26th April 2019

SECURITIES EXCHANGE ANNOUNCEMENT

TRANSACTION UPDATE

Dear fellow Gindalbie shareholder,

On 11 March 2019, Gindalbie Metals Limited (**Gindalbie**) announced a proposed transaction which, if implemented, will see the shareholders of Gindalbie dispose of their shares in Gindalbie in return for $0.026 per Gindalbie share (under the Acquisition Scheme) which is a significant cash premium and receive shares in Coda Minerals Limited (**Coda**), which holds the highly prospective Mt Gunson Copper-Cobalt Project (under the Demerger).

On 24 April 2019, Gindalbie announced that the Australian Foreign Investment Review Board ("FIRB") had approved the proposed acquisition by Ansteel of all of the ordinary shares in Gindalbie that it does not already own under the Acquisition Scheme, and that the "FIRB approval" condition under clause 3.1(f) of the Scheme Implementation Agreement between Gindalbie and Ansteel had been satisfied.

The transaction will see the Karara Iron-Ore Project (**Karara**) become fully owned by Ansteel, who will take responsibility for the massive debt and contingencies related to the project. According to Gindalbie's internal financial models, Karara shares have a negative value of over -$3.5 billion. Karara is making large annual losses and incurring negative cashflow at the operational level, is increasing its debt and has been consistently valued at nil ($0) by Gindalbie since 2014.

Over the past four weeks, Gindalbie's Board and management team has been preparing the Scheme Booklets in relation to the transaction, which we look forward to sharing with you once they have been reviewed by ASIC and approved by the Court. These documents will contain a complete and thorough rationale for the transaction and will also include detailed reports by an independent expert on whether the Acquisition Scheme and the Demerger Scheme are each in the best interests of shareholders.

Since the transaction was announced, Gindalbie has received a lot of feedback from shareholders including shareholders who look forward to receiving the significant cash premium offered by the transaction, freeing themselves from the risks and uncertainties associated with an investment in Gindalbie, and receiving a direct investment in Coda.

Shareholders also want to know more about the reasons why the Independent Directors of Gindalbie have chosen to recommend a transaction that will ultimately result in Gindalbie's independent shareholders no longer having exposure to Karara. Those reasons will be outlined in the Scheme Booklets.

I seek to address the key themes from shareholders' feedback in this letter.

Rationale for the Transaction

The Independent Directors do not believe that Karara will ever produce returns for Gindalbie or Gindalbie shareholders.

On the other hand, the transaction announced on 11 March offers cash directly to shareholders, which delivers certainty and immediate value for your Gindalbie shares and removes the ongoing risks and uncertainties associated with Gindalbie and its investment in Karara.

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Losses, negative cashflow and debt

- Karara has made an operating loss and incurred negative cashflow in each year since it commenced operations and continues to generate operating losses.
- Karara is currently carrying over US$3.1 billion of secured debt and the Independent Directors consider it is highly unlikely that Karara will ever generate sufficient free cashflow, or profits, to allow any return to shareholders under the current financial and operating model.
- The consistent operating loss-making position resulted in the level of debt and shareholder loans in Karara increasing to $4.40 billion in 2017.
- Gindalbie has provided limited recourse guarantees to Ansteel exceeding US$3.1 billion, which are limited to the extent of Gindalbie's shareholding in Karara, and Gindalbie has contingent liabilities of $231 million arising from bank guarantees in respect of operating contracts.

Value of Karara

We value Karara at a nil ($0) value.

We understand that some shareholders have their own opinions about this holding value, which is based on our internal financial models and reviewed by management every six months during the audit/ review process. These models indicate a negative value for Karara shares in excess of -$3.5 billion. The Acquisition Scheme Booklet will include a valuation of Karara (by the independent expert) in the independent expert's report.

The independent directors of Gindalbie consider that it is highly unlikely, based on Gindalbie's financial modelling, that any foreseeable increase in the iron ore price or reduction in operating costs would ever result in a return from Karara to Gindalbie or Gindalbie's shareholders.

Potential for Operational Improvement

Although Gindalbie has been a minority investor in Karara since 2014, we have maintained detailed and ongoing analysis of Karara's operating performance and cost base. Our internal modelling shows that, even at the current iron ore price levels, Karara is not expected to become profitable on an all-in cost basis. Karara has a secured bank debt position of over US$3.1 billion, all of which must likely be repaid before Gindalbie could receive dividends from the operation.

We have also been asked by shareholders to comment on the potential to expand production at Karara beyond its current operational capacity of 8 million tonnes per annum.

Some of the initial infrastructure at Karara was constructed to facilitate the potential expansion of the operation to 16 million tonnes per annum, however, this expansion would require the duplication of the processing plant as well as significant capital upgrades and expansion works on train loading, rail transport and other related transport infrastructure. Increasing production does not provide significant scale advantages due to the nature of the processing and operations.

Moving from 8 million tonnes per annum to 16 million tonnes per annum is not expected to materially improve unit costs of production as efficiencies in scale will be offset by increased haulage distances and process water constraints. There is no economic justification to expand an already loss-making operation as the expansion

GINDALBIE METALS LIMITED

would not result in positive economic returns (based on current iron ore forecasts) and require significant additional capital required for expansion.

The Board has no desire, and Gindalbie has no capacity, to fund or contribute capital to a project where the investment will increase losses and does not increase shareholder value.

Potential for Dilution

We have noted above the significant pressure that the requirement to fund Karara has placed on its shareholders and that the operation continues to require funding even in the current iron ore price environment.

Karara's total cost of production, including the cost of servicing the massive debt levels, (i.e. all-in-costs) was A$ 150.26 per tonne in 2018, requiring additional funding from Ansteel over that period due to costs being higher than revenue received. To date, Ansteel has primarily funded the operation through loans, guaranteed by Ansteel's parent in China. Ansteel has the option to purchase additional share capital in Karara which, if exercised as at 31 December 2018, would result in Gindalbie's ownership of Karara decreasing from 47.84% to approximately 38.24%.

Future cash calls from Karara could, at any time, significantly reduce Gindalbie's shareholding in Karara if they involve the subscription of equity and if Gindalbie did not, or could not, participate.

Contingent Liabilities

The proposed transaction frees Gindalbie's shareholders from the overhang of the liabilities from Karara.

The Independent Directors consider that Gindalbie cannot secure significant debt funding due to its contingent liability exposure to Karara, and any additional equity financing may be dilutive to existing Gindalbie shareholders. For that same reason, the Independent Directors consider that Gindalbie's ability to raise equity funding, particularly from institutional shareholders, has been detrimentally affected.

Future Value of Coda

We have been very clear with the market for several years now that we believe the future of value creation for our shareholders lies outside of Karara.

The transaction provides shareholders with a significant liquidity event and the potential to receive a 90% cash premium to the 30-day volume weighted average price of Gindalbie's shares up to the 11 March, as well as a pro rata distribution of shares in Coda.

As a new and fresh company with a clear focus on progression of the Mt Gunson Copper-Cobalt Project, we believe that Coda will provide shareholders with value creation opportunities not available under the current structure.

Conclusion

I, along with our long-term shareholders, have lost significant value in our investment in Gindalbie since the share price highs of the iron ore boom. I appreciate that crystallising this loss is difficult to accept.

The decision the Board took in 2014 to write down Karara was a difficult decision that we had to make based on the operating and financial performance of the asset.

Five years later, this remains the case. In fact, the debt in Karara has grown significantly since that point due to the continued loss-making position.

We have been encouraged by our shareholders to return cash and generate upside. In our opinion, this transaction achieves both.

For all these reasons, the Independent Directors of Gindalbie are strongly supportive of this transaction as the best way for Gindalbie's shareholders to receive value for their shares and retain exposure to the potential upside of Coda.

We look forward to providing you with the Scheme Booklets, and to your support for this transaction.

Yours faithfully,

Keith Jones
Chairman
Gindalbie Metals Ltd

ENDS

On behalf of:

Mr Keith Jones
Non-Executive Chairman

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