

24 December 2008

Dear Shareholder,

GENERAL MEETING – EQUITY FUNDING ARRANGEMENT WITH ANSTEEL

On 7 November, Gindalbie announced that it had accepted an offer from AnSteel, our Karara Iron Ore Project joint venture partner, to fund Gindalbie's share of the equity contributions required for the estimated A\$1.8 billion project development cost of the Karara Iron Ore Project in Western Australia. This arrangement involves a A\$162 million share placement of 190,658,824 shares to AnSteel, to be undertaken at an issue price of A\$0.85 cents per share, which represents a 102% premium to the Gindalbie share price immediately prior to the announcement of the placement.

Enclosed is a Notice of Meeting and Explanatory Statement, including a Proxy Form, containing information regarding the placement to AnSteel. A transaction of this importance requires your approval at a general meeting of shareholders which will be held at the Stirling Room, Parmelia Hilton, 14 Mill Street, Perth, Western Australia, at 10:00 am (Perth time) on Wednesday, 4 February 2009. I encourage you to read these documents in full. They provide important details and background on the proposed placement to AnSteel, including an outline of the benefits for Gindalbie. Also included is an **Independent Expert's Report, prepared by Deloitte Corporate Finance Pty Limited, which concludes that the proposed transaction is, on balance, fair and reasonable to Gindalbie shareholders not associated with Angang HK.**

Having carefully considered all aspects of the transaction and the Independent Expert's Report, **all Directors (other than Mr Wang Heng) recommend that you vote in favour of the resolution** and each Director who holds shares in Gindalbie intends to vote those shares in favour of the resolution. Mr Wang has excluded himself from making a recommendation due to his position as a nominee of AnSteel on the Gindalbie Board.

Gindalbie's Board decided to accept this proposal after carefully weighing up the alternatives. Our view is that a share placement to AnSteel, at a significant premium, represents an excellent outcome in the current challenging market environment and is in the best interests of all shareholders.

As previously announced, Gindalbie exercised its option under the terms of the joint venture agreement with AnSteel earlier this year to request AnSteel to arrange debt finance for Gindalbie's share of the equity contributions required to be made to the Karara Iron Ore Project. However, the subsequent further deterioration in both equity and debt markets simultaneously made the terms and conditions of a A\$162 million loan highly unattractive from a corporate risk perspective.

In the current environment, the opportunity to de-risk our balance sheet and secure this funding on good terms provides a buffer from any unforeseen future market events while also giving us the flexibility to develop other projects within our Mid West portfolio. I firmly believe that this arrangement represents a major achievement for Gindalbie and a strong vindication of our joint venture relationship and project development model.

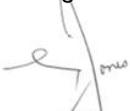
Once AnSteel has made its final equity contribution of A\$143.7 million to Karara and on completion of the placement, it will have invested close to A\$600 million in the Karara Iron Ore Project and Gindalbie. This clearly highlights the support of AnSteel to the development of the Karara Iron Ore Project and Gindalbie. As Gindalbie's biggest shareholder, with a 36% stake, AnSteel's interests will also be fully aligned with all other Gindalbie shareholders.

Once the final equity contributions are made next year, our joint venture company, Karara Mining Limited, will have cash resources of approximately A\$450 million, while Gindalbie itself will be debt-free at the corporate level and have uncommitted cash reserves of between A\$35 - 40 million.

I firmly believe that having AnSteel as both a partner and substantial shareholder will give Gindalbie a greater opportunity to grow into a significant resources company with the ability to deliver substantial value to shareholders.

I strongly urge all shareholders to vote in favour of the resolution, and if you are not able to attend the meeting in person, please fill in the Proxy Form and send it to Advanced Share Registry or Gindalbie offices by no later than 10.00am on 2 February 2009. I look forward to the opportunity of meeting you at the Meeting.

George Jones



Chairman