

CHAIRMAN'S ADDRESS – GENERAL MEETING OF SHAREHOLDERS

Good morning Ladies and Gentlemen,

I would like to thank you for your attendance today at this very important meeting of shareholders – the first of two interdependent shareholder meetings which are critical to the future of the Karara Project and Gindalbie.

The support of Gindalbie shareholders is vital to ensure that the \$2 billion Karara Project – currently one of the largest new resource projects under construction in Australia and the single-largest resource project in the Mid West region – is completed on schedule and is able to realise its full potential as a world-class, long-life asset.

Notwithstanding the renewed uncertainty and volatility we have seen in global markets in recent weeks – and the cloud overhanging the Australian mining industry in the form of the Federal Government's proposed Resource Super Profits Tax – Gindalbie and our Chinese partner, Ansteel, remain resolute in our commitment to the Karara Project. I have recently written to shareholders on some of these issues.

I will therefore restrict my opening comments to providing some explanation and background about the single resolution before shareholders today.

Gindalbie announced on 9 April that it had formally signed the Mandate Letter and Term Sheet for the US\$1.2 billion Karara Project Loan facility, marking a major step towards completing the debt funding arrangements for the Karara Project.

As you would be aware, Gindalbie and Ansteel have already contributed a combined total of \$534 million in equity for development of the project, providing funds which have enabled us to proceed with project construction and the award of several major contracts while the debt component is finalised.

On 5 May, we announced the requirement of key security arrangements relating to this US\$1.2 billion project loan facility and it is these security arrangements that are the subject of today's meeting. An Independent Expert's Report by Deloitte Corporate Finance Pty Limited, which was included in the Notice of Meeting documentation that was mailed to you, concluded that the Proposed Loan Security is fair and reasonable to non-associated shareholders of Gindalbie.

In its report, Deloitte notes that Ansteel's support and the Proposed Loan Security has made it possible to obtain a favourable loan facility, in terms of the proposed term, lending margin, bank fees, security and covenants. Deloitte notes that these terms were obtained as a result of Ansteel's credit rating and standing in China, as well as its willingness to provide the Sponsor Guarantee.

Deloitte goes on to note that the Proposed Loan Security is usual for a project financing transaction of this nature and that alternative funding sources would likely be difficult and expensive to obtain in the current market.

It is also important to note that these security arrangements do not in any way change the ownership structure of the Karara Project or our relationship with Ansteel. KML remains a true 50/50 partnership, with two representatives each on its Board from Ansteel and Gindalbie.

The share mortgages and cross-charges simply form part of the required security arrangements and will only be triggered in the event there is default by Gindalbie under those arrangements.

The security arrangements involving Ansteel and Gindalbie are all second-ranking, which means that the primary security, as with any project debt or home mortgage, rests with the banking syndicate in the event of any default.

In conclusion, I would like to urge all shareholders present today to vote in favour of the resolution in order to ensure that we can move forward with confidence and complete the debt funding arrangements for the US\$1.2 billion Karara Project Loan facility.

As I mentioned in opening, the resolution being considered at this meeting and the resolutions regarding the broader funding arrangements for the Karara Project to be considered at the second meeting on 28 June are interdependent. This means they are reliant on all the resolutions being passed at both EGM's. If one part does not get approved, then the capital raising will not proceed.

Work at Karara has been funded to date out of KML's cash reserves; however, we will shortly need to draw down the first amounts under the US\$1.2 billion loan facility to enable the Project to move forward.

The resolution before you today is therefore of great importance to the Karara Joint Venture, the Project development and the Company.

I would also like to take this opportunity once again to acknowledge Ansteel's unwavering support for the Project and their strength and commitment as a Joint Venture Partner – even during times of political and economic uncertainty.

The structure of the debt funding arrangements reflects the strength of the Karara Joint Venture and once again highlights the reasons why Karara is a world-class asset which will underpin Gindalbie's growth as one of Australia's leading iron ore companies.

Thank you for your attention. We will now turn to the formal part of the meeting.

Geoff Wedlock
Chairman