

CHAIRMAN'S ADDRESS – GENERAL MEETING OF SHAREHOLDERS

Good morning Ladies and Gentlemen,

My name is George Jones and I am the Deputy Chairman of Gindalbie Metals. It is with a heavy heart that I am acting as Chairman for the purposes of today's meeting as a result of the tragic loss of Geoff Wedlock. Thank you for your attendance at today's shareholder meeting, the second of two crucial meetings for the future of your Company and the Karara Project.

At a meeting 12 days ago, shareholders voted to approve the implementation of key security arrangements for the US\$1.2 billion Project Loan Facility for the Karara Project, enabling us to complete final documentation for this loan facility and clearing the way for drawdown of the first amounts required to progress construction activities.

Today's meeting addresses a different but no less important aspect of the overall funding arrangements for the Karara Project – the additional equity funds which the Company has managed to secure to ensure that the project is fully funded.

Gindalbie announced on 13 May a capital raising for a minimum \$175 million through an institutional share placement, a placement to Ansteel and a Share Purchase Plan for eligible shareholders. I am pleased to say that all aspects of this capital raising strategy were successful and we were able to reach our maximum target of \$206.4 million.

Shareholder approval is being sought today for both of the share placements, respectively 80.215 million shares at \$0.93 each to Ansteel and 120.2 million shares at \$0.93 each to institutional investors.

In addition, subject to obtaining shareholder approval for these placements, Gindalbie has raised \$20 million through the Share Purchase Plan (SPP), whereby eligible shareholders applied for up to \$10,000 of new shares at the same price as the institutional placement.

Let me say at the outset that completing a capital raising of this size is a great achievement, particularly considering the volatile and unstable environment in global financial markets and the added uncertainty created by the Federal Government's recently announced Resource Super Profits Tax.

The strong level of investor support received for the capital raising is testament to both the quality of the Karara Project and the strength of the Karara Joint Venture. Fundamental to this has been the continuing support of our partner, Ansteel, which once again has demonstrated its support by agreeing to subscribe for a \$74.6 million share placement.

The reason for the capital raising and the proposed use of funds has been spelt out in some detail in our ASX Announcements.

The revised Project Construction Cost estimate of \$1.975 billion released last month was based on the receipt of detailed engineering design and construction estimates and schedules for the Stage 1 Karara Project, as well as effective prepayments for key infrastructure on subsequent expansion phases to an ultimate production level of 14-36Mtpa.

We were very pleased with the fact that the final cost estimate increased by only 20% or \$327 million from the Bankable Feasibility Study, which was completed nearly three years ago in September 2007 – particularly as a significant portion of the increase relates to design scope and infrastructure capacity increases for an ultimately larger project.

This is a tremendous outcome considering the combination of escalation, exchange rate movements and scope changes to the Project – and the fact that our review of Cash Operating Cost preliminary estimates indicates that they are consistent with the 2007 Bankable Feasibility Study cost of A\$42/tonne FOB Geraldton (excluding Royalties).

The revised Project Construction Cost estimate identified a need for an additional \$122 million of funding, which Gindalbie and Ansteel have agreed to meet jointly by contributing further equity to Karara Mining Limited, the joint venture vehicle, of approximately \$61 million each.

In addition, Gindalbie and Ansteel have agreed to contribute up to \$107.5 million each towards the pre-commissioning and working capital costs for the Project, which total approximately \$430 million.

This is made up of pre-commissioning items (insurance, building spares inventory, mining pre-strip) of \$184 million and Finance Facilities (bonds and working capital) of \$246 million.

To finance the future working capital funding requirement, Gindalbie and AnSteel have concluded a separate agreement whereby AnSteel will facilitate with Gindalbie's assistance the procurement of debt funding arrangements to cover the working capital requirements.

The partners have agreed to target a funding structure based on a 70:30 debt to equity basis, which is the same as the project loan structure agreed for the Karara Project. However the Joint Venture is also mindful of changing market conditions in the future which may result in the application of different debt-to-equity ratios and accordingly Gindalbie has raised the funds on a 50:50 debt equity ratio basis.

The working capital requirements are separate from the project construction costs and demonstrate the progress Karara has made to consider the costs associated with commencing operations. A large portion of the working capital requirement is not required until 2011.

In conclusion, I urge all shareholders to vote in favour of the resolutions to be put to you this morning.

The capital raising been secured with strong support in difficult circumstances, ensuring that Gindalbie is able to meet all of its obligations alongside Ansteel in delivering a world-scale iron ore project.

Failure to secure these funds would have serious adverse consequences for the Project, the Joint Venture and for Gindalbie as a Company, potentially threatening the ability to complete the Project as planned.

Karara is the single-biggest resource development currently underway in the Mid West of WA and will deliver major economic benefits for the region, the State and Australia.

It will generate some 1,500 construction jobs and approximately 600 direct and indirect long-term jobs. More than half of the \$2 billion capital cost will be invested in building or improving common-user infrastructure such as railway lines, power lines, roads and port facilities.

Based on long-term iron ore price forecasts (not the much higher current price) Karara will initially generate around A\$1 billion in annual export revenues, building to A\$3 billion annually as the project grows to its ultimate production level of 14-30mtpa.

I am confident that, once we are able to unlock these substantial cash flows, the rewards for shareholders will be significant.

Thank you for your attention. We will now turn to the formal business of the meeting

George Jones
Deputy Chairman