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Dear Gindalbie Shareholder,

It is with pleasure that I write to you on behalf of Gindalbie's Board of Directors seeking the support of shareholders on two important matters as part of your Company's push towards production. The requirement for two shareholder meetings in close succession is unavoidable and highlights the rapid pace of the Karara development.

As you will be aware, Gindalbie and its partner AnSteel are set to produce the first iron ore at the Karara Iron Ore Project in 2011. This remarkable milestone will be the culmination of five years of hard work comprising strategic planning, geological investigation, approvals and commercial negotiation.

**Shareholder Resolutions 1 and 2 - Gindalbie equity capital raising to fund the Karara project**

To ensure Gindalbie is well funded to support the successful development of Karara, your Company is undertaking two conditional placements to raise a minimum of \$175 million, as announced to the ASX on 13 May 2010. The two placements, as detailed below, both require the approval of shareholders.

**AnSteel Placement:** AnSteel has again shown its strong support for both Karara and Gindalbie by agreeing to contribute between \$63.2 million and \$74.6 million. The final amount placed with AnSteel will ensure it retains its 36.12% stake in Gindalbie and amounts to a significant vote of confidence in your Company by its largest shareholder and partner in the Karara Project.

**Institutional Placement:** Certain eligible Australian and international institutions are also supporting the raising, indicating they will contribute \$111.8 million between them. As well as benefiting from their financial support, the involvement of these institutions reflects Gindalbie's growing position in the market as an S&P/ASX200 index company.

**Share Purchase Plan:** It is pleasing to welcome eligible new institutional investors but the Board of Directors is also very mindful of the long term support provided by current shareholders. As such, Gindalbie is also offering eligible shareholders in Australia and New Zealand the opportunity to take part in this next phase of its growth by participating in a Share Purchase Plan ("SPP"), to subscribe for up to \$10,000 new fully paid shares in Gindalbie per shareholder. The SPP will be offered at the same price as the shares are being offered to AnSteel and the eligible institutional investors under the Ansteel Placement and the Institutional Placement. Gindalbie is seeking to raise a maximum of \$20 million through the SPP. Gindalbie will scale back applications on a pro rata basis if they exceed this amount in aggregate. The take-up of the SPP will determine the final placement to AnSteel to ensure it retains its 36.12% Gindalbie shareholding.

The Ansteel Placement, the Institutional Placement and the SPP are conditional upon shareholders approving the resolution at Gindalbie's general meeting to be held on Wednesday, 16 June, shareholders approving the resolutions contained in the enclosed Notice of Meeting and Gindalbie obtaining a waiver of ASX Listing Rule 10.13.3 in respect of the Ansteel Placement. ASX has granted the waiver of ASX Listing Rule 10.13.3.

In the event that any of the resolutions are not approved by shareholders, the Ansteel Placement, the Institutional Placement and the SPP will not proceed and any application monies already received regarding the SPP will be refunded to applicants.

**Use of proceeds**

The proceeds of the raising will be utilised as follows:

- **\$61 million** for Gindalbie's 50% share of the construction cost shortfall based on the revised Project Construction Cost estimate for the Karara Iron Ore Project, further details of which were announced to ASX on 5 and 13 May 2010;

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- **\$107.5 million** to fund Gindalbie's equity share of the \$430 million working capital requirements for the Karara Iron Ore Project, further details of which were announced to ASX on 5 and 13 May 2010; and
- Approximately **\$6.5m** will be used to cover fees, all legal expenses and other costs associated with the raising.

Any surplus funds will be used to strengthen Gindalbie's cash resources to underpin future growth opportunities at Karara.

The Board is very pleased with the outcome of the recent construction cost review for Karara. The revised construction cost estimate of \$1.975 billion compares directly with the \$1.648 billion estimate in the 2007 Bankable Feasibility Study (excluding the China Joint Venture Pellet Plant). This represents an increase of approximately 20% from the BFS, completed two and a half years ago. Most importantly, a significant portion of the increased capital commitment encompasses additional infrastructure capacity in the areas of port, rail, power and water to support materially increased production levels above the Stage 1 production forecasts.

Through this additional infrastructure capacity, the joint venture partners are already laying the foundations for the Karara Project to expand from the start-up rate of 8Mtpa to a potential level of more than 30Mtpa. This potential rise in output is expected to underpin substantial growth in your Company, including the generation of material revenue and cash flow which will allow Gindalbie to take advantage of other opportunities.

Gindalbie is also required to contribute up to \$107.5 million in equity toward the estimated \$430 million ("Other Funding") required to cover pre-commissioning items (insurance, building spares inventory, mining pre-strip) of \$184 million and Finance Facilities (bonds, interest and working capital) of \$246 million. The balance of Other Funding after equity contributions from the shareholders is planned to be sourced by the procurement of separate funding arrangements facilitated by AnSteel.

***To put in place the building blocks needed to underpin this next phase of your Company's growth, the Board of Directors unanimously urge you to vote in favour of the two resolutions related to the capital raising.***

Your Board and I believe that the approval of both of the resolutions are in shareholders' best interests. A lack of shareholder support for either of the resolutions will affect the entire outcome of the proposed funding arrangements for the Karara Project and could have serious ramifications for your Company and the timely and successful development of Karara.

Please read the enclosed Notice of Meeting which includes the Proxy Form. Most importantly, fill out the Proxy Form and post it using the stamped and addressed envelope.

Also enclosed, for eligible shareholders, is the SPP Offer Booklet.

By voting in favour of Gindalbie's capital raising plan, you will help ensure that Karara's full potential is able to be achieved. I can't think of a better reason to support this initiative. I hope you agree with me.

Thank you for your continued support.

Yours sincerely,

Geoff Wedlock



## Important Information

*This release does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any person that is, or is acting for the account or benefit of, a "U.S. person" (as defined in Regulation S under the U.S. Securities Act of 1933 (the "Securities Act") ("U.S. Persons")). The securities to be issued in the proposed offering have not been and will not be registered under the Securities Act, or under the securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, unless the securities have been registered under the Securities Act, or in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.*

*This announcement contains certain "forward looking" statements. The words "believe", "anticipate", "expect", "project", "forecast", "estimate", "potential", "could", "may", "target", "consider" and "will" and other similar expressions are intended to identify forward looking statements. Forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, Gindalbie and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.*

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