO	K_2O	MgO	MnO	Na_2O	S	TiO_2
Indicated	BIF (Fresh)	655	36.4	42.65	0.82	0.091	-0.69	1.37	1.17	1.46	0.057	0.48	0.119	0.032
Inferred		771	36.2	42.76	0.94	0.087	-0.79	1.43	1.19	1.41	0.056	0.57	0.119	0.041
Total		1,426	36.3	42.71	0.89	0.089	-0.74	1.40	1.18	1.43	0.057	0.53	0.119	0.037

Notes:

- At the Mt Karara Magnetite Project, iron mineralisation is hosted by a banded iron formations (BIF) in which alternating iron-rich and chert bands occur. Mineralisation consists of predominantly magnetite in the unoxidised portion of the BIF unit. The BIF unit is tightly folded into a syncline and characterised by a thick western limb and a thin eastern limb along which several occurrences of iron enrichment have been geologically mapped. The host BIF outcrops as a series of scattered hills along strike roughly aligned northeast-southwest and is disrupted by strike parallel shears and possible cross cutting faults. The current area under evaluation contains BIF outcrop of about 3km in length and up to 500m in width.
- Drilling coverage varies over the deposit. In the southern part of the deposit, drillhole spacing is approximately 100m by 50m grid orientated west-east. In the central part of the deposit, drillhole spacing widens to 200m by 100m grid and changes orientation to northwest-southeast, and then to 400m by 100m spacing along strike to the northeast. There are areas of closer spaced drilling particularly along the BIF horizon contacts and in areas of hematite mineralisation. Some 207 drillholes (14,978 samples) intersect the targeted fresh BIF. .Both reverse circulation (RC) and diamond drilling has been used. Sampling of the drillholes is commonly on 2 metre intervals.
- The domains were interpreted using the surface geology mapping and drillhole logs to encompass the main elements of stratigraphy/lithology and structure. These domains were used in the construction of the geological block model.
- Statistical analyses on samples and 4m composites were completed. Variography and search neighbourhood analysis were also conducted as input into the grade estimation.
- The grade estimation method used was Ordinary Kriging. A 3 pass search strategy was applied in deriving grade estimates.
- An average dry bulk density ($3.52 t/m^3$) for the fresh BIF was derived from the previous analysis of 494 diamond core determinations, 539 core tray measurements and 2,237 downhole density readings.
- Resource classification was developed from the confidence levels of key criteria including drilling methods, geological understanding and interpretation, sampling, data density and location, grade estimation and quality.
- Davis Tube testwork has been undertaken to determine the percent weight recovery (DTR) of magnetic material (concentrate). The concentrate has then been assayed to establish its grade characteristics.
- Samples obtained from the existing drilling were composited to a nominal 4m interval and were submitted for Davis Tube testwork. Samples were predominantly taken from the unoxidised (fresh) portion from some 95 drillholes (3,455 samples). There is a lesser density of DTR and associated concentrate grades than the grid of whole rock grades. Further samples have been submitted for ongoing evaluation with the results for these samples still outstanding.
- As the concentrate grades are representative of the recovered portion only, the estimation requires the use of service variables to ensure the blocks are appropriately weighted. Service variables are calculated as DTR multiplied the iron grade, DTR multiplied silica, DTR multiplied alumina and so on for the remaining grade items (10 in all).
- Statistical analyses were also completed on Davis Tube testwork samples, subsequent 4m composites and service variables. Variography was undertaken on DTR, concentrate grades and service variables, and search neighbourhood analysis was also conducted as input into grade estimation.
- Ordinary Kriging was used to obtain estimates of DTR and service variables. As for whole rock grades, a 3 pass search strategy was applied in deriving DTR and service variable estimates. The concentrate grades (Fe, SiO_2, Al_2O_3, P, LOI, CaO, K_2O, MgO, Mn and S) were then back calculated from these estimates.

- As the Davis Tube testwork results are at a lower density than the whole rock data, the extent and the confidence level in the DTR and concentrate grade estimates is reduced and as such, should only be considered as indicative at this stage. The average of estimates for those whole rock cells assigned the Indicated category is 40.2% DTR, 68.6% Fe, 4.39% SiO2, 0.08% Al2O3, 0.011% P, -2.9% LOI, 0.17% CaO, 0.11% K2O, 0.17% MgO, 0.02% Mn and 0.076% S. While for whole rock cells assigned the Inferred category, the average of estimates for those whole rock cells assigned the Indicated category is 41.2% DTR, 69.0% Fe, 4.12% SiO2, 0.07% Al2O3, 0.010% P, -3.0% LOI, 0.15% CaO, 0.09% K2O, 0.16% MgO, 0.02% Mn and 0.078% S. Thus, overall averages of the DTR estimates is 40.7% and of concentrate grade estimates are 68.8% Fe, 4.25% SiO2 , 0.08% Al2O3, 0.010% P, -3.0% LOI, 0.16% CaO, 0.10% K2O, 0.16% MgO, 0.02% Mn and 0.077% S.

Appendix A

Karara Magnetite Project Resource Drilling Details and Methodology

Resource Drilling Program Details

The total Resource definition drilling at the Karara deposit used in this estimate is 58,933 metres consisting of:

- 49,923 metres of Reverse Circulation drilling
- 9,010 metres of Diamond Drilling (HQ 63mm diameter)

Diamond drilling consists of a number of lines of diamond drill holes with generally 60 metre deep pre-collars and a number of diamond “tails” from RC holes where the hole depth exceeded the capacity of the RC drill rig. Part of the diamond drilling consisted of NQ (53mm diameter) diamond cores that were drilled to penetrate the deepest parts of the orebody between 350 metres and 600 metres deep.

The Resource estimate was based on:

- 33,323 whole rock assays generally of 2 metre composite
- 4,053 DTR tests and assays generally of 4 metre composite

QA/QC Techniques Used to Support the Resource Estimation and Interpretation

To ensure sample integrity, all RC drilling has utilised face sampling hammer techniques. Core recovery in diamond holes has been uniformly 100%.

The RC rig supervisors monitor the RC sample delivery system to ensure representative sample recovery. The rigs are fitted with a two-tiered cyclone splitter providing both primary and secondary samples of about 3kg every two metres. Comparisons of duplicate sample assay results indicate consistently good sample repeatability. Head grade assay quality control checks were performed routinely via regular repeat assays.

Drill hole collar locations are surveyed by an on-site surveyor. Drill hole orientation and dip is measured using down-hole gyroscope. Bulk density is derived from diamond core determinations and down-hole density measurements.

Mineral Resource Estimating Techniques

The grade estimation techniques employed for the resource was Ordinary Kriging after Variography and search neighbourhood analysis. A thorough explanation of the detailed techniques employed is attached in the Karara Magnetite Project Mineral Resource Report notes by RSG Global.