



Notice of General Meeting

Meeting Documents

- **Notice of General Meeting**
- **Explanatory Statement**
- **Proxy Form**

Notice is given that a General Meeting of the members of Gindalbie Metals Ltd will be held at the Fremantle Room, Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia at 10.00am on Wednesday, 26 September 2007.

What Action You Need to Take

Read Meeting Documents

The Meeting Documents set out the details of the Resolutions being put to Shareholders. This information is important. You should read the documents carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

Vote on resolutions

Your vote is important. Details of the Resolutions are set out in the Notice of General Meeting included in the Meeting Documents.

Shareholders should complete the Proxy Form that accompanies the Meeting Documents and return it by mail or facsimile so as to be received by the Company before 10.00am (Perth time) on Monday, 24 September 2007 whether or not they propose to attend the meeting. Proxy Forms received after this time will be invalid.

Entitlement to Vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of shareholders as at 5:00pm (Perth time) on Monday, 24 September 2007. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the General Meeting.

Proxies

A Proxy Form is included as part of this Notice of General Meeting on pages 10 and 11 and to be effective must be lodged at, or sent by facsimile transmission to, the Company's office at Level 9, 216 St Georges Terrace, Perth, Western Australia, or facsimile number (08) 9480 8799 by no later than 10.00 am (Perth time) on Monday, 24 September 2007.

For details on how to complete and lodge the Proxy Form please refer to the instructions on the Proxy Form.

Key Dates

Date and time for determining eligibility to vote	Monday, 24 September 2007 at 5.00pm
Deadline for lodgment of Proxy Forms	Monday, 24 September 2007 at 10.00am
Date of General Meeting	Wednesday, 26 September 2007 at 10.00am

Queries

If you have any queries about any matter contained in the Meeting Documents please call the Company Secretary, David Stokes on (08) 9480 8700.

GINDALBIE METALS LTD
ABN 24 060 857 614

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the shareholders of Gindalbie Metals Ltd ("the Company") will be held at the Fremantle Room, Parmelia Hilton, 14 Mill Street, Perth, Western Australia at 10.00am on Wednesday, 26 September 2007 for the purpose of considering and if thought fit, passing the following resolutions, namely:

Ratification of Share Issue

1. To consider, and if thought fit, to pass with or without amendment the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, Shareholders ratify the issue of 65,000,000 Shares in the Company to Angang Group Hong Kong (Holdings) Limited at an issue price of 60 cents per share details of which are set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion Statement

For the purposes of Listing Rule 7.4, the Company will disregard any votes cast on Resolution 1 by Angang Group Hong Kong (Holdings) Limited and any of their associates, unless it is cast:

- *By a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or*
- *By the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).*

Issue of Options to Garret Dixon

2. To consider, and if thought fit, to pass with or without amendment the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.11 and Sections 208(1) of the Corporations Act Shareholders approve and authorise the issue of 3,000,000 options to subscribe for fully paid ordinary shares in the Company (and shares on exercise of those options) to Garret John Dixon, the details for which are specified in the Explanatory Statement accompanying this Notice"

Voting Exclusion Statement

For the purposes of Listing Rule 10.11, the Company will disregard any votes cast on Resolution 2 by Garret John Dixon and any associate of Garret John Dixon, unless it is cast:

- *By a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or*
- *By the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).*

Important Notes

1. For further information and explanation on the above resolutions, please refer to "Explanatory Statement" which is annexed to and forms part of this Notice of General Meeting.
2. All resolutions are required pursuant to the provisions of the Listing Rules of the ASX Ltd, the Constitution of the Company and the Corporations Act.

Dated: 16 August 2007

By order of the Board of Directors.



D Stokes
Company Secretary

GINDALBIE METALS LTD
ABN 24 060 857 614
EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist shareholders with their consideration of the resolutions proposed for the General Meeting of Gindalbie Metals Ltd (“the Company”) to be held at the Fremantle Room, Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia at 10.00am on Wednesday, 26 September 2007.

RESOLUTION 1 – RATIFICATION OF PRIOR SHARE ISSUE

On 4 June 2007, the Company announced it had reached agreement with its joint venture partner in the Karara Iron Ore Project, Ansteel Iron & Steel Group Corporation (“Ansteel”), for Ansteel to take a strategic stake in the Company subject to the approval of Chinese regulatory authorities. Under the share subscription agreement Gindalbie agreed to issue 65 million shares at 60 cents each to AnSteel’s Hong Kong investment vehicle, Angang Group Hong Kong (Holdings) Limited (“Angang HK”), to raise \$39 million. The funds raised through the placement to Angang HK are to be applied to the continued development of both the Karara Magnetite Project and the Mungada Hematite Project.

It is anticipated the capital raising should be completed in early September 2007. At the time of executing the subscription agreement the Company had capacity to place the 65 million shares without exceeding the 15% limit requiring shareholder approval under Listing Rule 7.1. Under Listing Rule 7.4 the Company is now seeking approval to ratify the placement of the shares to Angang HK so that this issue of shares does not count towards the 15% limit under Listing Rule 7.1 during the next 12 months. This will give the Company greater flexibility to issue further shares as may be required during the next 12 months.

The following information in relation to this Resolution 1 is provided to shareholders for the purposes of Listing Rule 7.5:

- (a) 65 million shares will be allotted and issued prior to the date of this meeting;
- (b) the shares are to be issued at a price of \$0.60 each;
- (c) the shares issued are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing fully paid ordinary shares on issue;
- (d) the shares are to be issued to Angang Group Hong Kong (Holdings) Limited; and
- (e) funds raised from the issue will be used to continue the development of both the Karara Magnetite Project and the Mungada Hematite Project.

RESOLUTION 2 – ISSUE OF OPTIONS TO MR GARRET JOHN DIXON

On 7 November 2006 the Company announced the appointment of Garret John Dixon as the new Managing Director of the Company. The key terms of Garret John Dixon’s remuneration package were described in the announcement and are set out below:

- (a) a remuneration package of \$500,000 per annum, inclusive of superannuation;
- (b) 3 million options, on the following terms:

	Number of Options	Vesting Date	Exercise Price	Expiry Date
Tranche 1	500,000	4 June 2007	60 cents	6 November 2011
Tranche 2	1,000,000	4 December 2008	60 cents	6 November 2011
Tranche 3	1,500,000	4 December 2009	60 cents	6 November 2011

The key terms and conditions of the Options proposed to be issued to Garret John Dixon are set out in Annexure A to this Explanatory Statement.

Whilst the options are not governed by the Company’s Employee Share Option Plan, the terms and conditions attaching to the Options are identical to the terms attaching to the options offered to employees under the Plan and the exercise price was calculated by reference to the formula specified in the plan at the time Garret John Dixon was appointed.

Corporations Act/Listing Rules Requirements

For the purposes of Part 2E, Garret John Dixon is a related party of the Company and a grant of options to him constitutes the giving of a financial benefit. The proposed issue of options to Garret John Dixon, as the provision of a financial benefit to a related party of the Company, requires prior shareholder approval. Furthermore by Listing Rule 10.11 the Company must not issue securities to a director under an employee incentive scheme without the approval of shareholders.

In accordance with the requirements of Part 2E, and in particular with section 219 of the Corporations Act and Listing Rule 10.13 the following additional information is provided to shareholders to allow them to assess the proposed issue of options to Garret John Dixon:

- (a) The nature of the financial benefit to be given to Garret John Dixon is the issuing of options to subscribe for fully paid ordinary shares in the numbers set out above.
- (b) The proposed issue of options to Garret John Dixon was agreed under his employment contract and this was announced to the market on 7 November 2006.
- (c) The proposed issue was structured to assist in Garret John Dixon's retention and motivation whilst the Company develops its iron ore interests. At the time of negotiation, the number of options proposed to be issued, the exercise price and expiry date were determined after consideration of the terms and conditions of the Company's Employee Share Option Plan, other incentive schemes in the market, the share price of the Company at the time the options were proposed, the share price history of the Company over the previous 12 months and the objectives of the Company over the coming five years;
- (d) The options are proposed to be granted for no consideration;
- (e) The market sale price of Gindalbie's shares on ASX during the 12 months immediately preceding the date of preparation of this Explanatory Statement have ranged from a high of \$1.81 cents on 24 July 2007 and a low of \$0.40 on 21 September 2006. At the date of preparation of this Explanatory Statement the market sale price was \$0.97 cents.
- (f) The market sale price of Gindalbie's shares on ASX during the 12 months immediately preceding the negotiation of Garret John Dixon's employment contract on 6 November 2006 ranged from a high of \$0.75 on 3 May 2006 to a low of \$0.245 on 9 November 2005.
- (g) The Options to be issued will not be listed on the ASX;
- (h) The Options will be issued as soon as is practicable after Resolution 2 is passed but not later than 1 month after the date of the Meeting. Notwithstanding their issue, the Options will not be able to be exercised until after the relevant vesting dates have passed;
- (i) If the Company's shares are trading on the ASX at a price in excess of the exercise price of Options, which is considered likely, Garret John Dixon will obtain a potential financial gain on the exercise of the options and subsequent sale of shares;
- (j) The Company has calculated a value per potential share arising out of the Options the subject of this Resolution based on the number of shares into which those Options could be converted on exercise as \$0.64 per potential share.

This calculation has been made using the Black & Scholes formula which is the standard formula used for calculating the valuation of an option. The formula requires the use of different variables to calculate a value for the Options.

The variables used by the Company for the calculation are:

- the exercise price and period of the proposed options
- a current share price of .97 cents
- a volatility factor for the Company's share price of 61.7 % which was calculated by the Company by reference to the Bloomberg's Standard Deviation of Gindalbie shares which is calculated from share capital and share price of the Company
- a discount rate of 6.23% by reference to the current 5 year Government Bond Rate.

On the basis of that valuation, the total value of the options proposed to be issued to Garret John Dixon is \$1.92 million.

The model and option valuation does not take into consideration the facts that:

- (i) Tranche 2 and Tranche 3 options do not vest in Garret John Dixon until 16 months and 28 months respectively after the issue of the options;
- (ii) the options are unlisted;
- (iii) the options may not be transferred to other than associated entities; and
- (iv) Garret John Dixon must remain an officer of the Company until at least the relevant vesting date to enable any benefit from the options.

In deriving the valuation the Black & Scholes model relies upon the following assumptions:

- that the options are Europeans call options, in that they can only be exercised on the expiry date unlike an American option, which can be exercised at any time during the period as is the case with the proposed options which may be exercised at any time after the relevant vesting date;
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free rate of interest is known and constant throughout the duration of the option;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Any change in the variables applied in the Black & Scholes model has an impact on the calculation of their value.

The options proposed to be issued will only have value if on the date the options are exercised, the market price of the Company's shares is in excess of the exercise price of the options. In these circumstances, Garret John Dixon will obtain a financial benefit equivalent to the difference between the market value and exercise price.

- (k) If all of the options are exercised, this will have a dilution effect on the holding of existing shareholders of 0.67% and 0.59% if the shares set out in Resolution 1 have been issued.
- (l) At the date of preparation of this Statement, Garret John Dixon had a beneficial interest in the following securities of the Company:

Fully Paid Ordinary Shares	150,000
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- (m) The total remuneration package for Garret John Dixon for the year ended 30 June 2007, to be disclosed in the 2007 Annual Report, is as follows:

Base Salary	\$264,644
Superannuation	<u>\$23,818</u>
	\$288,462

Garret John Dixon also receives a benefit of Directors & Officers insurance cover. The amount of this benefit was valued at \$1,121 for the year ended 30 June 2007. The value of this benefit in future years will be dependent on the level of the insurance premium and the number of Directors & Officers that fall under the cover.

- (n) Ownership of shares pursuant to the exercise of the options will entitle the holders of shares to receive benefits of ownership / membership, on the same basis as existing shareholders of the Company;
- (o) No Fringe Benefits Tax liability will arise to the Company for the proposed issue of Options to Garret John Dixon. The liability to income tax will be borne by Garret John Dixon who may be required to include certain amounts in his assessable income;
- (p) The maximum number of options that may be acquired by Garret John Dixon is 3,000,000 in total;
- (q) The Company will not be loaning any money to Garret John Dixon for any acquisition or exercise of the options; and
- (r) Other than the information specified in this Statement, the Company believes there is no other information that would be reasonably required by shareholders in order to decide whether it is in the best interests of the Company to pass the resolution.

Recommendation

The non-Executive Directors of the Company have no interest in the issue of the proposed options to Garret John Dixon. The non-Executive Directors recommend that shareholders approve this Resolution 2 and the issue of options as being in the best interests of the Company to assist in the retention of Garret John Dixon during the development of the Karara Iron Ore Project, and consistent with the terms agreed under his employment contract as previously announced to the market.

ASIC and ASX's Role

The fact that the accompanying Notice of Meeting, this Explanatory Statement and other relevant documentation has been received by ASX and ASIC is not to be taken as an indication of the merits of the Resolutions. ASIC, ASX and its respective officers take no responsibility for any decision a shareholder may make in reliance on any of that documentation.

Proxies

Members can return their proxy appointments to the Company by facsimile on the facsimile number set out on the proxy form.

Queries

If you have any queries on any matter arising out of the business proposed for the General Meeting, please call Mr David Stokes on (08) 9480 8700.

ANNEXURE A

TERMS AND CONDITIONS OF OPTIONS PROPOSED TO ISSUED TO MR GARRET JOHN DIXON UNDER RESOLUTION 2

Each option (**Option**) shall entitle the holder of the Option (**Option Holder**) to subscribe for and be allotted one fully paid ordinary share (**Share**) in Gindalbie Metals Ltd ACN 060 857 614 (**Company**) on the terms and conditions set out below:

1. Subject to the terms of Conditions 4 and 5, each Option is exercisable from the relevant vesting date to a date up to and including 6 November 2011 (**Option Period**) and if the Option is not exercised on or prior to the expiry of the Option Period, the Option will automatically lapse.
2. The relevant Vesting dates are:

Tranche 1 – 4 June 2007
Tranche 2 – 4 December 2008
Tranche 3 – 4 December 2009
3. The Options will only be issued to Garret John Dixon or an Eligible Person related to Garret John Dixon.

“Eligible Person” means:
 - (a) the spouse of Garret John Dixon;
 - (b) a company controlled by Garret John Dixon or any person specified in paragraph (a); or
 - (c) any trust or superannuation fund of which Garret John Dixon or any person or company specified in paragraphs (a) or (b) are the sole trusteeto whom the Directors determine is entitled to hold the Options.
4. If the Option Holder (provided that if the holder is not Garret John Dixon then this condition applies to Garret John Dixon) ceases to be appointed/employed by the Company prior to a vesting date then the vesting of the options relevant to all subsequent vesting dates will not occur and those Options will be cancelled.
5. If the Option Holder (provided that if the holder is not Garret John Dixon then this condition applies to Garret John Dixon) ceases to be appointed/employed by the Company as a director/employee as the case may for any reason whatsoever, notice of which will be provided by the Company, the Option will lapse, unless otherwise determined by the Directors of the Company, notice of which will be provided by the Company, on the date which is 3 months after the date of termination of appointment/employment.
6. The Options may be exercised wholly or in part by giving notice in writing (**Notice of Exercise**) to the Company at any time during the Option Period. Options may only be exercised in multiples of 100, unless all of the then unexercised Options are being exercised under the relevant Notice of Exercise.
7. The exercise price for each Option exercised is:
 - (a) Tranche 1 – 60 cents each
 - (b) Tranche 2 – 60 cents each
 - (c) Tranche 3 – 60 cents each
8. On receipt by the Company of the Notice of Exercise and payment of the relevant Exercise Price, the Company must issue to the Option Holder the number of Shares for which the Option is exercised and dispatch the relevant share certificate or other appropriate acknowledgment as soon as reasonably practicable thereafter.
9. Within 10 business days of receipt of a Notice of Exercise the Company will apply for the shares issued on exercise of the Options to be admitted for quotation on the Official List of ASX Limited (**ASX**).
10. Shares issued on the exercise of any Options will rank equally in all respects with the then existing issued ordinary fully paid shares in the Company and will be subject to the provisions of the Constitution of the Company.
11. An Option does not confer rights to participate in new issues of securities of the Company, unless the Option Holder has first exercised the Option.

12. If, during the Option Period, the Company makes a pro rata offer or invitation or bonus issue to holders of Shares or other securities of the Company or any other entity, the Company will give the Option Holder notice not less than 9 Business Days before the Record Date to determine entitlements to receive that offer, invitation or issue to enable the Option Holder to exercise the Option and receive that offer, invitation or issue for the share issued on exercise of the Option.
13. Adjustments to the number of shares over which Options exist and/or the Exercise Price will be made to take account of changes to the capital structure of the Company by way of pro rata bonus and cash issues in accordance with the formula set out in the Listing Rules of the ASX.
14. In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of the Option Holder including the number of options or the Exercise Price or both shall be reorganised (as appropriate) to the extent necessary to comply with the Listing Rules of the ASX applying to a reorganisation of capital at the time of the reorganisation.
15. The Options are not transferable except with the prior written consent of the Company but will only be able to be transferred to an Eligible Person related to Garret John Dixon and particularly will remain subject to the terms of Conditions 4 and 5 and Garret John Dixon's continuing engagement by the Company. If the Company consents to the transfer of the Options, the Company may impose any condition, including a condition that the transferee agree in writing to be bound by the above terms and conditions, the Company in its sole discretion determines to be appropriate.
16. Notices may be given by the Company to the Option Holder in the manner prescribed by the Constitution of the Company for the giving of notices to the shareholders of the Company and the relevant provisions of the Constitution will apply with all necessary modification to notices to be given to Option Holders and otherwise as the Company determines.

GINDALBIE METALS LTD
ABN 24 060 857 614
PROXY FORM

The Company Secretary
 Gindalbie Metals Ltd
 Level 9, London House
 216 St Georges Terrace
 PERTH WA 6000
 Telephone (08) 9480 8700
 Facsimile (08) 9480 8799

Insert Name & Address of Shareholding

being a member(s) of GINDALBIE METALS LTD
 hereby appoint the Chairman of the meeting
 (mark with an X)

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of the meeting.

or failing that, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at the Fremantle Room, Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia at 10.00am on Wednesday, 26 September 2007 and at any adjournment thereof.

If appointing two proxies, please show proportion of voting rights attaching to this proxy: _____%

If you wish to direct your proxy how to vote on the proposed resolutions, please indicate the manner in which your proxy is to vote by ticking the appropriate column below, otherwise your proxy may vote as he thinks fit.

If you do not wish to direct your proxy how to vote, please place a mark in this box. By marking this box you acknowledge the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and votes cast by him, other than as proxy holder, would be disregarded because of that interest. The Chairman of the Meeting intends to vote undirected proxies in favour of each of the resolutions.

	FOR	AGAINST	ABSTAIN
Ordinary Resolution 1 – Ratification of Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 2 – Issue of Options to Garret John Dixon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Security Holder 1

Sole Director and
 Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director/Company Secretary

 Contact Name

 Contact Daytime Telephone or
 Email

____/____/____
 Date

Proxy Instructions

Generally

A shareholder entitled to attend and vote at the General Meeting convened by the Notice is entitled to appoint not more than 2 proxies to vote on the shareholder's behalf. A proxy need not be a shareholder. The proxy appointment may be a standing appointment for all general meetings until it is revoked. Additional proxy forms are available from the Company.

If a representative of a company security holder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

Appointing Two Proxies

A shareholder entitled to cast 2 or more votes may appoint 2 proxies. Where 2 proxies are appointed, the appointment will be of no effect unless each proxy is appointed to represent a specified proportion of the shareholder's voting rights and the proportions are specified on the proxy form.

Signing Instructions

Individuals: The shareholder must sign personally. If the holding is in more than 1 name, all of the shareholders must sign.

Company: Must be signed by the company in accordance with the shareholder's Constitution.

The form provides for a body corporate to sign by affixing a common seal to be witnessed by 2 directors or a director and secretary. If the shareholder's Constitution permits or requires the Company to sign by other means the signing provision should be altered by the shareholder to correctly specify the permitted method of signing for example, a common seal witnessed by a sole director or signing by 2 directors or a sole director with no common seal required.

Power of Attorney: The attorney must sign and the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.

Lodgement of a Proxy

Proxy forms (and the power of attorney, if any, under which the proxy form is signed) must be received at the offices of the Company no later than 10.00am Monday 24 September 2007.

Documents may be lodged:

IN PERSON Registered Office – Level 9, London House, 216 St Georges Terrace, Perth, WA 6010
BY MAIL PO Box 7200, Perth WA 6850
BY FAX (08) 9480 8799

Your Address

This is your address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Security holders sponsored by a broker (in which case your reference number overleaf will commence with an "X") should advise your broker of any changes. You cannot change ownership of your shares using this form.