

CHAIRMAN'S ADDRESS – 2009 ANNUAL GENERAL MEETING *“Leading the world's next great iron ore province”*

10.00am (WST): Thursday, 5 November 2009

Ladies and Gentlemen, the development of the Karara iron ore project is now well underway.

Last week, the Federal Environment Minister, Peter Garrett, announced the final environmental sign-off for the Project following receipt of State Environmental Approval in September.

The approval was the culmination of more than three years of planning, negotiating and strategising.

Our planning is for production to start at the rate of 8 million tonnes a year in 2011. But at Karara we have JORC resources of 1.8 billion tonnes and reserves of over 500 million tonnes. We believe that total resources at Karara will ultimately prove to be much greater than these current published resources allowing significant expansion of capacity in the future.

In conjunction with our partners at Karara, Gindalbie is studying how we may take full advantage of our extensive resource base.

We have intentionally designed the plant at Karara to enable production to be increased as fast as possible at minimum cost.

We have also taken into account future increases in all of our infrastructure arrangements covering rail, port, power and water.

Our vision is for Karara to eventually be a 30-35Mtpa project.

As shareholders would know, off-site activities including manufacturing of long-lead items has been underway for some time with orders already placed for over A\$200 million worth of equipment.

Work is also already well underway on other ancillary items such as the 300-person Lochada Camp, which will enable us to quickly ramp-up construction activity by accommodating part of the initial work force prior to completion of the main accommodation facility at Karara.

The receipt of final Commonwealth environmental approvals will trigger the award of further major contract packages with a total value of approximately \$400 million, to be awarded before the end of this year.

In short, this is an exciting time for everyone involved with the Karara Project.

We expect to have around 500 people on site by January next year, increasing to 1,000 by the middle of the year. This will bring a significant economic stimulus to the Mid West region in terms of new jobs, contract opportunities and infrastructure development.

With a life of over 50 years, the Karara Project will generate an estimated 600 new Mid West jobs, both direct and indirect, more than 1,500 jobs during construction, annual export revenues of over A\$1 billion and some A\$630 million in capital contributions to upgrade regional infrastructure.

Our challenge as a Company is to deliver this project in a safe, efficient and timely manner to ensure that we maximise its value for all our stakeholders and achieve our timetable of delivering first hematite production by early 2011 and magnetite production by mid-2011.

While the delays in securing final environmental approvals during the year have been frustrating, we have used the time constructively in a number of areas.

For example, we have used the time to assemble a very competent team of people as well as install the right systems and procedures to manage and control all aspects of the construction process.

This includes best practice systems for contract management, scheduling, cost control, environmental management and health and safety.

I would now like to take this opportunity to welcome Stephen Murdoch, who has been appointed as Chief Operating Officer of Karara Mining Limited. Steve will be responsible for the development and operation of the Karara Project.

Steve brings a wealth of development and management experience in the mining and resource sectors, and will be reporting directly to Garret Dixon, our Managing Director, and working closely with Peter McBain, who heads up the Karara Project Development Team.

Several other members of Gindalbie's senior management team and the Karara Project Development Team are present here today, and I invite you to spend some time with them after the meeting and ask any questions you would like about Karara and the development pathway ahead of us.

Markets & Outlook

Turning the clock back 12 months to last year's AGM – as the world was confronting the fall-out of the Global Financial Crisis – shareholders may well recall George Jones' suggesting that it was too soon to talk about the end of the resources boom.

While I am not suggesting that we will see a return to the heady days of 2006 and 2007, there is abundant evidence to suggest that the global economy, underpinned by the rapidly growing Chinese economy, has proved far more resilient than many gave it credit for – albeit assisted by major economic stimulus packages.

I believe that one of Gindalbie's most important achievements over the past year was completing the equity funding package for the Karara Project against the backdrop of the global economic crisis.

The \$162 million equity placement to Ansteel, which was achieved at a 105% premium to the market price, effectively removed a major funding risk from the Project and established strong foundations for the Company to move forward.

In this regard, I would like to acknowledge the unwavering support that we have received from Ansteel throughout our partnership.

Our partnership with Ansteel has also been instrumental in securing the involvement and support of the China Development Bank, which has already provided conditional approval for a project debt facility of up to US\$1.2 billion.

Detailed term sheet negotiations and drafting of legal documentation for the loan is currently being finalised, with final terms and conditions due for completion by early next year.

In conclusion, let me say that Gindalbie is without doubt in a unique and very strong position in the Australian iron ore sector.

- We have a world-class, long-life project which will produce a premium quality product.
- We have a quality joint venture and off-take partner underpinning the project.
- We are in a strong financial position with cash reserves of almost \$190 million at the end of September, including our proportionate share of the cash reserves held by Karara Mining Limited.
- All of our approvals are now in place and construction activity is now underway.

- We are well on the road to production and growth.

There will be many challenges ahead as there always are in the building of a major new resources project.

However, I am confident that we have the right people, the right systems and the appropriate resources in place to deliver a world-class project at Karara and elevate Gindalbie into the ranks of leading Australian mining companies.

In conclusion, I would like to thank my fellow Directors for their support and our Managing Director, Garret Dixon, for his strong leadership during the year.

I would also like to extend a warm note of thanks to the outstanding team of people at Gindalbie and in the Karara Project who have contributed to our success to date, and who will play a crucial role in our future growth as we move from development to production.

Geoff Wedlock
Chairman