



Chairman's Letter

24 May 2019

Dear fellow Gindalbie Shareholder

On behalf of the Independent Directors of Gindalbie Metals Limited (**Gindalbie**), I am writing to provide you with the Demerger Scheme Booklet, which contains important information for you to consider about the proposed demerger of Gindalbie's wholly owned subsidiary, Coda Minerals Limited (**Coda**).

On 11 March 2019, Gindalbie announced that it had entered into two transactions that, if implemented, will lead to the acquisition by Ansteel of all of the Gindalbie Shares that it does not already own (under the Acquisition Scheme), and the demerger of Coda to Eligible Gindalbie Shareholders (under the Demerger).

The Acquisition Scheme and the Demerger Scheme (together with the Capital Reduction, the **Transaction**) are separate but inter-conditional. Each element of the Transaction is subject to the approval of Gindalbie Shareholders and various other conditions that are described more fully in Section 1 of the Demerger Scheme Booklet and Section 1 of the Acquisition Scheme Booklet.

Benefits of the Demerger

If the Demerger is approved and implemented, Eligible Gindalbie Shareholders will emerge with an ownership stake in a new company with strong upside potential that is focused on the Mt Gunson Copper-Cobalt Project (**Mt Gunson**), in which it has a right to earn up to a 75% interest. The separation of Gindalbie and Coda also has the potential to unlock value not reflected in the market price of Gindalbie Shares prior to the announcement of the Transaction.

Your Independent Directors of Gindalbie (**Independent Directors**) have considered the advantages and disadvantages of the Transaction, and unanimously recommend that you vote in favour of the Demerger Scheme Resolution and the Capital Reduction Resolution, subject to the qualifications stated throughout the Demerger Scheme Booklet. Each Independent Director intends to vote in favour of the Demerger Scheme Resolution and the Capital Reduction Resolution, subject to those same qualifications.

The Transaction is the culmination of extensive discussions between Gindalbie and Ansteel. The Gindalbie Board has sought to release Gindalbie Shareholders from their indirect exposure to the ongoing risks, liabilities and losses of the Karara Iron-Ore Project (**Karara**), which also directly impact Gindalbie's ability to raise capital and develop other projects, such as Coda and its copper and cobalt project in South Australia.

The Independent Directors believe an exit from Karara, and a focus on new shareholder value-generating opportunities that are free from any exposure to Gindalbie's significant contingent liabilities (such as Coda), is in the best interests of Gindalbie Shareholders and that the Transaction achieves these outcomes.

Under the Demerger, Eligible Gindalbie Shareholders will receive one Coda Share for every 45 Gindalbie Shares held on the Demerger Scheme Record Date. Ineligible Foreign Shareholders will have the Coda Shares they would otherwise have received transferred to the Nominee and sold, and the average sales proceeds (net of expenses) will be remitted to them.

Introducing Coda

Coda is a wholly owned subsidiary of Gindalbie. Post implementation of the Demerger, it is intended that Coda will be an exploration company with a clear focus on progressing Mt Gunson, in which it has a right to earn up to a 75% interest, and delivering value for shareholders. **Coda intends to apply for admission to the official list of the ASX as soon as practicable after implementation of the Demerger (though listing is not guaranteed and Coda will not be admitted to the official list of the ASX, and Coda Shares received by Eligible Gindalbie Shareholders will not be quoted by the ASX, unless and until the listing occurs). Please refer to Section 7.5 of the Demerger Scheme Booklet for further information.**

Coda currently holds the rights and interests under the Mt Gunson Farm-in Agreement to earn up to a 75% interest in a significant and strategic portfolio of tenements in South Australia. These tenements are located approximately 100km south of BHP's world-class Olympic Dam copper-gold-uranium mine and within 50km of OZ Minerals' Carrapateena copper project.

As at the Demerger Implementation Date, Coda is expected to have a cash balance of approximately \$7 million. Given the work ahead to implement Coda's strategy and business plan, the Coda Board considers it appropriate to seek to raise new equity capital as soon as practicable following implementation of the Demerger, though there can be no guarantee that an equity capital raising will occur.

While the Independent Directors appreciate Ansteel as a valued and supportive Gindalbie Shareholder, as part of the Transaction Ansteel has agreed not to participate in the first Equity Capital Raising undertaken by Coda within 12 months after the Demerger Implementation Date. This means Ansteel will be diluted if Coda undertakes the Equity Capital Raising in that period.

The Equity Capital Raising structures currently being considered by Coda would, if successfully implemented, result in a dilution of Ansteel's interest in Coda to below 20% as a result of Ansteel's agreement not to participate. Subject to applicable laws, other Coda Shareholders are intended to be given the opportunity to participate in the Equity Capital Raising.

I urge you to read the relevant Sections in the Demerger Scheme Booklet for more information. In particular, please refer to Section 5.5 for further details on Ansteel's potential dilution, Section 5.4 for further details on Coda's funding strategy and Section 5.7 for further details regarding Ansteel's agreement not to participate.

Independent Expert's opinion

To assist Gindalbie Shareholders in assessing the Demerger, Gindalbie appointed BDO to prepare an Independent Expert's Report. In its report, the Independent Expert has concluded that, in the absence of a superior offer, the Demerger Scheme is in the best interests of Gindalbie Shareholders.

A full copy of the Independent Expert's Report is set out in Annexure C of the Demerger Scheme Booklet. This is an important document and I encourage you to read it in full.

Your vote will affect the future value of your investment

Your vote is important. I encourage you to vote at the Demerger Meetings by completing the Proxy Forms accompanying the Demerger Scheme Booklet, or alternatively by attending the Demerger Scheme Meeting and the General Meeting, which will be held at 10.30 am (Perth time) on 3 July 2019 at the Perth Convention and Exhibition Centre, Meeting Room 8 and at 11.00 am (Perth time) (or as soon as possible thereafter following the conclusion or adjournment of the Demerger Scheme Meeting) at the same location.

For the Demerger to be implemented:

- the Demerger Scheme must be approved by Gindalbie Shareholders, which requires that votes in favour of the Demerger Scheme Resolution must be received from a majority in number (more than 50%) of Gindalbie Shareholders present and voting at the Demerger Scheme Meeting (unless the Court orders otherwise) and at least 75% of the total number of votes cast on the Demerger Scheme Resolution by Gindalbie Shareholders; and
- the Capital Reduction must be approved by Gindalbie Shareholders, which requires that votes in favour of the Capital Reduction Resolution must be received from a majority in number (more than 50%) of the total number of votes cast on the Capital Reduction Resolution by Gindalbie Shareholders at the General Meeting.

Ansteel intends to vote all Gindalbie Shares in which it has a Relevant Interest in favour of the Demerger Scheme Resolution and the Capital Reduction Resolution, if Gindalbie Shareholders approve the Acquisition Scheme. As at the date of the Demerger Scheme Booklet, Ansteel has a Relevant Interest in 535,492,521 Gindalbie Shares (35.71%).

Further information

The Demerger Scheme Booklet sets out important information relating to the Demerger, the reasons why the Independent Directors have recommended that Gindalbie Shareholders vote in favour of the Demerger, and the Independent Expert's Report. It also sets out some of the reasons why Gindalbie Shareholders may wish to vote against the Demerger.

More information in relation to the Acquisition Scheme can be found in the Acquisition Scheme Booklet, which was sent to you at the same time as the Demerger Scheme Booklet.

If you have any questions about the Demerger, please contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

On behalf of the Gindalbie Board, I would like to take this opportunity to thank you for your ongoing support of Gindalbie, and I look forward to your participation at the Demerger Scheme Meeting and the General Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Keith Jones', written over a large, faint circular watermark or background mark.

Keith Jones
Non-Executive Chairman
Gindalbie Metals Limited