



Notice of General Meeting

Meeting Documents

- **Notice of General Meeting**
- **Explanatory Statement**
- **Proxy Form**

Notice is given that a General Meeting of the shareholders of Gindalbie Metals Ltd will be held at the Stirling Room, Parmelia Hilton, 14 Mill Street, Perth, Western Australia at 10:00 am (Perth time) on Wednesday, 4 February 2009.

What Action You Need to Take

Read Meeting Documents

The Notice of General Meeting and Explanatory Statement (**Meeting Documents**) set out the details of the Resolution being put to Shareholders. This information is important. You should read the Meeting Documents carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

Vote on the Resolutions

Your vote is important. Details of the Resolution are set out in the Notice of General Meeting included in the Meeting Documents.

Members should complete the Proxy Form that accompanies the Meeting Documents and return it by mail or facsimile as provided below whether or not they propose to attend the meeting.

Entitlement to Vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 5.00 pm (Perth time) on 2 February 2009. Accordingly, transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the General Meeting.

Lodgement of a Proxy

Proxy forms (and the certified copy of the power of attorney, if any, under which the proxy form is signed) must be received at the offices of Advanced Share Registry or Gindalbie by no later than 10.00 am (Perth time), 2 February 2009. Proxy Forms received after this time will be invalid.

For details on how to complete and lodge the Proxy Form please refer to the instructions on the Proxy Form.

Documents may be lodged:

IN PERSON Share Registry – Advanced Share Registry, 150 Stirling Highway Nedlands WA 6009, Australia
Registered Office – Gindalbie Metals Ltd, Level 9 London House, 216 St George's Terrace, Perth WA 6000, Australia

BY MAIL Share Registry - Advanced Share Registry, PO Box 1156, Nedlands WA 6909, Australia

BY FAX +61 8 9389 7871

Key Dates

Date and time for determining eligibility to vote	2 February 2009 at 5.00 pm (Perth time)
Deadline for lodgement of Proxy Forms	2 February 2009 at 10.00 am (Perth time)
Date of General Meeting	4 February 2009 at 10.00 am (Perth time)

Queries

If you have any queries about any matter contained in the Meeting Documents please call the Company Secretary, David Stokes, on +61 8 9480 8700.

GINDALBIE METALS LTD
ABN 24 060 857 614

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of Gindalbie Metals Ltd ABN 24 060 857 614 (**Gindalbie**) will be held at the Stirling Room, Parmelia Hilton, 14 Mill Street, Perth, Western Australia, at 10:00 am (Perth time) on Wednesday, 4 February 2009 for the purpose of considering and if thought fit, passing the following Resolution.

Terms used in this Notice of General Meeting will, unless the context otherwise requires, have the meaning given to them in the Glossary in the Explanatory Statement.

Special Business

Resolution - Issue of Shares to Angang Group Hong Kong (Holdings) Limited or its nominee

1. To consider and, if thought fit, pass, with or without amendment, the following Resolution as an ordinary Resolution:

"That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for Gindalbie to allot and issue 190,658,824 fully paid ordinary shares in the capital of Gindalbie at an issue price of \$0.85 per share to Angang Group Hong Kong (Holdings) Limited or its nominee on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion Statement

Gindalbie will disregard any votes cast on the Resolution by Angang Group Hong Kong (Holdings) Limited or its nominee and any of their Associates.

Important Notes

1. For further information and explanation on the above Resolution, please refer to the Explanatory Statement which is annexed to and forms part of this Notice of General Meeting.
2. The Resolution is required pursuant to the provisions of the Constitution of Gindalbie and the Corporations Act.

Dated: 22 December 2008
By order of the Board of Directors.

David Stokes
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders with their consideration of the Resolution proposed for the General Meeting of Shareholders of Gindalbie Metals Ltd ABN 24 060 857 614 (**Gindalbie**) to be held at the Stirling Room, Parmelia Hilton, 14 Mill Street, Perth, Western Australia, at 10:00 am (Perth time) on Wednesday, 4 February 2009.

This Explanatory Statement should be read in conjunction with the accompanying Notice of General Meeting.

Terms used in the Notice of General Meeting and this Explanatory Statement, unless the context otherwise requires, have the meaning given to them in the Glossary in this Explanatory Statement.

1. BACKGROUND TO THE RESOLUTION

This Explanatory Statement contains information relating to the proposed placement of 190,658,824 Shares to Angang HK or its nominee at a price of A\$0.85 per Share (**Subscription Price**) to raise A\$162.06 million (**Placement**). A transaction of this importance requires your approval at a general meeting of Shareholders before it can be implemented. You should read this Explanatory Statement in full to assist you, as a Shareholder, to decide how you wish to vote on the Placement.

1.1 Karara Iron Ore Project

The Karara Iron Ore Project is located 225 kilometres east of Geraldton in the Mid West region of Western Australia and is based on an integrated development of the Karara iron ore deposit to produce DSO quality hematite, high-grade magnetite concentrate and blast furnace quality pellets.

Gindalbie is developing the Karara Iron Ore Project through Karara Mining Limited ACN 070 871 831 (**Karara**), a 50:50 incorporated joint venture with Anshan Iron & Steel Group Corporation (**AnSteel**), one of China's leading steel and iron ore producers. On 6 September 2007, Gindalbie and AnSteel entered into a joint venture development agreement (**Karara Joint Development Agreement**) pursuant to which they agreed to participate in an incorporated joint venture, with Karara as the joint venture company, to implement and develop the Karara Iron Ore Project. The Karara Joint Development Agreement sets out the rights and obligations of Gindalbie and AnSteel in relation to the Karara Iron Ore Project.

1.2 Gindalbie's equity contribution obligations under the Karara Joint Development Agreement

Pursuant to the terms of the Karara Joint Development Agreement, Gindalbie and AnSteel entered into a subscription program which sets out the timing for equity contributions to be made by Gindalbie and AnSteel to Karara as required under the terms of the Karara Joint Development Agreement (**Subscription Program**).

Under the terms of the Subscription Program, AnSteel is required to make four equity contributions as follows:

- A\$50.0 million – January 2008;
- A\$55.0 million – April 2008;
- A\$123.38 million – July 2008; and
- A\$143.68 million – October 2008.

Gindalbie is required to make two equity contributions as follows:

- A\$18.38 million – July 2008 (**First Equity Contribution**); and
- A\$143.68 million – October 2008 (**Second Equity Contribution**).

In July 2008, Gindalbie paid Karara A\$18.38 million in respect of its First Equity Contribution out of Gindalbie's cash reserves. AnSteel has completed all of its equity contributions other than the October 2008 contribution which has been delayed pending Shareholder approval and completion of the Placement or earlier if the funds are required by Karara.

1.3 The Placement

Under the terms of the Karara Joint Development Agreement and the Subscription Program, Gindalbie has the right to request AnSteel to arrange finance to Gindalbie on acceptable terms of such portion (which at Gindalbie's discretion may be either part or the whole) of any equity payments required to be contributed by Gindalbie under the Subscription Program, with such finance to be secured as agreed between Gindalbie and AnSteel.

On 1 August 2008, Gindalbie announced to the market that it had requested AnSteel to arrange finance for Gindalbie's share of the equity contributions to the Karara Iron Ore Project as provided under the Subscription Program and Karara Joint Development Agreement.

Subsequent to that request, AnSteel made an offer to finance Gindalbie's equity contribution by providing equity by way of a share placement as an alternative to arranging debt finance for the equity contribution.

On 7 November, Gindalbie announced that it had accepted the offer of a share placement from AnSteel to complete the equity funding for Gindalbie's equity contributions under the Subscription Program.

On 16 December, 2008, Gindalbie and Angang HK, a wholly owned subsidiary of AnSteel, entered into a subscription agreement (**Subscription Agreement**) pursuant to which Gindalbie agreed to allot and issue 190,658,824 Shares to Angang HK or its nominee at a price of A\$0.85 per Share to raise A\$162.06 million. A summary of the key terms of the Subscription Agreement is set out in the Schedule to this Explanatory Statement.

Completion of the Placement is subject to certain conditions, summarised in the Schedule, including Gindalbie obtaining Shareholder approval for the Placement. The purpose of this Meeting is to consider and, if thought fit, approve the Placement. Under the Subscription Agreement, Gindalbie has also agreed to procure that its Board appoint two additional persons nominated by AnSteel to the Board as non-executive Directors.

AnSteel presently has a relevant interest in 65,000,000 Shares representing a voting power in Gindalbie of 12.65%. If Shareholders approve the Placement and completion of the Placement occurs, Gindalbie will have a total of 704,637,674 Shares on issue and AnSteel will increase its relevant interest to 255,658,824 Shares and its voting power in Gindalbie to 36.28% (assuming that no additional Shares are issued by Gindalbie, and Angang HK's shareholding in Gindalbie does not change, prior to the issue of the Placement Shares). Shareholders are referred to section 2.3 of this Explanatory Statement for further details of the voting power of AnSteel as a result of approval and completion of the Placement.

Gindalbie has postponed further discussions with AnSteel in relation to arranging finance for Gindalbie's equity contributions under the Subscription Program pending Shareholder approval and completion of the Placement.

1.4 Rationale for the Placement

While it is acknowledged that the Placement represents a change from Gindalbie's previous intention to arrange debt finance for its equity contribution under the Subscription Program, the Gindalbie Board believes that the Placement is in the best interests of Shareholders for the following reasons:

- (a) The Subscription Price represents a premium of 102% to the closing price of Gindalbie Shares on 31 October 2008, and 74% premium to the volume weighted average price (VWAP) of Gindalbie Shares for the 30 day period ending on 31 October 2008.
- (b) As a result of the recent downturn in both the global equity and credit markets, the Gindalbie Board believes that raising debt or equity has become increasingly difficult in the current environment with no guarantee that it could be sourced on favourable terms. The Board has considered various alternatives and believes that the Placement is the best option available to Shareholders.
- (c) The Placement is to an existing cornerstone investor in Gindalbie who holds a 12.65% interest in Gindalbie and is Gindalbie's joint venture partner in the Karara Iron Ore Project with a 50% interest in Karara.
- (d) The Placement will increase the scale and market position of Gindalbie as it is expected to attract greater interest from institutional investors, increase the general investor profile of the Company and drive greater shareholder wealth. In addition, it

will provide the necessary funds required to make the Karara Iron Ore Project a successful venture and provide returns for all stakeholders.

- (e) The Placement will have the effect of ensuring that Gindalbie remains debt-free with considerable cash reserves and no interest or debt repayment obligations, enhancing Gindalbie's prospects for the development of the Karara Iron Ore Project as well as Gindalbie's other iron ore projects.
- (f) The Independent Expert has determined that the Placement is fair and reasonable to Shareholders. The Independent Expert's Report is set out in Annexure A to this Explanatory Statement. Shareholders are urged to read the Independent Expert's Report in full.

1.5 Risks of the Placement

If Shareholders approve the Placement and completion of the Placement occurs, Gindalbie will be subject to the following risk factors:

(a) Control

Gindalbie will issue 190,658,824 Shares to Angang HK or its nominee. This will increase the shares on issue in Gindalbie to 704,637,674 and will change the capital structure as described in section 2.4 below. Angang HK and AnSteel will have voting power of 36.28% and therefore, the ability to block a special resolution. This may discourage a potential bidder from proposing a merger by scheme of arrangement or making a takeover bid for Gindalbie.

There is a risk that Angang HK could use its voting power to pursue interests which differ from other Shareholders. The Board has no reason to believe that Angang HK's interests differ from other Shareholders.

The impact on the capital structure and voting power of Angang HK and AnSteel is set out in sections 2.3 and 2.4 of this Explanatory Statement.

(b) Governance

Gindalbie currently has a Board of 7 Directors, one of whom is a nominee of AnSteel. If completion of the Placement occurs, Gindalbie will have a Board of 9 Directors, 3 of whom will be nominees of AnSteel. Details of Gindalbie's corporate governance policies and procedures are set out in section 2.6 of this Explanatory Statement.

(c) Regulatory risks

Gindalbie will be a "foreign person" for the purposes of the Foreign Acquisitions and Takeovers Act 1975 (Cth) and a "foreign government agency" for the purposes of the Australian Federal Government's foreign investment policy. Details of the impact of being a "foreign person" and a "foreign government agency" are set out in section 2.5 of this Explanatory Statement.

(d) Shareholder dilution

Shareholders have not been given the opportunity to participate in the Placement. As a result Shareholders' interest in Gindalbie (other than Angang HK) will be diluted.

1.6 General Effect of the Resolution

If Shareholders approve the Resolution, it will have the following effect:

- (a) A condition of the Placement will be satisfied. Other conditions will need to be satisfied or waived before the completion of the Placement can occur. Those conditions are summarised in the Schedule to this Explanatory Statement. An indicative timetable for completion of the Placement is set out in section 5.9 of this Explanatory Statement.
- (b) If completion of the Placement occurs:

- (i) AnSteel (through its wholly owned subsidiary, Angang HK) will be entitled to increase its voting power in and level of control over Gindalbie. Shareholders are referred to sections 2.3 and 3.3 of this Explanatory Statement for further details in relation to AnSteel's voting power and its intentions in respect of Gindalbie;
- (ii) Gindalbie will pay the Second Equity Contribution to Karara as required under the terms of the Subscription Program; and
- (iii) Gindalbie will become a "foreign person" for the purposes of the Foreign Acquisitions and Takeovers Act and a "foreign government agency" for the purposes of the Australian Federal Governments foreign investment policy. Shareholders are referred to section 2.5 of this Explanatory Statement for further details in relation to the implications of Gindalbie becoming a "foreign person" and "foreign government agency".

Further details of the terms of the Subscription Agreement are set out in the Schedule to this Explanatory Statement.

2. IMPACT OF THE RESOLUTION ON GINDALBIE

2.1 Funds raised under the Placement

If completion of the Placement occurs, the A\$162.06 million raised under the Placement will be used as follows:

- (a) A\$143.68 million will be paid to Karara as payment of Gindalbie's Second Equity Contribution; and
- (b) A\$18.38 million will be retained by Gindalbie to replace those cash reserves used to make the First Equity Contribution and will be available for the general corporate, operational and working capital purposes of Gindalbie.

Following the above payments and the payment by AnSteel of its final equity contribution of A\$143.68 million under the Subscription Program, a total of A\$534.12 million will have been contributed under the Subscription Program as equity payments to the Karara Iron Ore Project by Gindalbie and AnSteel.

2.2 Impact on the financial position of Gindalbie

On completion of the Placement, Gindalbie will receive cash of A\$18.38 million and Gindalbie's cash at bank is estimated to be approximately A\$35 - 40 million. By financing the Second Equity Contribution through the Placement, Gindalbie will also remain debt free. Other than increased shares on issue and increased cash at bank there are no other impacts on Gindalbie's financial position.

2.3 Voting power of Angang HK, AnSteel and their Associates

As at the date of this Notice, Angang HK and AnSteel have a relevant interest in 65,000,000 Shares resulting in Angang HK, AnSteel and their Associates having voting power in Gindalbie of 12.65%.

Upon completion of the Placement and allotment and issue of the Placement Shares, Angang HK and AnSteel will have a relevant interest in a total of 255,658,824 Shares. Accordingly, the voting power of Angang HK, AnSteel and their Associates in Gindalbie will increase to 36.28%. Therefore, the voting power of Angang HK, AnSteel and their Associates will increase by a maximum of 23.65% as a result of the Placement.

2.4 Impact on capital structure of Gindalbie and level of control of AnSteel

The effect on the capital structure of Gindalbie if the Resolution is passed and completion of the Placement occurs is set out below:

	Current		Post Placement	
	Shares	Percentage	Shares	Percentage
Angang HK	65,000,000	12.65%	255,658,824	36.28%

Other	448,978,850	87.35%	448,978,850	63.72%
Total	513,978,850	100%	704,637,674	100%

Note 1: The figures in the table reflect the shareholding details as at the date of this Notice and have been calculated based on the assumption that all of the Placement Shares are allotted and issued to Angang HK and no additional Shares are issued by Gindalbie, and Angang HK's shareholding in Gindalbie does not change, prior to the issue of the Placement Shares. Given the potential period between the passing of the Resolution and completion of the Placement, Shareholders should be aware that Angang HK is entitled to increase its shareholding in Gindalbie in the manner permitted under the Corporations Act.

Note 2: Gindalbie has 16,950,000 unlisted Options on issue. The figures in the table have been calculated based on the assumption that no Options are exercised prior to the issue of the Placement Shares.

2.5 Impact of the Foreign Acquisitions and Takeovers Act 1975 (Cth)

Foreign investment in Australia is regulated principally under Commonwealth legislation including the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**) and by the Australian Federal Government's foreign investment policy (**Policy**). The Federal Treasurer, assisted by the Foreign Investment Review Board (**FIRB**), is responsible for all decisions relating to foreign investment and the administration of the Policy and the FATA.

If the Placement is approved by Shareholders and completion of the Placement occurs, AnSteel's voting power in Gindalbie will exceed 15% and Gindalbie will be considered a "foreign person" for the purposes of the FATA. As a result, the Federal Treasurer will have the power to make orders under the FATA in respect to certain transactions Gindalbie enters if the Federal Treasurer considers the transactions to be contrary to Australia's national interest.

Further, if the Placement is approved by Shareholders and completion of the Placement occurs, due to interests ultimately held by the SASAC in AnSteel and the resulting investments of SASAC and AnSteel in Gindalbie, Gindalbie will be deemed to be a "foreign government agency" for the purposes of the Policy. The Policy requires that direct investments by foreign governments or their agencies (irrespective of size) are required to be notified to the Australian Government for prior approval. The result is that in addition to the FATA requirements, Gindalbie will need to have regard to the Policy when making acquisitions. In particular, exemptions available under FATA are not available under the Policy as all investments are required to be notified. Proposals by foreign government agencies to make investments are generally subject to a higher level of scrutiny by FIRB than proposal by foreign persons without foreign government ownership.

2.6 Impact on control and governance

If the Placement proceeds Angang HK will be entitled to appoint an additional two directors to the Board of Gindalbie and will have voting power of 36.28% in Gindalbie. Under Gindalbie's corporate governance policies each Director is obliged to disclose if circumstances arise where they may have a conflict of interest in a matter that relates to the affairs of Gindalbie. The Board has adopted procedures to exclude Directors from the decision making process or from receiving relevant Board papers on those matters.

In addition, under the Corporations Act and the Listing Rules, Gindalbie and its Directors will:

- (a) obtain Shareholder approval for transactions between Gindalbie and AnSteel, where required by the Corporations Act or the Listing Rules;
- (b) comply with laws relating to conflicts of interest by Directors and exclusion from voting in relation to matters in which a Director has a material personal interest when considered by Gindalbie's Board; and
- (c) comply with the requirement to act in good faith in the best interests of Gindalbie and its Shareholders.

2.7 Impact if Resolution not approved

Gindalbie's Board believes that the Placement is in the best interests of Shareholders for the reasons outlined in section 1.4 of this Explanatory Statement.

If the Resolution is not passed by Shareholders, the Placement will not proceed. Shareholders will retain their current interest in Gindalbie and no Shares will be issued to AnSteel. There will be no change to the Board of Gindalbie, other than the retirement and re-election of Directors pursuant to Gindalbie's Constitution.

Gindalbie will be required to fund its Second Equity Contribution under the Subscription Program through alternative sources of finance to be arranged by AnSteel. While AnSteel is obligated to assist Gindalbie in arranging debt financing to meet this contribution, the current state of global financial markets has made debt funding increasingly difficult as well as being unattractive from a corporate risk perspective with onerous terms and conditions, especially for small to mid-sized companies like Gindalbie. There is no guarantee that alternative debt or equity funding could be obtained on more favourable terms than the Placement. If AnSteel is unable to arrange sufficient debt funding on terms acceptable to Gindalbie for Gindalbie to satisfy its Second Equity Contribution, Gindalbie and AnSteel will need to consider other funding alternatives for the Karara Iron Ore Project to proceed.

If Karara requires funds before Gindalbie has secured finance for its Second Equity Contribution, AnSteel will be required to make its October 2008 equity contribution under the Subscription Program to Karara. Karara will then be required to issue shares to AnSteel which will result in AnSteel holding 75% of the shares in Karara and Gindalbie holding 25%. Gindalbie and AnSteel will be entitled to exercise their rights as shareholders of Karara in proportion to the number of shares held, subject to certain matters requiring unanimous consent of both shareholders. Gindalbie will therefore have less influence over Karara until it is in a position to make its Second Equity Contribution. AnSteel's obligation to arrange debt finance for Gindalbie's Second Equity Contribution will remain.

The requirement for AnSteel to arrange finance for Gindalbie on acceptable terms for its equity contributions under the Karara Joint Development Agreement and the Subscription Program is a condition subsequent to the Karara Joint Development Agreement between Gindalbie and AnSteel. If it is not satisfied or waived before the later of 3 months after Magnetite Approval and 6 June 2009 and the parties cannot agree to an extension then Gindalbie or AnSteel may elect to terminate the Karara Joint Development Agreement. If this occurs, Gindalbie will be required to refund AnSteel all of its equity contributions to Karara under the Subscription Program, less 50% of all costs expended in relation to the Karara Iron Ore Project. AnSteel will be required to transfer its shares in Karara to Gindalbie and refund to Gindalbie all of its equity contributions to Karara Pellet Plant Limited for the development of the joint venture pellet plant in China less 50% of costs expended in relation to the joint venture pellet plant. Gindalbie will then hold 100% of the issued shares in Karara (including the Karara Iron Ore Project mining tenements) and AnSteel will hold 100% of the issued shares in Karara Pellet Plant Limited. To date there have been no equity contributions made to Karara Pellet Plant Limited.

Gindalbie would continue to pursue all available alternatives under those circumstances including securing appropriate alternative funding, issuing new equity or the introduction of an alternative joint venture partner which may result in substantial incremental cost/dilution to Gindalbie and Shareholders.

3. INFORMATION RELATING TO THE ANSTEEL GROUP

AnSteel is one of China's largest steel producers and is one of the major steel producers in China, with iron production of 25 million tonnes and crude steel production of 23.5 million tonnes. In 2007, AnSteel's total assets were valued at US\$18.86 billion, with the company holding US\$7.457 billion in debt and US\$11.403 billion in equity. In 2007, the annual sales of the AnSteel group reached US\$11.916 billion, US\$9.344 billion of which was generated from the iron and steel industry. The profit of the AnSteel group for 2007 was US\$1.667 billion.

AnSteel is considered to be one of the country's key growth companies and has strong government support in securing new sources of long-term iron ore supply through international investment.

AnSteel was established as a legal person enterprise in the Peoples Republic of China as a State Owned Enterprise (**SOE**) in April 1948. SASAC, AnSteel's sole shareholder, exercises rights similar to the rights of a major shareholder in an Australian corporation, to supervise the performance of the enterprise and also holds the ultimate right to appoint or remove senior managers. AnSteel has the same standing as other such legal person enterprises in the Peoples Republic of China, subject to all laws, statutes and regulations governing such enterprises.

AnSteel has established a new integrated iron and steel making facility at Bayuquan, adjacent to the Port of Yingkou, approximately 100 kilometres south-west of its current steel making facility in the city of Anshan. The new facility's capacity for steel products is 6.5 Mtpa and Karara has been earmarked as the primary source of feed material for the facility upon commencement of production by Karara.

3.1 Business of AnSteel Group

AnSteel is governed by the AnSteel Management Committee which performs a very similar role to that of a board of directors. The AnSteel Management Committee objectives include AnSteel building upon its core iron and steel business by improving and further developing its businesses in the mining, iron and steel trade, metallurgical engineering and equipment manufacturing industries.

3.2 Substantial shareholders in AnSteel

AnSteel is wholly owned and controlled by SASAC and has no additional shareholders.

3.3 Intentions of AnSteel

Under the terms of the Subscription Agreement, Gindalbie and Angang HK have agreed that Gindalbie will procure that the Board appoints two additional nominees of AnSteel as non-executive Directors of Gindalbie with such appointments only to take effect if completion of the Placement occurs. Information regarding the appointment of the AnSteel nominee directors is set out in section 5.5 of this Explanatory Statement.

Other than as disclosed elsewhere in this Explanatory Statement, AnSteel has informed Gindalbie that, as at the date of this Explanatory Statement and on the basis of the facts and information available to it, if Shareholders approve the Resolution, it has no current intention:

- (a) of making any significant changes to the business of Gindalbie;
- (b) to inject further capital into Gindalbie;
- (c) regarding the ongoing future employment of the present employees of Gindalbie;
- (d) to transfer any property between Gindalbie and AnSteel or any person associated with any of them;
- (e) to otherwise redeploy any fixed assets of Gindalbie; or
- (f) to change Gindalbie's existing policies in relation to financial matters or dividends.

3.4 Additional information

Additional information with respect to the business, history and activities of AnSteel, Angang HK and the general AnSteel corporate group can be located online at: www.ansteelgroup.com/english.

4. ITEM 7 OF SECTION 611 OF THE CORPORATIONS ACT

Under section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person (second person) will be an "associate" of the other person (first person) if:

- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person; or

- (iii) a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of a company's board or the conduct of a company's affairs; or
- (c) the second person is a person with whom the first person is acting or proposing to act in concert in relation to a company's affairs.

Generally, a person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) where a person acquires a relevant interest in a company's voting shares with the approval of the company's shareholders obtained in accordance with the requirements of item 7.

The Resolution seeks Shareholder approval under item 7 of section 611 of the Corporations Act for the Placement.

Listing Rule 7.1 prevents a company from issuing shares which represent more than 15% of a company's equity securities, unless approved by the company's shareholders. However, Listing Rule 7.2 (Exception 16) provides an exception to Listing Rule 7.1 for issues approved by Shareholders for the purposes of item 7 of section 611 of the Corporations Act. Accordingly, Gindalbie is not required to seek Shareholder approval for the proposed Placement under Listing Rule 7.1 and will therefore, rely on Listing Rule 7.2 (Exception 16).

5. SPECIFIC INFORMATION REQUIRED BY ITEM 7 OF SECTION 611 OF THE CORPORATIONS ACT AND ASIC REGULATORY GUIDE 74

For the exception in item 7 of section 611 of the Corporations Act to apply, shareholders of the company must be given all information known to the person proposing to make the acquisition of a relevant interest in the company's voting shares or that person's Associates, or known to the company, that is material to the decision on how to vote on the resolution, including:

- (a) the identity of the person proposing to make the acquisition and their Associates;
- (b) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
- (c) the voting power that person would have as a result of the acquisition;
- (d) the maximum extent of the increase in the voting power of each of that person's Associates that would result from the acquisition; and
- (e) the voting power that each of that person's Associates would have as a result of the acquisition.

In ASIC Regulatory Guide 74, ASIC has indicated additional information to be provided to Shareholders in these circumstances.

The information set out below is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval of the Placement under item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Deloitte Corporate Finance Pty Limited set out in Annexure A.

5.1 Details of Angang HK, AnSteel and their Associates

Information regarding Angang HK and the AnSteel group is set out in section 3 of this Explanatory Statement.

The Associates of Angang HK and AnSteel are set out in the structure chart attached to this Explanatory Statement as Annexure B. The chart also contains details of the relevant interests held in each subsidiary.

As set out elsewhere in this Explanatory Statement, Angang HK is a wholly owned subsidiary of Angang Group International Trade Co (**AGI**), a company registered as a legal person enterprise in the Peoples Republic of China. AGI is a wholly owned subsidiary of AnSteel.

Neither Angang HK, nor Angang Group Investment (Australia) Pty Ltd have any subsidiaries or Associates in Australia, other than Karara.

5.2 Identity of persons who will have a relevant interest in the Placement Shares

On completion of the Placement, the following persons will have a relevant interest in the Placement Shares:

- (a) Angang HK (which will be the registered holder of the Placement Shares);
- (b) AnSteel (which is deemed to have a relevant interest in the Placement Shares held by Angang HK by virtue of section 608(3) of the Corporations Act); and
- (c) SASAC (which is deemed to have a relevant interest in the Placement Shares held by Angang HK by virtue of section 608(3) of the Corporations Act).

Details of the relevant interests of Angang HK and AnSteel as at the date of this Explanatory Statement and upon the allotment and issue of the Placement Shares are set out in section 2.3 of the Explanatory Statement.

5.3 Voting power of Angang HK, AnSteel and their Associates

Details of the maximum extent of the increase in the voting power in Gindalbie of Angang HK, AnSteel and their Associates, and their actual voting power, following completion of the Placement are set out in section 2.3 of the Explanatory Statement.

5.4 Capital Structure

The capital structure of Gindalbie and details of the Shares to which Angang HK will be entitled both before and after completion of the Placement are set out in section 2.4 of this Explanatory Statement.

5.5 Board of Directors

Under the Subscription Agreement, Gindalbie has agreed to procure that the Board appoints two additional persons nominated by AnSteel to the Gindalbie Board as non-executive Directors. Gindalbie currently has one Director, Mr Wang Heng, who was nominated by AnSteel to the Board.

As at the date of this Notice, the identities of the AnSteel nominees are not known. Any person nominated by AnSteel must be, to the satisfaction of the Board, qualified to hold the position of a director of an Australian publicly listed company and otherwise be generally suitable for a position on the Board of Gindalbie.

No other Director on the Gindalbie Board is associated with Angang HK or AnSteel. If Shareholders approve the Placement, the composition of the current management team of Gindalbie will not change. Garret Dixon will continue as Chief Executive Officer and David Southam as Chief Financial Officer.

5.6 Intentions of Angang HK in relation to Gindalbie

The current intentions of Angang HK in relation to the future of Gindalbie if Shareholders approve the Resolution are consistent with the intentions of AnSteel as set out in section 3.3 of this Explanatory Statement.

5.7 Terms of the Placement

The Placement Shares will, once issued, rank pari passu with all other Shares.

The terms of the Placement are set out in section 1 of this Explanatory Statement. A summary of the key terms of the Subscription Agreement is set out in the Schedule.

5.8 Contracts conditional on the Placement

As detailed elsewhere in this Explanatory Statement, AnSteel, Angang and Gindalbie have existing arrangements pursuant to the Subscription Program and the Karara Joint Development Agreement. Pursuant to a Deed of Amendment, certain aspects of these arrangements are conditional on Shareholder approval being obtained for the Placement.

In the event that Shareholder approval is not obtained for the Placement, pursuant to the Deed of Amendment, the Karara Joint Development Agreement will operate as follows:

- (a) Gindalbie and Angang will each be entitled to exercise their rights as Shareholders in proportion to the number of Shares held in Karara;
- (b) the directors already appointed by Gindalbie and Angang will continue to act as validly appointed directors of Karara but will exercise votes in proportion to the number of Shares held by Gindalbie and Angang respectively; and
- (c) for an interim period, the Karara Joint Development Agreement will operate until resolution of the joint equity contributions as described in section 2.7 of this Explanatory Statement.

There are no other contracts or proposed contracts between Gindalbie and AnSteel or any of their Associates which are conditional upon, or directly or indirectly dependent on, Shareholder approval of the Placement.

5.9 Indicative Timetable for the Placement

The key dates for the Placement are set out below:

General Meeting:	4 February 2009
Satisfaction of conditions to Placement:	the earlier of 3 months from the date of this General Meeting and 16 April 2009 or such other date as agreed between Gindalbie and Angang HK
Payment of Consideration:	within 14 business days of the satisfaction of the last condition
Completion of the Placement:	within 3 business days of the payment of the Consideration

5.10 Reasons for the proposed Placement

An explanation of the reasons for the proposed Placement is set out in section 1 of this Explanatory Statement.

5.11 Interests and Recommendations of Directors

The Directors' interests and recommendations are set out in section 6 of this Explanatory Statement.

5.12 Independent Expert's Report

The Independent Expert's Report assesses whether the proposed Placement outlined in the Resolution is fair and reasonable to the Shareholders who are not associated with Angang HK. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed Placement the subject of the Resolution. This assessment is designed to assist all Shareholders in reaching their voting decision.

Deloitte Corporate Finance Pty Limited has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in the Resolution is, on balance, fair and reasonable to the Shareholders of Gindalbie not associated with Angang HK. It is recommended that all Shareholders read the Independent Expert's Report in full.

The Independent Expert's Report is set out in Annexure A.

5.13 Voting Exclusion

Item 7 of section 611 of the Corporations Act requires the Resolution to be approved by Shareholders in general meeting with no votes being cast in favour of the Resolution by the person proposing to make the acquisition and their Associates. Accordingly, Gindalbie will disregard any votes cast on the Resolution by Angang HK or its nominee and any of their Associates.

6. DIRECTORS' RECOMMENDATION

6.1 Directors' interests

Other than Mr Wang Heng who was nominated to the Board by Angang HK, the Directors do not have any material personal interest in the outcome of the Resolution other than their interests arising solely in their capacity as Shareholders of Gindalbie.

6.2 Directors' recommendation

Based on the information available, including that contained in this Explanatory Statement and the Independent Expert's Report and the advantages and disadvantages outlined in detail in the two documents, Gindalbie's Board considers that the Placement is in the best interests of Gindalbie and its Shareholders. Each of the Directors (other than Mr Wang Heng who has declined to make a recommendation due to his position as a nominee of Angang HK on the Board of Gindalbie) recommend that Shareholders vote in favour of the Resolution.

No Director voted against the proposal to put the Resolution to Shareholders.

6.3 Directors' voting intentions

Each Director who holds Shares in Gindalbie (or whose associated entities hold Shares) and is entitled to vote intends to vote those Shares in favour of the Resolution.

7. IMPORTANT NOTES

7.1 Responsibility for Information

The information concerning Gindalbie contained in this Explanatory Statement including information as to the views and recommendations of the Directors has been prepared by Gindalbie and is the responsibility of Gindalbie. None of AnSteel, Angang HK, their Associates or their advisers assume any responsibility for the accuracy or completeness of that information.

Mr Wang Heng was nominated to the Board by Angang HK. Mr Wang has not participated in the deliberations of AnSteel or the Board in respect of the Placement nor the preparation of this Explanatory Statement. Mr Wang does not assume any responsibility for any information contained in this Explanatory Statement.

Information concerning AnSteel, Angang HK and their Associates in this Explanatory Statement, including information as to the intentions of AnSteel, has been provided by AnSteel and is the responsibility of AnSteel. Neither Gindalbie nor its advisers assume any responsibility for the accuracy or completeness of that information.

Deloitte Corporate Finance Pty Limited has prepared the Independent Expert's Report in relation to the Resolution and takes responsibility for that report and has consented to the inclusion of that report in this Explanatory Statement. Deloitte Corporate Finance Pty Limited is not responsible for any other information contained within this Explanatory Statement.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

7.2 ASIC and ASX's Role

The fact that the accompanying Notice of General Meeting, this Explanatory Statement and other relevant documentation has been received by ASX is not to be taken as an indication of the merits of the Resolution. ASX and its officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

7.3 Queries

If you have any queries on any matter arising out of the business proposed for the General Meeting, please call the Company Secretary, David Stokes on +61 8 9480 8700.

GLOSSARY

A\$ means Australian dollars.

Angang HK means Angang Group Hong Kong (Holdings) Limited.

AnSteel means Anshan Iron & Steel Group Corporation.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in the Corporations Act.

ASX means ASX Limited ABN 98 008 624 691.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX as amended or replaced from time to time.

Board means the board of Directors from time to time.

Business Day means a day on which all banks are open for business generally in Perth, Western Australia, Australia, Hong Kong and the People's Republic of China excluding a Saturday, Sunday or a public holiday in any of Perth, Western Australia, Hong Kong or the People's Republic of China.

Corporations Act means the Corporations Act 2001 (Cth).

Deed of Amendment means the deed of amendment to the Karara Joint Development Agreement and the Subscription Program dated 16 December 2008 executed by Angang Group Investment (Australia) Pty Ltd, AnSteel, Gindalbie and Karara.

Directors mean the Directors of Gindalbie from time to time and **Director** means any one of them.

Explanatory Statement means this explanatory statement.

Gindalbie means Gindalbie Metals Ltd ABN 24 060 857 614.

Independent Expert's Report means the independent expert's report prepared by Deloitte Corporate Finance Pty Limited and set out in Annexure A to this Explanatory Statement.

Karara means Karara Mining Limited ACN 070 871 831.

Karara Joint Development Agreement means the agreement dated 6 September 2007 entitled 'Agreement for the Joint Development of the Karara Iron Ore Project between AnSteel and Gindalbie' executed by Angang Group Investment (Australia) Pty Ltd, AnSteel, Gindalbie and Karara and as amended by the Deed of Amendment.

Listing Rules means the official listing rules of the ASX as amended from time to time.

Magnetite Approval means approval for the Karara magnetite project under Part IV of the Environmental Protection Act 1986.

Meeting or **General Meeting** means the general meeting of Shareholders convened by the Notice.

Meeting Documents means the Notice of General Meeting and this Explanatory Statement.

Notice or **Notice of General Meeting** means the notice of meeting which accompanies this Explanatory Statement.

Option means a right to subscribe for a Share, subject to its terms and conditions.

Placement means the allotment and issue of 190,658,824 Shares to Angang HK or its nominee on the terms and conditions contained in the Subscription Agreement.

Placement Shares means the 190,658,824 Shares to be allotted and issued to Angang HK or its nominee under the Placement.

Resolution means the Resolution set out in the Notice.

SASAC means the State Assets Supervision and Administration Commission of the People's Republic of China.

Share means a fully paid ordinary share in the capital of Gindalbie.

Shareholder means a holder of a Share.

Subscription Agreement has the meaning given to that term in section 1 of this Explanatory Statement.

Subscription Price has the meaning given to that term in section 1 of this Explanatory Statement.

Subscription Program means the subscription program for the purposes of the Karara Joint Development Agreement and the agreement dated 10 January 2008 entitled 'Subscription Program for the purposes of the Agreement for the Joint Development of the Karara Iron Ore Project between AnSteel and Gindalbie' executed by AnSteel and Gindalbie and as amended by the Deed of Amendment.

US\$ means United States of America dollars.

Schedule - Summary of the Subscription Agreement

On 16 December 2008, Gindalbie and Angang HK entered into the Subscription Agreement. The Subscription Agreement sets out the terms and conditions of the Placement to Angang HK. A summary of the key terms of the Subscription Agreement is set out below:

1. Conditions

The obligations of Gindalbie and Angang HK under the Subscription Agreement are conditional on:

- (a) approval by the Treasurer under the Foreign Acquisitions and Takeovers Act;
- (b) Angang HK obtaining all legal and regulatory approvals required for the Placement;
- (c) approval of the quotation of the Placement Shares by ASX;
- (d) Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act;
- (e) the appointment of 2 additional AnSteel nominees to the Board;
- (f) there being no event that has, or could reasonably be expected to have, a material adverse effect on:
 - (i) the business, assets, liabilities, financial position and performance, material contracts, profitability or prospects of Gindalbie other than a change resulting from the actions of Angang HK or AnSteel between the date of the Subscription Agreement and the date of this General Meeting; and
 - (ii) the assets of Gindalbie between the date of this General Meeting and completion of the Placement to the extent that the event arises from an act or omission of Gindalbie; and
- (g) Gindalbie being able to issue a cleansing statement in respect of the Placement Shares or alternatively, where it is unable to do so, Gindalbie issuing an appropriate disclosure document.

Gindalbie and Angang HK must use best endeavours to ensure that the conditions above are satisfied as soon as possible and in any event on or before the earlier of the date that is 3 months from the date of this General Meeting and 16 April 2009 (**End Date**).

If the conditions are not satisfied or waived on or before the End Date, or such other date agreed in writing between Angang HK and Gindalbie, the Subscription Agreement will terminate.

2. Undertakings

Gindalbie agrees that until completion of the Placement, except with Angang HK's prior written consent or where permitted under the Karara Joint Development Agreement, it will not issue securities other than the issue of Shares pursuant to the exercise of existing options, the issue of the Placement Shares and the granting of any employee options approved by the Board prior to the date of the Subscription Agreement; reduce its share capital; grant any special voting or other rights that attach to Shares; alter its share capital or undertake a share buy-back; declare or pay any dividend, or make any other distribution of its assets, capital or profits; dispose of any asset valued at more than A\$5,000,000; dispose of any securities in a Related Body Corporate; enter into any compromise or arrangement with a receiver, receiver and manager, administrator or other controller in relation to any of its assets or undertakings; appoint any person as a Director other than as contemplated under the Subscription Agreement; grant any encumbrance greater than \$5,000,000 in aggregate other than for the development of the Karara Iron Ore Project; resolve to be wound up; or dispose of the whole or a substantial part of its business or property.

3. Exclusivity

During the period from and including the date of the Subscription Agreement until completion of the Placement or such other date as agreed in writing between Angang HK and Gindalbie, Gindalbie will not, except with the prior consent of Angang HK, directly or indirectly solicit or participate in any discussions or accept or enter into any agreement that could reasonably be expected to lead to another placement proposal, a takeover proposal or other proposal contrary to the interests of Angang HK (or take any other action to induce or facilitate any third party making or pursuing any of those things).

None of the restrictions outlined above prevent any action by Gindalbie if compliance would constitute a breach of the Directors' fiduciary or statutory duties.

Gindalbie must promptly notify Angang HK of any approach or attempt to initiate, resume or continue discussions or of any request for information relating to it or any of its subsidiaries or if any third party undertakes a due diligence investigation in relation to it or any of its subsidiaries that could reasonably be expected to lead to another placement proposal, a takeover proposal or other proposal contrary to the interests of Angang HK.

If Gindalbie proposes to enter into a legally binding agreement in relation to any other placement proposal, takeover proposal or other proposal or publicly recommend that proposal it must give Angang HK 5 Business Days notice in writing of its intention to do so.

If Angang HK provides Gindalbie with a revised proposal, Directors may only enter into the agreement or recommend the proposal if failure to do so would constitute a breach of the Directors' fiduciary or statutory duties.

4. Dealings

Angang HK will not, and will ensure that AnSteel does not, deal in any securities of Gindalbie or make a takeover bid or other proposal involving the acquisition of securities in Gindalbie from the date of the Subscription Agreement until completion of the Placement unless another placement proposal, takeover proposal or other proposal is announced or a third party acquires an interest in 10% of the Shares of Gindalbie.

5. Warranties

Both Gindalbie and Angang HK provide standard warranties in relation to their authority and capacity to enter into and perform their respective obligations under the Subscription Agreement.

Gindalbie provides warranties that there is no restriction on the allotment and issue of the Placement Shares to Angang HK; the Placement Shares will rank *pari passu* with all other Shares; the Placement Shares will be free from all encumbrances; the Shares are in a class of securities that were quoted securities at all times since the date that is 12 months before completion of the Placement; if a Cleansing Statement is issued by Gindalbie, trading in Shares on ASX was not suspended for more than a total of 5 days since the date that is 12 months before completion of the Placement; no exemption under section 111AS or 111AT or order under section 340 or 341 of the Corporations Act covered Gindalbie, or any person as director or auditor of Gindalbie, at any time in the previous 12 months; all information disclosed to Angang HK in connection with the Subscription Agreement except information consisting of any forecast, budget, estimate, projection, statement of opinion or statement of intention and any information not prepared by Gindalbie is true, accurate and complete and is not misleading or deceptive; no member of the Gindalbie group is engaged in any prosecution, litigation or arbitration proceedings; to the best of Gindalbie's knowledge, Gindalbie and the other members of the Gindalbie group are not in breach in any material respect, of their constitutions, any requirements of ASX, or any applicable law; Gindalbie is solvent and no circumstances have arisen or may be reasonably expected to arise in consequence of which it may cease to be solvent; Gindalbie has paid, or the financial statements of Gindalbie fully provide for, all tax liabilities; Gindalbie has maintained adequate insurance; there is no unsatisfied judgment, outstanding against any member of the Gindalbie group and no distress, execution or process has been levied on any part of its business or assets; and as at the date of the Subscription Agreement, the Board does not have any proposal to issue securities, other than the issue of Shares pursuant to the exercise of existing options, the issue of Placement Shares pursuant to the Subscription Agreement and the granting of any employee options approved by the Board of Gindalbie.

Angang HK provides warranties that it is and will continue to be bound by Gindalbie's constitution; is a person to whom an offer and issue of Subscription Shares can be made without disclosure under the Corporations Act; is a person to whom the Subscription Shares can lawfully be offered pursuant to the Subscription Agreement under all applicable laws; other than as expressly warranted in the Subscription Agreement by Gindalbie, relies on its own assessment of Gindalbie and its prospects and has conducted its own investigations with respect to the Subscription Shares and Gindalbie, including the tax consequences; and other than as expressly warranted in the Subscription Agreement by Gindalbie, does not rely on any forecasts, projections, opinions of future performance or other statements relating to Gindalbie.

6. Indemnities

Gindalbie agrees to indemnify and to keep indemnified Angang HK from and against any loss that Angang HK may incur as a result of any breach of the representations and warranties given by Gindalbie under the Subscription Agreement except for any loss or damage that is special, indirect or consequential including loss of profit.

If Angang HK is liable for tax on any payment it receives for breach of a warranty by Gindalbie, the amount payable by Gindalbie is increased so that, after the tax is paid, Angang HK receives the amount it would have received had there been no tax payable.

Angang HK indemnifies and agrees to keep indemnified Gindalbie from and against any loss that it may incur as a result of any breach of the representations and warranties given by Angang HK under the Subscription Agreement except for any loss or damage that is special, indirect or consequential including loss of profit.

Annexure A - Independent Expert's Report

Annexure B – AnSteel and its Associates

