



## **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 Swan Room, Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia at 10.00 am (Perth time) on Monday, 28 June 2010.

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## 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 Resolutions being put to Shareholders. This information is important. You should read the documents carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

### Vote on Resolutions

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

Shareholders should complete the Proxy Form that accompanies the Meeting Documents and return it by mail, in person or by facsimile so as to be received by the Company before 8.00 am (Perth time) on Saturday, 26 June 2010 whether or not they propose to attend the Meeting. Proxy Forms received after this time will be invalid.

### Entitlement to Vote

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), 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 Saturday, 26 June 2010. 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 the Company by no later than 8.00 am (Perth time) on Saturday, 26 June 2010. 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:

BY MAIL	Share Registry - Advanced Share Registry, PO Box 1156, Nedlands WA 6909, Australia
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 FAX	+61 8 9389 7871

### Key Dates

Deadline for lodgement of Proxy Forms	8.00 am (Perth time) on Saturday, 26 June 2010
Date and time for determining eligibility to vote	5.00 pm (Perth time) on Saturday, 26 June 2010
Date of General Meeting	10.00 am (Perth time) on Monday 28 June 2010
Proposed date for Completion of Institutional Placement	Thursday, 1 July 2010
Proposed date for Completion of Angang Placement	Pursuant to the terms of the waiver from Listing Rule 10.13.3.*

\* Refer to paragraph 2.5(b) of the Explanatory Statement.

### 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 a General Meeting of the Shareholders of Gindalbie Metals Ltd (**Company**) will be held at the Swan Room, Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia at 10.00 am (Perth time) on Monday, 28 June 2010, for the purpose of considering, and if thought fit, passing the following Resolutions.

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

**Special Business**

Resolutions 1 and 2 are interdependent. If either of Resolutions 1 or 2 are not passed, then both Resolutions will be taken to have failed. Resolutions 1 and 2 are conditional on the Facility Resolution (as defined in the Explanatory Statement) being passed. If the Facility Resolution is not passed, then both Resolutions will be taken to have failed.

**Resolution 1 – Issue of Shares to Angang Group Hong Kong (Holdings) Limited or its nominee**

1. To consider and, if thought fit, pass, the following Resolution as an ordinary resolution:

*"That, subject to and conditional on the Facility Resolution (as defined in the Explanatory Statement) and Resolution 2 being passed, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 80,215,000 Shares to Angang Group Hong Kong (Holdings) Limited or its nominee pursuant to a placement at an issue price of \$0.93 per Share, on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement**

In accordance with Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 1 by Angang Group Hong Kong (Holdings) Limited or its nominee and any person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if Resolution 1 is passed and their Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 2 – Issue of Shares pursuant to the Institutional Placement**

2. To consider and, if thought fit, pass, the following Resolution as an ordinary resolution:

*"That, subject to and conditional on the Facility Resolution (as defined in the Explanatory Statement) and Resolution 1 being passed, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 120,215,054 Shares to eligible institutional investors pursuant to an institutional placement at an issue price of \$0.93 per Share on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement**

In accordance with Listing Rules 7.3 and 14.11, the Company will disregard any votes cast on Resolution 2 by any person who may participate in the Institutional Placement, any person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if Resolution 2 is passed and their Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Important Notes**

1. For further information and explanation on the above Resolutions, please refer to the "Explanatory Statement" which accompanies this Notice of General Meeting.
2. All Resolutions are required pursuant to the provisions of the Listing Rules of the Australian Securities Exchange.

Dated: 17 May 2010  
By order of the Board of Directors.

David Stokes  
Company Secretary

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**GINDALBIE METALS LTD**  
**ABN 24 060 857 614**  
**EXPLANATORY STATEMENT**

This Explanatory Statement has been prepared to assist Shareholders with their consideration of the Resolutions proposed for the General Meeting of Gindalbie Metals Ltd (**Gindalbie** or **Company**) to be held at the Swan Room, Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia at 10.00 am (Perth time) on Monday, 28 June 2010.

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 contained in this Explanatory Statement.

## **1. BACKGROUND TO RESOLUTIONS**

### **1.1 Karara Iron Ore Project**

Gindalbie and Anshan Iron and Steel Group Corporation (**AnSteel**) are jointly developing the Karara Iron Ore Project (the **Karara Project**), through Karara Mining Limited (**Karara**), a 50:50 incorporated joint venture between the Company and Angang Group Investment (Australia) Pty Ltd (**Angang**), a wholly owned subsidiary of AnSteel. The Karara Project is located 225 kilometres east of Geraldton in Western Australia's Mid West region.

In November 2009, on-site construction started on the Karara Project following the receipt of the final environmental approvals from the State and Commonwealth governments. The Karara Project is expected to commence production in 2011, and will initially produce up to 11 Mtpa of iron products, comprising Direct Shipping Ore (DSO) at a rate of up to 3 Mtpa from mid-2011 and 8 Mtpa of high-grade magnetite concentrate (**concentrate**), from the second half of 2011.

In September 2007, a Bankable Feasibility Study (**BFS**) into the development of the Karara Project was completed, which estimated a Project Construction Cost of \$1.648 billion for the initial construction phase of the Karara Project (excluding the joint venture pellet plant in China). On 5 May 2010, the Company announced an updated Project Construction Cost estimate of \$1.975 billion for this initial construction phase of the Karara Project.

On 6 September 2007, the Company, Karara, AnSteel and Angang 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 Project. Angang and the Company each hold a 50% shareholding in Karara.

### **1.2 Karara Project Funding**

As part of the Karara Joint Development Agreement, Angang and Gindalbie committed to contributing a combined total of \$534 million in equity for the development of the Karara Project. The payment of these equity contributions was completed in July 2009.

On 9 April 2010, Gindalbie announced that Gindalbie, Karara, AnSteel and Angang had signed a term sheet and mandate letter for the US\$1.2 billion Karara Project loan facility (**Facility**) to be provided by China Development Bank, Bank of China and other syndicate lenders (**Lenders**) for the development of the Karara Project. Following negotiations with the Lenders, Gindalbie and Angang have agreed to contribute a further \$23 million each to Karara prior to drawdown on the Facility, which would bring the total equity contributed to Karara to \$580 million.

### **1.3 Facility Resolution**

As announced on 5 May 2010, Gindalbie has entered into the following agreements:

- (a) an agreement with Angang to provide a cross charge over the shares each entity owns in Karara, as required under the terms of the Karara Joint Development Agreement as security for performance of the duties and obligations arising under or by virtue of the Karara Joint Development Agreement or the Project Agreements (as defined in the Karara Joint Development Agreement) (**Cross Charge**); and
- (b) an agreement to provide a share mortgage in favour of AnSteel over all of Gindalbie's shares in Karara, as part of the security arrangements for the Facility (**Share Mortgage**).

Gindalbie is seeking Shareholder approval for the Cross Charge and Share Mortgage pursuant to the resolution contained in Gindalbie's Notice of Meeting dated 5 May 2010 (the **Facility Resolution**). A general meeting to consider the Facility Resolution is scheduled to be held on 16 June 2010.

#### 1.4 Updated Karara Construction Cost Estimate

The BFS completed in September 2007 envisaged a production rate of 8 Mtpa of concentrate which would provide the Karara Project with a 20 year mine life. However, subsequent drilling has expanded the resource of the Karara Project, giving it the potential to produce more than 30 Mtpa of ore over a mine life of approximately 30 years. In 2008 Gindalbie and Angang agreed to alter the development strategy for the Karara Project and authorised the design and construction of supporting infrastructure that would support production levels of 14 to 36 Mtpa, while maintaining an initial project output of 8 Mtpa.

The decision to increase the capacity of key parts of infrastructure and plant components during the initial construction stage (**Stage 1**) was aimed at enabling the Karara Project to attain substantial cost savings over the long term as it increases production from the initial rate of 8 Mtpa of concentrate to its long-term potential of more than 30 Mtpa.

As mentioned above, on 5 May 2010, Gindalbie announced an updated Project Construction Cost estimate for the Stage 1 development of the Karara Project of \$1.975 billion, which covers the Stage 1 production level of 8 Mtpa of concentrate and up to 3 Mtpa of hematite, as well as effective pre-payments on subsequent expansion phases by encompassing additional infrastructure capacity to support production levels of 14 to 36 Mtpa.

The revised Project Construction Cost estimate of \$1.975 billion represents an increase of approximately 20% or \$327 million to the \$1.648 billion Project Construction Cost estimate in the BFS (excluding the joint venture pellet plant in China), which was completed approximately 2.5 years ago. A significant portion of the Project Construction Cost increase relates to design scope and capacity changes for upgraded infrastructure to support subsequent expansion of capacity and general engineering design improvements.

The additional up-front expenditure will allow much of the supporting infrastructure for increased future production to be in place, while also allowing staged increases in concentrate output to be achieved without the need for a significant shut down. Karara's project development team also conducted a complete review of the Karara Project scope and refined several areas of design, which will result in a more robust processing plant, suitable for expansion and with improved production efficiencies.

#### 1.5 Equity Raising

The revised Project Construction Cost estimate identified a need for an additional \$122 million of funding, which Gindalbie and Angang have agreed to meet jointly by contributing further equity to Karara of approximately \$61 million each.

In addition, Gindalbie and Angang have agreed to contribute up to \$107.5 million each toward the pre-commissioning and working capital costs for the Karara Project, which total approximately \$430 million. Of that \$430 million, approximately \$184 million will be required for pre-commissioning items such as insurance inventory, spares and pre-strip mining and approximately \$246 million will be required for finance facilities such as performance bonds, interest costs and working capital. Preliminary discussions have commenced with the Lenders regarding an additional funding facility to cover the balance of the \$430 million of funding required after the equity contributions by Gindalbie and Angang.

To fund Gindalbie's share of the revised Project Construction Cost estimate, being approximately \$61 million, and pre-commissioning and working capital requirements for the Karara Project, being approximately \$107.5 million, the Company announced on 13 May 2010 its intention to undertake a capital raising to raise between \$175 million and \$206.4 million, which will comprise:

- (a) a placement to selected eligible sophisticated and professional investors of 120,215,054 Shares at an offer price of \$0.93 per Share to raise \$111.8 million (**Institutional Placement**);
- (b) a placement to Angang Group Hong Kong (Holdings) Limited (**Angang HK**) or its nominee of up to 80,215,000 Shares at an issue price of \$0.93 per Share, to raise between \$63.2 million and \$74.6 million (**Angang Placement**); and

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- (c) a share purchase plan to eligible Shareholders with an address on the share register in Australia or New Zealand to subscribe for up to \$10,000 worth of Shares at an offer price of \$0.93 per Share, to raise up to \$20 million (**Share Purchase Plan**),

(together, the **Equity Raising**).

The Equity Raising is being undertaken by the Company to primarily provide it with funding for its share of the revised Project Construction Cost estimate, being approximately \$61 million, and pre-commissioning and working capital requirements for the Karara Project, being approximately \$107.5 million. Approximately \$6.5 million will be used to cover fees, legal expenses and other costs associated with the Equity Raising. Any surplus funds will be used by Gindalbie to strengthen Gindalbie's cash resources to underpin future growth opportunities for Karara.

The independent Directors believe the structure of the Equity Raising is the most efficient form of fundraising for Gindalbie, places Gindalbie in a sound financial position and enables Gindalbie to meet its agreed equity contributions to Karara. Consequently, the independent Directors unanimously believe the Equity Raising proposed is in the best interests of Shareholders, both now and for the long term.

Resolution 1 is seeking Shareholder approval of the Angang Placement for the purposes of Listing Rule 10.11. Angang HK is a wholly owned subsidiary of AnSteel and currently holds a 36.12% shareholding in the Company. Depending on the amount raised in the Share Purchase Plan, the number of Shares to be issued under the Angang Placement will be adjusted so that Angang HK maintains, either directly or indirectly, its 36.12% shareholding in Gindalbie. The total consideration payable by Angang HK under the Angang Placement will therefore be between \$63.2 million and \$74.6 million. Further information in relation to Resolution 1 and the Angang Placement is set out in section 2 of this Explanatory Statement.

Resolution 2 is seeking Shareholder approval of the Institutional Placement for the purposes of Listing Rule 7.1. Further information in relation to Resolution 2 and the Institutional Placement is set out in section 3 of this Explanatory Statement.

The Share Purchase Plan is conditional on approval of Resolutions 1 and 2, the waiver of Listing Rule 10.13.3 referred to in section 2.2 of this Explanatory Statement being granted, completion of the Institutional Placement and Shareholders approving the Facility Resolution contained in Gindalbie's Notice of Meeting dated 5 May 2010 at a general meeting which is scheduled to be held on 16 June 2010. ASX has granted the waiver of Listing Rule 10.13.3.

If the Equity Raising proceeds, the impact on Gindalbie's capital structure will be as follows:

Issued Shares as at the date of this Notice	707,757,674
Maximum Shares to be issued under the Institutional Placement	120,215,054
Maximum Shares to be issued under the Angang Placement	80,215,000
Maximum Shares to be issued under the SPP	21,505,000
<b>Total Shares</b>	<b>849,477,728</b>

### 1.6 Interdependent Resolutions

Resolutions 1 and 2 are interdependent. That means both Resolutions must be passed for the approvals sought to be effective. If either of Resolution 1 or 2 are not passed, then both Resolutions will be taken to have failed. Resolutions 1 and 2 are conditional on the Facility Resolution being passed. If the Facility Resolution is not passed, then both Resolutions will be taken to have failed.

If Resolutions 1 and 2 are not approved, the Equity Raising will not proceed and Gindalbie will not be able to make its required equity contributions to Karara. Similarly, the Equity Raising will not proceed if the Facility Resolution contained in Gindalbie's Notice of Meeting dated 5 May 2010 is not approved.

Gindalbie currently has no revenue producing assets, which means that it has limited access to available cash reserves and operating cashflow. Consequently, if Gindalbie was to seek to borrow the required funds it would be likely to find accessing debt challenging given that it has no ability to repay the loan in the short term. The terms of any loan would also be likely to be onerous and unattractive from a corporate risk perspective.

**2. ORDINARY RESOLUTION 1 – Issue of Shares to Angang Group Hong Kong (Holdings) Limited or its nominee**

**2.1 Background to the Resolution**

Resolution 1 seeks Shareholder approval of the Angang Placement to Angang HK. Angang HK is a wholly owned subsidiary of AnSteel and currently holds a 36.12% shareholding in the Company.

In relation to the Angang Placement, on 13 May 2010, the Company entered into a subscription agreement with Angang HK, pursuant to which the Company agreed to allot and issue to Angang HK that number of Shares that may be issued to Angang HK in order to maintain its current 36.12% shareholding in the Company following completion of the Equity Raising, at an issue price of \$0.93 per Share (**Angang Subscription Agreement**). The key terms of the Angang Subscription Agreement are summarised in section 2.2 of this Explanatory Statement.

If Resolutions 1 and 2 and the Facility Resolution are passed, and the other conditions precedent to completion of the Angang Placement are satisfied, it will enable Angang HK to maintain, either directly or indirectly, its current 36.12% shareholding in the Company following completion of the Equity Raising by subscribing for up to 80,215,000 Shares.

The independent Directors believe that the Equity Raising, including the Angang Placement, is in the best interests of Shareholders as it ensures Gindalbie is able to meet its required 50% equity commitments for Karara so Karara can successfully fund the development of the Karara Project and meet specific pre-commissioning and other working capital costs. Angang HK is Gindalbie's largest shareholder at 36.12% and, another wholly owned subsidiary of AnSteel, Angang, is also a 50% shareholder in Karara.

The independent Directors believe that AnSteel's support of Gindalbie has been critical to its success and believe that maintaining AnSteel's ownership position results in Gindalbie remaining a strong company.

**2.2 Key Terms of Angang Placement**

Completion of the Angang Placement is subject to and 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 Angang Placement;
- (c) approval for the quotation of the Angang Placement Shares by ASX;
- (d) Shareholder approval of the Angang Placement for the purposes of Listing Rule 10.11 (being the subject of Resolution 1);
- (e) the Company obtaining a waiver of Listing Rule 10.13.3 to enable completion of the Angang Placement to occur more than 1 month after Shareholder approval of the Angang Placement;
- (f) Shareholder approval of the Institutional Placement for the purposes of Listing Rule 7.1 (being the subject of Resolution 2) and completion of the Institutional Placement occurring; and
- (g) Shareholders approving the Facility Resolution contained in Gindalbie's Notice of Meeting dated 5 May 2010 at a general meeting which is scheduled to be held on 16 June 2010.

ASX has granted the waiver of Listing Rule 10.13.3 referred to in paragraph (e) above. If the remaining conditions are not satisfied or waived by the date that is 3 business days before the date that is 6 months from the date of this Meeting, the Angang Placement will not proceed. If the Angang Placement does not proceed, Gindalbie will consider all other financing alternatives available, including a potential further equity raising, at that time.

Under the Angang Subscription Agreement, the Company and Angang HK have each provided representations, warranties and indemnities that are customary for agreements of this nature. The Directors (other than the directors of the Company who are nominees of AnSteel or its subsidiaries) have agreed to unanimously recommend the Angang Placement to Shareholders and not to withdraw that unanimous recommendation prior to completion, except to the extent that the recommendation would constitute a breach of their fiduciary or statutory duties.



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The Directors' recommendation in respect of Resolution 1 is set out in section 2.6 of this Explanatory Statement.

The number of Shares to be issued to Angang HK of up to 80,215,000 was determined on the basis that Angang HK would participate in the Equity Raising only to the extent required to maintain its current voting power in the Company of 36.12%.

Angang HK will not be paid any fees or commissions in relation to its participation in the Angang Placement. The Angang Placement issue price of \$0.93 is equal to the Institutional Placement issue price, which was determined by the Joint Lead Managers in consultation with the Company following completion of an institutional bookbuild. The placement price represents a discount of approximately 25% to the volume weighted average price for the Company's Shares on ASX over the 30 days preceding the trading halt on 13 May 2010. Over the three months ending 12 May 2010, the Company's Shares have traded on ASX in a range of \$0.94 to \$1.42.

On the basis of the above, the independent Directors consider that the issue of up to 80,215,000 Shares at \$0.93 per Share to Angang HK is reasonable as the terms are consistent with the Institutional Placement and Angang HK's voting power in the Company will not increase as a result of the issue.

### 2.3 Listing Rule 10.11

Listing Rule 10.11 provides that a listed company may not, without the approval of ordinary Shareholders, issue or agree to issue equity securities to a related party, or a person whose relationship with the listed company or a related party of the listed company is, in ASX's opinion, such that approval should be obtained.

Angang HK is not considered by Gindalbie to be a "related party" of the Company. However, ASX has determined that Angang HK is a person whose relationship with the Company is, in ASX's opinion, such that Shareholder approval of the Angang Placement should be obtained.

### 2.4 Listing Rule 7.1

Approval pursuant to Listing Rule 7.1 is not required for an issue of Shares to Angang HK pursuant to the Angang Placement as approval is being sought under Listing Rule 10.11. Accordingly, if Resolutions 1 and 2 are passed, the Shares issued to Angang HK will not be included in the calculation of the Company's annual 15% placement capacity pursuant to Listing Rule 7.1.

### 2.5 Listing Rule Requirements

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders to assist them to assess whether to approve Resolution 1:

- (a) The Company intends to issue up to 80,215,000 Shares to Angang HK or its nominee. The precise number of Shares issued will be such number of Shares that need to be issued to Angang HK after the issue of Shares under the Institutional Placement and the Share Purchase Plan to result in Angang HK having its voting power (calculated in accordance with section 610 of the Corporation Act) in the Company equal to the voting power it has in the Company as at the date of the Angang Subscription Agreement, being 36.12%.
- (b) If Resolutions 1 and 2 and the Facility Resolution are passed, pursuant to the terms of the waiver of Listing Rule 10.13.3 granted by ASX to the Company, the issue of the Shares to Angang HK or its nominee will occur no later than 5 business days after the date of receipt by the Company of written confirmation by Angang HK that all relevant Chinese regulatory approvals have been obtained in accordance with the terms of the Angang Subscription Agreement and, in any event, no later than 6 months after the date of the Meeting.
- (c) Angang HK has a shareholding of 36.12% in Gindalbie. Angang is also Gindalbie's partner in the development of the Karara Project. As set out above, Angang HK is not considered by Gindalbie to be a "related party" of the Company, however, ASX has determined that, in its opinion, Angang HK is a person whose relationship with the Company is such that Shareholder approval of the Angang Placement should be obtained.
- (d) The Shares to be issued to Angang HK or its nominee will be issued at a price of \$0.93 per Share. The Shares will rank pari passu in all respects from the date of issue with the existing Shares of the

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Company. The Company will apply for official quotation on ASX of all Shares issued pursuant to the Angang Placement.

- (e) The number of Shares to be issued to Angang HK or its nominee will be that number of Shares necessary to ensure that it maintains its current voting power in the Company of 36.12%. If the maximum of 80,215,000 Shares are issued pursuant to the Angang Placement, approximately \$74.6 million will be raised. It is intended that the funds raised will be used by the Company for equity contributions to be made by the Company to Karara to develop the Karara Iron Ore Project described in section 1.5 of this Explanatory Statement. If fewer than 80,215,000 Shares are issued pursuant to the Angang Placement, then the funds raised will be reduced accordingly.
- (f) A voting exclusion statement in respect of Resolution 1 is set out in both the Notice of General Meeting and section 2.7 of this Explanatory Statement.

### 2.6 Directors' Recommendation

The Directors (other than Mr Wang Heng, Mr Chen Ping and Mr Yu Wanyuan, who have declined to make a recommendation due to their position as nominees of Angang HK on the Board) recommend that Shareholders vote in favour of Resolution 1 for the reasons set out in sections 1.5, 1.6, 2.1 and 2.2 of this Explanatory Statement.

### 2.7 Voting Exclusion Statement

In accordance with Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 1 by Angang HK or its nominee and any person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if Resolution 1 is passed and their Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## 3. ORDINARY RESOLUTION 2 – Issue of Shares pursuant to the Institutional Placement

### 3.1 Background to the Resolution

Resolution 2 seeks Shareholder approval of the Institutional Placement. The Company is undertaking the Institutional Placement as part of the overall Equity Raising, to provide the Company with additional funds for equity contributions to be made by the Company to Karara to develop the Karara Iron Ore Project, fees, legal expenses and other costs associated with the Equity Raising and to strengthen the Company's cash resources to underpin future growth opportunities for Karara. Refer to section 1.5 of this Explanatory Statement for further details regarding the Equity Raising.

Gindalbie has not completed an equity raising to institutional investors for many years. The level of institutional ownership of Gindalbie is currently less than 15%, which is well below the industry benchmark for an ASX 200 company. Over the last 6 months, Gindalbie has significantly progressed and de-risked the Karara Project thereby making Gindalbie a more attractive investment for long term focussed institutions.

The Board believes that the Equity Raising, including the Institutional Placement, is in the best interests of Shareholders for the reasons set out in section 1.5 and 1.6 of this Explanatory Statement.

### 3.2 Key terms of the Institutional Placement

The Institutional Placement issue price of \$0.93 was determined by the Joint Lead Managers in consultation with the Company following completion of an institutional bookbuild. The placement price represents a discount of approximately 25% to the volume weighted average price for the Company's Shares on ASX over the 30 days preceding the trading halt on 13 May 2010. Over the three months ending 12 May 2010, the Company's Shares have traded on ASX in a range of \$0.94 to \$1.42.

The Institutional Placement is subject to:

- (a) Shareholder approval of Resolutions 1 and 2;
- (b) Shareholder approval of the Facility Resolution contained in Gindalbie's Notice of Meeting dated 5 May 2010 at a general meeting which is scheduled to be held on 16 June 2010; and

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- (c) the Company obtaining a waiver of Listing Rule 10.13.3 to enable completion of the Angang Placement to occur more than 1 month after Shareholder approval of the Angang Placement.

ASX has granted the waiver of Listing Rule 10.13.3 referred to in paragraph (c) above.

The Company and the Joint Lead Managers have entered into a placement agreement (**Placement Agreement**) under which the Joint Lead Managers were appointed to jointly manage the Institutional Placement.

The obligations of the Joint Lead Managers under the Placement Agreement are subject to the satisfaction of certain conditions precedent documented in the Placement Agreement including that their obligations to assist with settlement of the Institutional Placement are also subject to the conditions set out in paragraphs (a) to (c) above.

Furthermore, in accordance with the Placement Agreement, as is customary with these types of arrangements:

- (a) Gindalbie has (subject to certain limitations) agreed to indemnify the Joint Lead Managers and their related entities, directors, officers, partners, employees, agents and advisers against losses in connection with the Institutional Placement.
- (b) Gindalbie and the Joint Lead Managers have given certain representations, warranties and undertakings in connection with (among other things) the conduct of the Institutional Placement.
- (c) The Joint Lead Managers may terminate the Placement Agreement and be released from their obligations on the happening of any of a range of events, including if:
- (i) there is an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Gindalbie or its related bodies corporate (taken as a whole) which is likely to have a material adverse effect on the Institutional Placement;
  - (ii) there is a breach by Gindalbie or its related bodies corporate of material debt covenants under financing arrangements which have a material adverse effect on Gindalbie or certain events of default occurring under Gindalbie's financing arrangements;
  - (iii) changes in the senior management of Gindalbie occur which have a material adverse effect on the Institutional Placement; or
  - (iv) any of the offer documents in relation to the Institutional Placement are misleading or deceptive or omit information they are required to contain.

The Joint Lead Managers will receive a financial benefit as a result of their engagement as joint lead managers to the Institutional Placement by Gindalbie which forms part of the fees referred to in section 1.5.

### 3.3 Listing Rule 7.1

Listing Rule 7.1 provides, in summary, that a listed company may not issue or agree to issue equity securities in any 12 month period which exceed 15% of the number of fully paid ordinary securities of the company on issue at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting of the terms and conditions of the proposed issue.

The number of Shares to be issued pursuant to the Institutional Placement exceeds the Company's 15% limit under Listing Rule 7.1. Therefore, the Company is seeking Shareholder approval under Listing Rule 7.1 to issue the Shares the subject of the Institutional Placement.

### 3.4 Listing Rule Requirements

Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 7.1. In accordance with Listing Rule 7.3, the following information is provided to Shareholders to assist them to assess whether to approve Resolution 2:

- (a) The maximum number of Shares to be issued pursuant to Resolution 2 is 120,215,054 Shares.
- (b) The allotment and issue of the Institutional Placement Shares will occur simultaneously with the allotment and issue of the Shares pursuant to the Share Purchase Plan, which is expected to occur on

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1 July 2010, and in any event will be no later than 3 months after the date of this Meeting, or such later date approved by ASX.

- (c) The issue price of the Institutional Placement Shares will be \$0.93 per Share.
- (d) The allottees will be selected sophisticated or professional investor clients of the Joint Lead Managers or their related bodies corporate pursuant to the Institutional Placement (some of whom may be Shareholders).
- (e) The Shares to be issued under the Institutional Placement will be issued at a price of \$0.93 per Share. The Shares will rank pari passu in all respects from the date of issue with the existing Shares of the Company. The Company will apply for official quotation on ASX of all Shares issued pursuant to the Institutional Placement.
- (f) Approximately \$111.8 million will be raised from the issue of Shares the subject of Resolution 2, before expenses of the issue. These funds will be used for equity contributions to be made by the Company to Karara to develop the Karara Iron Ore Project, fees, legal expenses and other costs associated with the Equity Raising and to strengthen the Company's cash resources to underpin future growth opportunities for Karara.
- (g) The Board presently intends to issue the Shares pursuant to Resolution 2 as one allotment.
- (h) A voting exclusion statement in respect of Resolution 2 is set out in both the Notice and section 3.6 of this Explanatory Statement.

### 3.5 Directors' Recommendation

The Directors (other than Mr Wang Heng, Mr Chen Ping and Mr Yu Wanyuan, who have declined to make a recommendation due to their position as nominees of Angang HK on the Board) recommend that Shareholders vote in favour of Resolution 2 for the reasons set out in sections 1.5, 1.6 and 3.1 of this Explanatory Statement.

### 3.6 Voting Exclusion Statement

In accordance with Listing Rules 7.3 and 14.11, the Company will disregard any votes cast on Resolution 2 by any person who may participate in the Institutional Placement, any person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if Resolution 2 is passed, and their Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## 4. OTHER MATTERS

### 4.1 ASX's Role

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

### 4.2 Proxies

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 the Company by no later than 8.00 am (Perth time) on Saturday, 26 June 2010. 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.

### 4.3 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

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**\$** means Australian dollars unless otherwise stated.

**Angang** means Angang Group Investment (Australia) Pty Ltd, a wholly owned subsidiary of AnSteel.

**Angang HK** means Angang Group Hong Kong (Holdings) Limited, a wholly owned subsidiary of AnSteel.

**Angang Placement** means the allotment and issue of up to 80,215,000 Shares to Angang HK or its nominee at an issue price of \$0.93 per Share to raise up to \$74.6 million.

**Angang Subscription Agreement** has the meaning given to that term in section 2.1 of this Explanatory Statement.

**AnSteel** means Anshan Iron and Steel Group Corporation.

**Associate** has the meaning given to that term in section 11 and sections 13 to 17 of the Corporations Act.

**ASX** means ASX Limited ACN 008 624 691.

**BFS** has the meaning given to that term in section 1.1 of this Explanatory Statement.

**Board** means the board of Directors from time to time.

**Company** or **Gindalbie** means Gindalbie Metals Ltd ACN 060 857 614.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Cross Charge** has the meaning given to that term in section 1.3 of this Explanatory Statement.

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

**Equity Raising** means the Institutional Placement, the Angang Placement and the Share Purchase Plan.

**Explanatory Statement** means this explanatory statement.

**Facility** has the meaning given to that term in section 1.2 of this Explanatory Statement.

**Facility Resolution** has the meaning given to that term in section 1.3 of this Explanatory Statement.

**Foreign Acquisitions and Takeovers Act** means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

**Institutional Placement** means the placement of 120,215,054 Shares at an offer price of \$0.93 per Share to raise \$111.8 million.

**Joint Lead Managers** means Goldman Sachs JBWere Pty Limited, Southern Cross Equities Limited and UBS AG, Australia Branch.

**Karara** means Karara Mining Limited ACN 070 871 831.

**Karara Joint Development Agreement** has the meaning given in section 1.1 of this Explanatory Statement.

**Karara Project** means the Karara Iron Ore Project.

**Lenders** means China Development Bank and Bank of China and other syndicate lenders.

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

**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.

**Placement Agreement** has the meaning given to that term in section 3.2 of this Explanatory Statement.

**Proxy Form** means the proxy form attached to the Meeting Documents.

**Resolutions** means each of the Resolutions set out in the Notice and **Resolution** means any of them.

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

**Share Mortgage** has the meaning given to that term in section 1.3 of this Explanatory Statement.

**Share Purchase Plan** means an offer to eligible Shareholders with an address on the share register in Australia or New Zealand to apply for up to \$10,000 worth of new Shares at an offer price of \$0.93 per Share to raise up to \$20 million.

**Shareholder** means a holder of a Share.

**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.*

For personal use

## GINDALBIE METALS LTD

ABN 24 060 857 614

### Lodge your vote:

✉ By Mail:

Advanced Share Registry Ltd  
PO Box 1156, Nedlands  
Western Australia 6909

Alternatively you can fax your form to  
Facsimile: (61 8) 9389 7871  
For Intermediary Online subscribers only  
[www.advancedshare.com.au](http://www.advancedshare.com.au)

### For all enquiries call:

Telephone: +61 (0) 8 9389 8033  
Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)

## Proxy Form

### 🔔 Instructions

1. Every shareholder has the right to appoint some other person or company of their choice, who need not be a shareholder, to attend and act on their behalf at the meeting. If you wish to appoint a person or company other than the Chairman, please insert the name of your proxyholder(s) the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
3. This proxy should be signed in the exact manner as the name appears on the proxy.
4. If a shareholder appoints two proxies, each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
5. Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
6. To be effective, shareholders must deliver their proxies prior to 8.00 am (Perth time) on Saturday, 26 June 2010 by mail to Advanced Share Registry, PO Box 1156, Nedlands, WA, 6909, or by facsimile at (61 8) 9389 7871 or deliver to the registered office of the Company at Level 9, London House, 216 St Georges Terrace, Perth, Western Australia, 6000.
7. For the purposes of Regulation 7.11.37 of the Corporations Regulations the Company determines that shareholder holding shares at 5.00 pm (Perth time) on Saturday, 26 June 2010 will be entitled to attend and vote at the Meeting.
8. The Chairman intends to vote in favour of all resolutions set out in the Notice of Meeting.
9. This proxy should be read in conjunction with the accompanying Notice of Meeting and Explanatory Statement.
10. The shares represented by this proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any poll that may be called for, and if the shareholder has specified a choice in respect of any matter to be acted upon, the shares will be voted accordingly.

**Turn over to complete the form →**



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# GINDALBIE METALS LTD

ABN 24 060 857 614

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'x') should advise your broker of any changes.

## Bar Code

HIN/SRN

## Form of Proxy

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

**PLEASE NOTE:** This proxy is solicited on behalf of the management of Gindalbie Metals Ltd ABN 24 060 857 614 (the "Company") for use at the meeting of the shareholders of the Company to be held at the Swan Room, Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia at 10.00 am (Perth time) on Monday, 28 June 2010 or any adjournment thereof (the "Meeting").

I/We being a member/s of Gindalbie Metals Ltd hereby appoint

**the Chairman of the Meeting** **OR**

**PLEASE NOTE:** If you leave the section blank, the Chairman of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions at the Meeting and at any adjournment of that meeting.

**If the Chair of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and votes cast by the Chair of the Meeting for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, then the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution. The Chair intends to vote 100% of all open proxies in favour of each resolution.**

If you have not appointed the Chairman of the Meeting as your proxy and you are appointing a second proxy please complete the following: Proxy 1 is appointed to represent \_\_\_\_\_% of my voting right and Proxy 2 is appointed to represent \_\_\_\_\_% of my total votes. My total voting right is \_\_\_\_\_ shares.

**PLEASE NOTE:** If the appointment does not specify the proportion or number of votes that the proxy may exercise, each proxy may exercise half the votes.

### STEP 2 Items of Business

**\*PLEASE NOTE:** If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and your votes will not be counted in computing the required majority on that item.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below.

FOR                      AGAINST                      ABSTAIN\*

	FOR	AGAINST	ABSTAIN*
Resolution 1 - Issue of Shares to Angang Group Hong Kong (Holdings) Limited or its nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 - Issue of Shares pursuant to the Institutional Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no choice is specified, the shareholder is conferring discretionary authority on the proxy to vote at his or her discretion. However, the Chairman intends to vote FOR each of the resolutions.

### SIGN Signing by member

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

<b>Individual or Member 1</b> <input type="text"/>	<b>Member 2 (if joint holding)</b> <input type="text"/>	<b>Member 3 (if joint holding)</b> <input type="text"/>	/ /
Sole Director and Sole Secretary	Director/Company Secretary	Director	Date