

Dear Gindalbie Shareholder,

I am writing to you to provide some further insight and background to Gindalbie's recently completed share placement to institutional investors, as announced on 30 November 2012.

As a fellow long-term shareholder in the Company, I share your disappointment in Gindalbie's recent share market performance, and your frustration that the share placement was not able to be completed at a higher price.

However, as we detailed in the Company's 2012 Annual Report, while we have largely completed the construction of the Karara Project where hematite and magnetite mining operations are underway, the key outstanding risk is ensuring there is sufficient working capital to sustain activities through to steady-state and positive cash flow.

We also explained that, if the Karara Project required any additional funds, Gindalbie and its Joint Venture partner Ansteel had agreed to make further equity contributions, and that under this scenario, Gindalbie may be required to raise additional capital.

Unfortunately, the past six months have seen extreme volatility in the iron ore price, coupled with continued strength in the Australian dollar. Both of these outcomes have had a negative impact on the Company's cash flow, and, unfortunately, we can't be certain that this volatility won't occur again in the foreseeable future.

In light of these circumstances, the Board considered that obtaining additional funding would put Gindalbie in a much stronger position to weather potential adverse market conditions during the ramp-up of production at Karara.

The Board also considered that it would be prudent to complete the capital raising now rather than later, to eliminate any funding uncertainty and provide additional liquidity in the near to medium term.

This decision was not taken lightly, and was arrived at after taking into consideration a host of factors including impending uncertainties in global markets over the Christmas/New Year period such as the much publicised "fiscal cliff" in the United States.

The structure of the capital raising – a fully underwritten share placement to institutional investors – provided the Company with the greatest degree of certainty in relation to the amount of capital to be raised. The Board has been giving consideration to a Share Purchase Plan to enable retail shareholders to buy shares at the same price as those offered in the Institutional Placement. Unfortunately, given the shares recently have traded below the share placement issue price an SPP would be unlikely to be successful.

The capital raising was a difficult decision, but one which the Board considered to be in the Company's best interests. Whilst it was disappointing to raise money at these levels, I firmly believe that a much worse outcome would have been to hold off on completing the capital raising and see market conditions deteriorate, or – worse yet – if there were a negative event during the production ramp-up which then forced us back to the market at a time of even more intense pressure.

Gindalbie is working hard to deliver the full value of the Karara Project to our shareholders. We have so far established a successful hematite Direct Shipping Ore operation and we are on-track to complete our first shipment of magnetite concentrate from Karara in late December or early January.

Key operational highlights over the past few months have included:

- Delivery of Karara's full integrated infrastructure, including power, rail and port facilities;
- Successfully shipped more than 500,000t of DSO hematite since 17 October 2012;
- First Karara magnetite concentrate produced in November 2012;
- Commissioning and ramp-up to 8Mtpa Stage 1 capacity to continue until April 2013.

Gindalbie shareholders can be assured that there is solid value in the Karara Project, and that 2013 is set to be a truly landmark year in the Company's history as we complete the final steps to unlock this value.

I am confident that this excellent progress being made at Karara will soon be reflected in the Company's share price. Accordingly, I recently took advantage of a window of opportunity to increase my personal holding in Gindalbie buying more shares on market, increasing my holding to 19.5 million shares.

While it is taking longer than we all expected for this investment to realise value, I hope that you share my view that the Company has an outstanding future.

Yours sincerely,



George Jones
Chairman