

Dear Gindalbie Shareholder,

It is with pleasure that I write to you on behalf of Gindalbie's Board of Directors to outline the next phase of your Company's growth. The Board is seeking support of shareholders on an important matter as Gindalbie moves closer to production from our flagship Karara Iron Ore Project.

The development of Karara is going well. Direct Shipping Ore mining is underway and we are targeting June 2012 for the first shipment of magnetite concentrate. However, the revised construction cost estimate of A\$2.57 billion (see ASX Release - 29 June 2011) has resulted in the requirement for Gindalbie and its Karara joint venture partner Ansteel to jointly contribute a further A\$600 million in equity towards the Karara development.

Gindalbie's 50% share of this cost increase will be funded through the proceeds of a \$209 million equity raising and existing uncommitted cash reserves, which currently total \$149.3 million (see ASX Release - 19 July 2011). The equity raising comprises a 1 for 3 non-renounceable accelerated pro-rata entitlement offer to eligible shareholders prices at at \$0.67 per new share. The non-Ansteel component of the raising is fully underwritten by UBS AG and Morgan Stanley Australia.

For those eligible to participate, enclosed with this letter will be the retail shareholders documentation regarding the approximate \$99 million retail component (Retail Offer). The underwriters have received significant interest in sub-underwriting from institutional investors, including many existing shareholders, and the sub-underwriting of the Retail Offer is now fully allocated.

Gindalbie's major shareholder, Ansteel, has indicated its commitment to support the equity raising, continuing its long-standing support of the Karara Project development. However, as previously foreshadowed, Ansteel was not able to participate in the proposed Entitlement Offer under the accelerated timetable approved by the ASX because of the time required in securing the necessary regulatory approvals.

Therefore, under the proposed structure Gindalbie proposes seeking shareholder approval for a separate placement to Ansteel on substantially the same terms and of the same amount as its entitlement under the Entitlement Offer. The deferred period of the placement will provide Ansteel the opportunity to meet the Chinese and other regulatory requirements. The notice of meeting and explanatory memorandum detailing the terms of the placement are also enclosed with this letter.

Ansteel is very supportive of the Equity Raising and does not wish to dilute below its current shareholding 35.887%. Ansteel has assured Gindalbie that it will take all available steps expedite its Chinese regulatory approvals.

If Ansteel is unable to participate in the Rights Issue or the Placement, or if the Resolution is not passed, in which case none of the Equity Raising will occur, then the Board will need to consider other financing alternatives, including a potential further equity raising.

The Board of Directors unanimously urge you to vote in favour of the resolution related to the Ansteel placement.

The independent Directors believe that AnSteel's support of Gindalbie has been critical to its success and believe that maintaining AnSteel's ownership position results in Gindalbie remaining a strong company.

Your Board and I believe that the approval of the resolution is in shareholders' best interests. A lack of shareholder support for the resolution will affect the proposed funding arrangements for the Karara Project and could have serious ramifications for your Company and the timely and successful development of Karara.

Thank you for your continued support.

Yours sincerely,



George Jones
Chairman