

CHAIRMAN'S ADDRESS – GENERAL MEETING

10am (Perth time): Wednesday, 4 February 2009

Good morning Ladies and Gentlemen and welcome to this General Meeting. I would like to begin by wishing all of our shareholders and stakeholders a prosperous and successful 2009.

You would all have received the Notice of Meeting and Meeting Documents explaining the background to the special resolution being considered here today.

On 7 November last year, Gindalbie announced that it had accepted an offer from our joint venture partner, AnSteel, to fund our share of the A\$534 million equity funding package for the Karara Project via a share placement comprising 190.7 million shares at a price of \$0.85 per share.

Shareholder approval is being sought today for this transaction – which will, I believe, ultimately be seen as a very significant turning point in Gindalbie's corporate history.

The decision to recommend this proposal was made after carefully weighing up the alternatives.

In particular, it was made after considering the challenging environment within debt markets which arose as a result of the global financial crisis.

While much is being done by Governments around the world to address the continuing fallout from this seismic shock to the world economy – with a strong lead being taken by the new Obama Administration in the United States – much work remains to be done before markets stabilise.

One only has to read the media commentary of recent weeks to get a sense of the sudden and dramatic impact of these events on the global economy. The ramifications for the Chinese economy are still not fully understood, however it is clear that the slowdown in China is already impacting significantly on Australia's mining industry.

Against this backdrop, the weight of market sentiment has shifted decisively against companies which are carrying significant amounts of debt on their balance sheets. This is driven by concerns both about the ability of companies to service debt in a period of lower commodity prices and the ability to refinance or reschedule debt.

Even some of the world's largest resource companies have been buffeted by these forces, which are resulting in a reassessment and re-pricing of corporate risk globally.

In view of these events, we as a Board believe that the proposed share placement to AnSteel represents by far the best option for the Company – tactically, strategically and financially.

The share placement is being undertaken at a significant premium to the trading price of Gindalbie shares both prior to and since the announcement. This means that we are able to raise this considerable sum of money with minimal dilution to existing shareholders and without having to secure debt at the corporate level in the current troubled credit markets – potentially on very unfavourable terms.

This is an enormous advantage to us as a company which effectively removes one of the final remaining risks associated with our 50% share of the Karara Iron Ore Project – namely funding risk.

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Following completion of the share placement, Gindalbie will have approximately 700 million shares on issue giving us a market capitalization of around \$420 million at the current share price, no corporate debt, uncommitted cash reserves of around \$40 million and 50% ownership of the Karara joint venture.

That puts us in a truly enviable position as an Australian resource company in the current market environment.

The opportunity to de-risk our balance sheet and secure funding on such attractive terms provides a buffer from any unforeseen future market events while also giving us the flexibility to consider the potential development of other projects within our Mid West portfolio.

These points were clearly recognised in the Independent Expert's Report on the transaction, by Deloitte Corporate Finance Pty Ltd, which concluded that the transaction is fair and reasonable to non-associated shareholders of Gindalbie.

The completion of this transaction will enable the Joint Venture to complete the equity funding for the Karara Project. Following final equity payments of \$143.68 million each from Gindalbie and AnSteel, our joint venture entity Karara Mining Limited will have more than \$300 million in cash.

This gives us the capacity to move and begin construction as soon as final environmental approvals are received. In this regard, we have been made aware that in recent weeks the Environmental Protection Authority of Western Australia has met to consider its report and recommendations for the Karara project. We await its release, which we expect in coming weeks, and remain extremely confident of receiving all the necessary Government approvals in coming months to allow us to start on-site development of Karara.

This week's meeting and imminent approvals follow another important step forward for the Project last month, with the announcement of conditional approval by the China Development Bank – one of the most important and largest banks in China – for up to US\$1.2 billion for the Karara Project Loan.

Ladies and Gentlemen, Gindalbie is currently at an exciting stage of its development and I am confident that the transaction before you today will herald the start of new era for the Company and for our partnership with AnSteel.

In recent weeks, the iron ore market has shown some signs of recovery from the exceptional circumstances that arose last year, and I expect to see the steel industry gearing up in the weeks ahead as it normally does immediately after Chinese New Year.

Notwithstanding the predominantly gloomy media commentary on the outlook for the Chinese steel industry and iron ore demand, I remain optimistic that there remain many positives within the Chinese economic situation that will ultimately balance out the negatives.

There will undoubtedly be difficult times ahead and I expect the current round of iron ore price negotiations to be robust. What is important now, however, is for both sides to focus on achieving a sustainable outcome which can relieve the price pressures on the Chinese steel industry while at the same time guaranteeing supply by ensuring the long-term health and security of the iron ore industry.

I am confident that robust projects such as Karara – which offer competitive, long-term supply – will be well placed to weather the storm and become firmly established as key strategic sources of quality ore to the Chinese steel industry for many decades to come.

I would like to take this opportunity to thank you for your support and I look forward to sharing with you in our future growth and prosperity.

Thank you for your attention.

George Jones
Chairman

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