



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 Wednesday, 16 June 2010.

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 documents carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

Vote on the Resolution

Your vote is important. The Resolution is 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 Monday, 14 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 Monday, 14 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 Monday, 14 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 Monday, 14 June 2010
Date and time for determining eligibility to vote	5.00 pm (Perth time) on Monday, 14 June 2010
Date of General Meeting	10.00 am (Perth time) on Wednesday, 16 June 2010

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 Wednesday, 16 June 2010, 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 contained in the Explanatory Statement.

Special Business

Resolution – Approval of Share Mortgage and Cross Charge

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

“That, for the purposes of Listing Rule 10.1 and for all other purposes, approval is given for the grant of the securities to Anshan Iron and Steel Group Corporation pursuant to the Share Mortgage and to Angang Group Investment (Australia) Pty Ltd pursuant to the Cross Charge and any disposals of assets which may, from time to time, arise by Anshan Iron and Steel Group Corporation or Angang Group Investment (Australia) Pty Ltd exercising their rights under the securities granted under the Share Mortgage or the Cross Charge (as applicable), on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

In accordance with Listing Rules 10.10 and 14.11, the Company will disregard any votes cast on the Resolution by Anshan Iron and Steel Group Corporation, Angang Group Investment (Australia) Pty Ltd 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 Resolution, please refer to the “Explanatory Statement” which accompanies this Notice of General Meeting.
2. The Resolution is required pursuant to the provisions of the Listing Rules of the Australian Securities Exchange.

Dated: 5 May 2010

By order of the Board of Directors.

David Stokes
Company Secretary

GINDALBIE METALS LTD
ABN 24 060 857 614
EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders with their consideration of the Resolution 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 Wednesday, 16 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. ORDINARY RESOLUTION - Approval of Share Mortgage and Cross Charge

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, from the second half of 2011.

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.

As announced on 5 May 2010, Gindalbie and Angang have entered into an agreement 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). The Resolution seeks Shareholder approval for Gindalbie to provide a cross charge over its shares in Karara to Angang (**Cross Charge**). Further information regarding the Resolution and the Cross Charge is set out below.

1.2 Karara Project Funding

On 5 May 2010, the Company announced an updated Project Construction Cost estimate of \$1.975 billion for the initial construction phase of the Karara Project (excluding the joint venture pellet plant in China).

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. The proposed financing arrangements include various security arrangements, which are summarised below and in the Independent Expert's Report attached at Annexure 3.

On 5 May 2010, the Company announced that it had entered into an agreement to provide a share mortgage (**Share Mortgage**) in favour of AnSteel over all of Gindalbie's shares in Karara (**Karara Shares**) as part of the security arrangements for the Facility. The Resolution also seeks Shareholder approval for Gindalbie to provide the Share Mortgage.

The Share Mortgage forms part of the security arrangements between the Lenders, the Company, AnSteel, Angang and Karara in connection with the Facility, which include the following:

- For personal use only
- (a) Angang and the Company will each provide, on a several basis in accordance with their respective shareholdings in Karara, a guarantee and certain undertakings in favour of the Lenders until completion of the construction phase of the Karara Project (together, the **Shareholders' Guarantee**);
 - (b) AnSteel will provide a sponsor completion guarantee under which it will guarantee amounts owed by both the Company and Angang under the Shareholders' Guarantee until completion of the construction phase of the Karara Project (**Sponsor Guarantee**); and
 - (c) the Company will provide an indemnity in favour of AnSteel in respect of any liability incurred by AnSteel under or in connection with the terms of the Sponsor Guarantee. In order to secure amounts owed to AnSteel by the Company under the indemnity (if the AnSteel Sponsor Guarantee is called upon) the Company has agreed to provide the Share Mortgage in favour of AnSteel over the Karara Shares. The indemnity (which will be incorporated into the terms of the Share Mortgage) and the Share Mortgage will expire once the AnSteel Sponsor Guarantee and the Shareholders' Guarantee have expired and no amount is due by the Company to AnSteel under the indemnity. The provision of the Share Mortgage and the indemnity is required by AnSteel as a condition to AnSteel providing the Sponsor Guarantee.

As mentioned above, the Company and Angang have each entered into an agreement to provide a cross charge over the shares each entity owns in Karara 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). The cross charges are a requirement of the Karara Joint Development Agreement and will ensure that the guarantees and undertakings being provided by the Company and Angang in connection with the Facility are effectively confined to each party's 50% interest in Karara.

Both the Share Mortgage and the Cross Charge to be provided by the Company, (together, the **Securities**) are to rank behind a share mortgage the Company will grant over the Karara Shares in favour of the Lenders.

1.3 Terms of Share Mortgage and Cross Charge

The Share Mortgage and the Cross Charge do not become effective until the following conditions have been met:

- (a) approval by the Treasurer under the Foreign Acquisitions and Takeovers Act; and
- (b) Shareholder approval for the purposes of Listing Rule 10.1 (being the subject of the Resolution).

A summary of the key terms and conditions of the Share Mortgage is set out in Annexure 1 of this Explanatory Statement. A summary of the key terms and conditions of the Cross Charge is set out in Annexure 2 of this Explanatory Statement.

Each of the Securities will provide that AnSteel (in respect of the Share Mortgage) and Angang (in respect of the Cross Charge) and any of its related bodies corporate, upon exercising its enforcement rights, can, amongst other things:

- (a) acquire any legal or beneficial interest in the Karara Shares in full or partial satisfaction of amounts owing to it by the Company under the Cross Charge or the Share Mortgage (as relevant); or
- (b) otherwise deal with the Karara Shares, for the purpose of satisfying the amounts owing to it by the Company under the Cross Charge or under the Share Mortgage (as relevant).

The Securities will be provided on terms that are customary for transactions of this nature, were negotiated on an arm's length basis, and are reflective of normal project financing arrangements. The Independent Expert has concluded that the Securities are fair and reasonable to Shareholders who are not associated with Angang or AnSteel. The Board is of the view that the implementation of the Facility arrangements and the Securities is in the best interests of Shareholders.

If Gindalbie is unable to provide the Share Mortgage, AnSteel cannot provide its Sponsor Guarantee and the debt financing arrangements for the Karara Project will not be completed. In these circumstances, the construction of the Karara Project would need to be suspended, resulting in a higher capital cost to complete the construction of the Karara Project. This would place the Karara Project at risk and would put into question the Karara Project's ability to source project financing.

Failure to approve the Cross Charge would mean that one of the conditions subsequent to the Karara Joint Development Agreement could not be achieved and the Karara Project would not proceed.

1.4 Application of Listing Rule 10.1

Listing Rule 10.1 provides that approval of holders of an entity's ordinary securities is required where an entity proposes to dispose of or agree to dispose of a substantial asset to a second entity that is a substantial shareholder, or an Associate of a substantial shareholder, of that entity.

For these purposes:

- (a) a person is a substantial holder if the person and the person's Associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to an entity's voting securities; and
- (b) an asset is a substantial asset if its value, or the value of the consideration for it, is 5% or more of the equity interests of the company as set out in the latest accounts of the company given to ASX under the Listing Rules.

AnSteel currently has a relevant interest in 36.12% of Shares on issue and is a substantial holder of the Company. Angang is an Associate of a substantial holder of the Company as Angang is a wholly owned subsidiary of AnSteel.

The Company's half year accounts for the period ending 31 December 2009 (as lodged with ASX on 3 March 2010) show that its equity interests were approximately \$336.4 million. The value of the asset the subject of the Securities (being the Karara Shares) would exceed 5% of the Company's equity interests as shown in its last consolidated financial statements.

For the purposes of Listing Rule 10.1, the "disposal" of an asset includes the grant of a security over that asset. Accordingly, Shareholder approval for the purposes of Listing Rule 10.1 is required before the Securities can become effective.

Shareholder approval is being sought under the Resolution for the purposes of Listing Rule 10.1 to enable the Company to grant the Securities and for Angang and AnSteel to be able to exercise all of their respective rights under the Securities, including the enforcement rights outlined above in section 1.3 of this Explanatory Statement.

If the Resolution is passed, in the event of a default by the Company, AnSteel (in respect of the Share Mortgage) and Angang (in respect of the Cross Charge) will have the ability to exercise their respective rights under the Securities (subject to receiving the approval of the Treasurer under the Foreign Acquisitions and Takeovers Act). For instance, if the Company is in default under the Cross Charge, then Angang will, subject to the security provided by the Company in favour of the Lenders and the Share Mortgage, be able to acquire the Karara Shares.

1.5 Listing Rule Requirements

Under Listing Rule 10.10, the Notice of Meeting is required to contain a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to holders of the Company's Shares whose votes are not to be disregarded. The Independent Expert's Report is set out in Annexure 3 of this Explanatory Statement. The Independent Expert has concluded that the terms of the Share Mortgage and the Cross Charge are fair and reasonable to Shareholders who are not associated with AnSteel and Angang. Shareholders are advised to consider the Independent Expert's Report carefully before deciding how to vote on the Resolution.

A voting exclusion statement in respect of the Resolution is set out in both the Notice and section 1.7 of this Explanatory Statement.

1.6 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 AnSteel on the Board of the Company) recommend that Shareholders vote in favour of the Resolution for the reasons set out in this section 1 of this Explanatory Statement.

1.7 Voting Exclusion Statement

In accordance with Listing Rules 10.10 and 14.11, the Company will disregard any votes cast on the Resolution by AnSteel, Angang 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 the direction on the proxy form to vote as the proxy decides.

2. OTHER MATTERS

2.1 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 Resolution. ASX and its officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

2.2 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 Monday, 14 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.

2.3 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

\$ means Australian dollars unless otherwise stated.

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

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.

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 1.1 of this Explanatory Statement.

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

Explanatory Statement means this explanatory statement.

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

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

Independent Expert means Deloitte Corporate Finance Pty Limited.

Independent Expert's Report means the independent expert's report prepared by Deloitte Corporate Finance Pty Limited and set out in Annexure 3 to this Explanatory Statement.

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.

Karara Shares has the meaning given to that term in section 1.2 of this Explanatory Statement.

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

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.

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

Resolution means the Resolution set out in the Notice.

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

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

Share Mortgage has the meaning given to that term in section 1.2 of this Explanatory Statement.

Shareholder means a holder of a Share.

Annexure 1 - Key terms and conditions of the Share Mortgage

The Share Mortgage contains an indemnity which is provided by the Company in favour of AnSteel. This indemnity will be triggered if the Company fails to pay any amount to the Lenders under the Shareholders' Guarantee, and that amount is paid by AnSteel under the Sponsor Guarantee. Pursuant to the Shareholders' Guarantee, Angang and the Company each, on a several basis in accordance with their respective shareholdings in Karara, guarantee repayment of all amounts outstanding under the Facility as well as any cost overruns. The Shareholders' Guarantee will expire once completion of the Karara Project has been achieved. This will occur when a number of milestones are met.

The Share Mortgage secures the payment of all money and damages solely arising under the Share Mortgage (the key obligation is the payment obligation under the indemnity). Under the Share Mortgage, the Company, as mortgagor, mortgages the following property to AnSteel:

- (a) all of its present and future right, title and interest in the marketable securities held by it in Karara (**Relevant Marketable Securities**);
- (b) any present or future right of the Company arising from the Relevant Marketable Securities to acquire any property from Karara including any additional marketable securities (**Additional Rights**);
- (c) any title documents relating to the Relevant Marketable Securities or the Additional Rights;
- (d) the benefit of any agreement relating to the Relevant Marketable Securities or the Additional Rights;
- (e) any proceeds, money, dividends, distributions, return of capital, marketable securities or other property now or in the future, payable or otherwise distributable or to which Gindalbie is entitled in respect of the Relevant Marketable Securities or the Additional Rights; and
- (f) any proceeds from any disposal, assignment or other dealing with the Relevant Marketable Securities or any other property and rights referred to in paragraphs (a) to (e) above,

(**Secured Property**).

The Share Mortgage becomes enforceable if any of the following occur:

- (a) the Company fails to pay to AnSteel any amount under the indemnity granted by the Company in favour of AnSteel within 5 business days of that amount becoming due and payable, or fails to comply with any of its other obligations under the Share Mortgage (and if that failure can be remedied, does not remedy the failure within 20 business days);
- (b) an event of insolvency occurs in relation to the Company;
- (c) any of the interest held as security for the payment of a monetary obligation or the performance of any other obligation (including a mortgage, charge, encumbrance, lien pledge, hypothecation, bill of sale, assignment, title retention arrangement, trust or power held as security) becomes enforceable or is enforced, or a distress, attachment or other execution is levied or enforced over the Secured Property; or
- (d) an authorisation that is material to the performance by the Company of the Share Mortgage is repealed, revoked or terminated or expires, or is modified or amended or not renewed,

(each an **Event of Default**).

At any time after an Event of Default has occurred AnSteel is able to exercise a number of powers under the Share Mortgage. This includes being able to sell or otherwise dispose of the Secured Property to any person including AnSteel or any related party of AnSteel. The ability to exercise these powers will be subject to the prior ranking share mortgage which the Company is required to grant in favour of the Lenders.

Annexure 2 - Key terms and conditions of the Cross Charge

The Cross Charge between Angang and Gindalbie, (together, **Shareholders**) is a requirement under the Karara Joint Development Agreement and secures the performance of Angang and Gindalbie's obligations (including monetary liabilities) to one another arising under the Karara Joint Development Agreement.

The Cross Charge is a fixed charge from each Shareholder that charges in favour of each other Shareholder, the shares that each Shareholder holds in Karara (**Charged Property**).

The Cross Charge becomes enforceable if any of the following occur:

- (a) a Shareholder fails to satisfy its obligations to pay or cause to be paid an amount of money under, amongst other agreements, the Karara Joint Development Agreement or the offtake agreements;
- (b) an event of insolvency occurs;
- (c) a Shareholder fails to comply with any non-financial obligation arising under, amongst other agreements, the Karara Joint Development Agreement and the offtake agreements, and that failure has a material adverse effect on either the Karara Project, the Karara Joint Development Agreement or the offtake agreements (amongst others) and that failure is not a force majeure;

(each of (a), (b) and (c) a **Shareholder Default**)

- (d) Gindalbie fails to comply in any way or to any extent with the indemnity granted by Gindalbie in favour of Angang under the Cross Charge;
- (e) Gindalbie fails to comply in any way or to any extent with the indemnity granted by Gindalbie in favour of AnSteel under the Share Mortgage; or

(each of (d) and (e) a **Gindalbie Default**)

- (f) Angang fails to comply in any way or to any extent with the indemnity granted by Angang in favour of Gindalbie under the Cross Charge (**Angang Default**).

If any of a Shareholder Default, a Gindalbie Default or an Angang Default occurs, the Shareholder that is not the defaulting participant may appoint any person to be a receiver and/or receiver and manager of the Charged Property. The powers of an appointed receiver under the Cross Charge are customary and in particular include:

- (a) the power to take possession, collect and get the Charged Property and for that purpose to take any proceedings as seem expedient and proper;
- (b) the power to cause the defaulting participant to continue to be associated in the Karara Project and for that purpose to use any of the funds of such defaulting participant which relate to or are derived from the defaulting participant's participation in the Karara Project;
- (c) to raise money on the Charged Property by granting further charges or other security ranking in priority of the Cross Charge; and
- (d) to sell the Charged Property or any interest in the Charged Property in accordance with the Cross Charge to any person, including Angang or any related party of Angang.

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Gindalbie Metals Ltd
Independent expert's report
27 April 2010

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Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide general financial product advice or to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes and government debentures, stocks or bonds.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately owned by the Deloitte member firm in Australia (Deloitte Australia). Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

We and Deloitte Australia (and other entities related to Deloitte Australia):

- do not have any formal associations or relationships with any entities that are issuers of financial products; and
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer PO Box N250 Grosvenor Place Sydney NSW 1220 complaints@deloitte.com.au Fax: +61 2 9255 8434	Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 info@fos.org.au www.fos.org.au Tel: 1300 780 808 Fax: +61 3 9613 6399
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What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

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The Directors
Gindalbie Metals Ltd
Level 9, London House
216 St Georges Terrace
Perth WA 6000

27 April 2010

Dear Directors

Independent expert's report

Introduction

On 9 April 2010, Gindalbie Metals Ltd (Gindalbie) announced that Karara Mining Limited (Karara), an incorporated joint venture between Gindalbie and Angang Group Investment (Australia) Pty Ltd (Angang), had signed a mandate letter and term sheet with China Development Bank Corporation and Bank of China Limited (the Banks) for the proposed USD1.2 billion debt financing required for the construction of the Karara Iron Ore Project (Draft Facility). Angang is a wholly owned subsidiary of Anshan Iron and Steel Group Corporation (Ansteel) and Ansteel owns a 36.14% interest in Gindalbie through a wholly owned subsidiary.

The following security arrangements are proposed to support the Draft Facility:

- Karara will grant a fixed and floating charge over all of its assets (Karara Charge)
- Gindalbie and Angang will each severally undertake to fund any shortfall if project costs exceed funds available to Karara (Shareholder Undertakings)
- Gindalbie and Angang will each severally guarantee Karara's obligations under the Draft Facility (Shareholder Guarantees). The Shareholder Guarantees will expire at project completion
- Gindalbie and Angang will each provide a share mortgage in favour of the Banks over all of their shares in Karara (First Ranking Share Mortgage)
- As part of the joint venture agreement between Angang and Gindalbie for the joint development of the Karara Iron Ore Project (JVDA), both Gindalbie and Angang will provide a cross charge over the shares each owns in Karara (the Cross Charges). Gindalbie will therefore grant security over all of its shares in Karara in favour of Angang (Gindalbie Cross Charge) and vice versa
- Ansteel will provide a sponsor guarantee under which it will guarantee Gindalbie and Angang's payment obligations under the Shareholder Undertakings and Shareholder Guarantees until project completion occurs (Sponsor Guarantee)
- Gindalbie will provide an indemnity to Ansteel for Gindalbie's share of any amounts paid by Ansteel if the Sponsor Guarantee is called upon (the Indemnity). It is proposed that Gindalbie provide a share mortgage in favour of Ansteel over all of its shares in Karara (Second Ranking Share Mortgage) to secure any amounts owed under the Indemnity. The Indemnity and Second Ranking Share Mortgage will both expire once the Sponsor Guarantee and Shareholder Guarantee have expired and no amount is due by Gindalbie to Ansteel under the Indemnity.

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The Second Ranking Share Mortgage and the Gindalbie Cross Charge, (together, the Proposed Loan Security) will rank behind the First Ranking Share Mortgage.

Purpose of the report

Listing Rule 10.1 of the ASX Limited (ASX) (Listing Rule 10) requires a company to obtain shareholder approval if it proposes to dispose of a substantial asset to a substantial holder, or an associate of a substantial holder. The company must also commission an independent expert to provide an opinion on whether the proposed transaction is fair and reasonable to the non-associated shareholders.

Ansteel and Angang are both associates of a substantial holder of Gindalbie and the value of the security offered by Gindalbie (its 50% interest in Karara) is a substantial asset. Gindalbie is therefore required to comply with Listing Rule 10 in respect of the Proposed Loan Security.

The independent directors of Gindalbie (the Independent Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte) provide an independent expert's report advising whether, in our opinion, the Proposed Loan Security is fair and reasonable to shareholders other than Ansteel (Non-Associated Shareholders).

We have prepared this report having regard to Listing Rule 10 and the relevant Australian Securities and Investments Commission (ASIC) Regulatory Guides.

This report is to be included in the notice of the meeting to approve the Proposed Loan Security (the Notice of Meeting), and has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Loan Security. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

Basis of evaluation

In determining whether the Proposed Loan Security is fair and reasonable, we have had regard to common market practice and Regulatory Guide 111 issued by ASIC in relation to the content of expert's reports (RG111).

RG111 does not provide specific guidance regarding independent expert reports prepared to meet the requirements of Listing Rule 10. However, it does provide some relevant recommendations on the general approach an expert should take, including that the expert should focus on the issues faced by shareholders for whom the report is being prepared and on the purpose and outcome of the transaction rather than the legal mechanism used to effect the transaction.

We have also considered the underlying rationale of Listing Rule 10 in determining what constitutes 'fair and reasonable' for the purpose of the listing rule. This rationale is that, as far as practicable, non-associated shareholders should not be disadvantaged as a result of a substantial transaction by the company with people that are in a position of influence with the company.

We consider the most appropriate basis on which to evaluate whether the Proposed Loan Security is fair and reasonable, is to consider the overall effect of the Proposed Loan Security on the Non-Associated Shareholders and to form a judgement as to whether the advantages of the Proposed Loan Security outweigh the disadvantages.

In order to assess whether the Proposed Loan Security is fair and reasonable we have therefore considered:

- The advantages and disadvantages of the Proposed Loan Security for Non-Associated Shareholders
- Whether the terms and conditions of the Draft Facility and Proposed Loan Security represent arms length terms for a transaction of this nature
- Alternatives and the position of Non-Associated Shareholders if the Proposed Loan Security is not approved.

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Evaluation

In our opinion the Proposed Loan Security is fair and reasonable to Non-Associated Shareholders. In arriving at this opinion, we have had regard to the following factors:

Advantage of the Proposed Loan Security

Ansteel's support and the Proposed Loan Security has made it possible to obtain a favourable Draft Facility

The terms of the Draft Facility are generally favourable for Karara and are therefore also considered favourable for Gindalbie. This includes the proposed term, lending margin, bank fees, security and covenants. These terms were obtained as a result of Ansteel's credit rating and standing in China and Ansteel's willingness to provide the Sponsor Guarantee. We would not expect such terms to be available to Karara without the support of Ansteel.

The Second Ranking Share Mortgage is required to protect Ansteel's position in relation to the Sponsor Guarantee as Gindalbie is not wholly owned by Ansteel. Therefore if Ansteel is called upon to make payments on behalf of Gindalbie under the Sponsor Guarantee, Ansteel requires recourse to Gindalbie to mitigate its costs, initially under the Indemnity provided by Gindalbie and ultimately, if required, through access to Gindalbie's shares in Karara. We consider this a normal commercial arrangement associated with loans of this nature.

The Gindalbie Cross Charge is advantageous to Non-Associated Shareholders because it is part of a reciprocal arrangement that protects both Gindalbie and Angang by ensuring that the Shareholder Guarantees provided by each party effectively cover only the 50% interest in Karara held by each party. This is usual practice in a joint venture funding arrangement.

Disadvantage of the Proposed Loan Security

If the Sponsor Guarantee is called upon, Ansteel could sell Gindalbie's shares in Karara to recoup its associated costs

If Karara is in default, the Banks can call upon Gindalbie and Angang under the Shareholder Undertakings and the Shareholder Guarantees (which expire at project completion), or they can call directly upon the Sponsor Guarantee. If the latter occurs, Ansteel will be required to meet all of the obligations of Angang and Gindalbie but will then be able to sell Gindalbie's shares in Karara to recoup its costs associated with Gindalbie's 50% share of such obligations.

However, under the First Ranking Share Mortgage, the Banks already have the same right to sell Gindalbie's shares in Karara if Karara is in default and Gindalbie is unable to honour the Shareholder Undertaking and Guarantee.

We therefore do not consider that the Second Ranking Share Mortgage provides any additional risk to Gindalbie, and this is therefore not a major disadvantage to Non-Associated Shareholders.

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Other Matters

The Proposed Loan Security is usual for a project financing transaction of this nature

In project financing arrangements the lenders' primary recourse is usually to the asset being financed, however a sponsor guarantee is also usually required during the construction phase as lenders generally will not take construction risk. It is usual for such guarantees to expire upon project completion.

Under the Draft Facility, the Banks' primary security will be the Karara Iron Ore Project. The Shareholder Guarantees, backed up by the First Ranking Share Mortgages covering all of the shares in Karara, provide secondary security to the Banks. The Sponsor Guarantee is a third level of security that will apply during the construction phase. These are all usual project financing security arrangements.

The Cross Charges are necessary to secure Gindalbie and Angang's various obligations under the JVDA and to ensure that each Shareholder Guarantee is effectively several (only covering 50% of Karara's obligations). The Second Ranking Share Mortgage is necessary to protect Ansteel in relation to the Sponsor Guarantee as it provides cover for both Gindalbie and Angang's obligations under the Shareholder Guarantee.

In our opinion, the Proposed Loan Security is therefore commercially rational, at arm's length and normal for a project financing transaction of this nature.

Alternative funding sources would likely be difficult and expensive to obtain in the current market

Since the onset of the global financial crisis in late 2008, project finance markets have been constrained and debt funding has been difficult to obtain. In Australia this was exacerbated by the withdrawal of many foreign lenders from the Australian market. Debt has become less available and the terms of funding have become significantly more expensive and onerous for borrowers.

Although there are signs that project finance is starting to become more available, funding terms remain expensive and few banks are able to offer funding for a period of 12 years. There is currently no certainty that comparable alternative funding sources for the Karara Iron Ore Project could be found and it is likely that any alternatives would be significantly more expensive without the support of Ansteel.

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Opinion

On balance, in our opinion, the advantages of the Proposed Loan Security outweigh the disadvantages. Therefore, in our opinion, the Proposed Loan Security is fair and reasonable to Non-Associated Shareholders.

An individual Non-Associated Shareholder's decision in relation to the Proposed Loan Security may be influenced by his or her particular circumstances. If in doubt the Non-Associated Shareholder should consult an independent adviser.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

Deloitte Corporate Finance Pty Limited



Nicki Ivory
Director



Keith Jones
Director

Note: All amounts stated in this report are AUD unless otherwise stated, and may be subject to rounding.

Contents

1	Summary of the Proposed Loan Security	7
2	Scope of the report	8
2.1	Purpose of the report	8
2.2	Basis of evaluation	8
2.3	Limitations and reliance on information	9
3	Profile of Gindalbie	10
3.1	Company history	10
3.2	Legal structure	11
3.3	Principal activities	11
3.4	Exploration assets	12
3.5	Directors and Management	13
3.6	Capital structure and shareholders	14
3.7	Share price performance	15
3.8	Financial performance	16
3.9	Financial position	17
4	The Draft Facility	18
4.1	Project finance arrangements	18
4.2	Proposed facility	18
4.3	Proposed security	18
4.4	Ansteel's role	20
5	Evaluation and conclusion	21
5.1	Basis of evaluation	21
5.2	Evaluation	21
5.3	Conclusion	23
Appendices		
	Appendix 1: Glossary	24
	Appendix 2: Sources of information	26
	Appendix 3: Qualifications, declarations and consents	27

1 Summary of the Proposed Loan Security

In September 2007, Gindalbie, Ansteel and Angang executed a wide-ranging JVDA, which set out the detailed framework surrounding the financing and development of the Karara Iron Ore Project. Amendments to the JVDA were subsequently agreed in December 2008 and December 2009.

As part of the JVDA it was agreed that both Gindalbie and Angang would provide a cross charge over the shares each owns in Karara and Ansteel would, inter alia, arrange the project debt on a 70/30 debt to equity ratio to retain its 50% stake in the Karara Iron Ore Project.

Ansteel introduced the Banks to Karara and Karara has now signed a mandate letter and term sheet with the Banks for the proposed USD1.2 billion debt financing required for the construction of the Karara Iron Ore Project. Karara is currently finalising detailed contract negotiations with the Banks.

The following security arrangements are proposed to support the Draft Facility:

- Karara will grant the Karara Charge over all of its assets
- Gindalbie and Angang will provide the Shareholder Undertakings
- Gindalbie and Angang will provide the Shareholder Guarantees (until project completion) and the First Ranking Share Mortgage
- Gindalbie and Angang will provide each other with a Cross Charge over the shares each owns in Karara to ensure that the Shareholder Undertakings and Shareholder Guarantees are effectively confined to each parties' 50% interest in Karara
- Ansteel will provide the Sponsor Guarantee until project completion occurs
- Gindalbie will provide the Indemnity to Ansteel for Gindalbie's share of any amounts paid by Ansteel if the Sponsor Guarantee is called upon, and Gindalbie will provide the Second Ranking Share Mortgage to secure any amounts owed under the Indemnity. The Indemnity and Second Ranking Share Mortgage will both expire once the Sponsor Guarantee and Shareholder Guarantee have expired and no amount is due by Gindalbie to Ansteel under the Indemnity.

The Second Ranking Share Mortgage and the Gindalbie Cross Charge together form the Proposed Loan Security for which shareholder approval is required under Listing Rule 10.

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2 Scope of the report

2.1 Purpose of the report

Listing Rule 10 requires a company to obtain shareholder approval if it proposes to dispose of a substantial asset to a substantial holder, or an associate of a substantial holder. The company must also commission an independent expert to provide an opinion on whether the proposed transaction is fair and reasonable to the non-associated shareholders.

Ansteel and Angang are both associates of a substantial holder of Gindalbie and the value of the security offered by Gindalbie (its 50% interest in Karara) is a substantial asset. Gindalbie is therefore required to comply with Listing Rule 10 in respect of the Proposed Loan Security.

The Independent Directors have requested that Deloitte provide an independent expert's report advising whether, in our opinion, the Proposed Loan Security is fair and reasonable to Non-Associated Shareholders.

We have prepared this report having regard to Listing Rule 10 and the relevant ASIC Regulatory Guides.

This report is to be included in the Notice of Meeting, and has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Loan Security. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

2.2 Basis of evaluation

2.2.1 Guidance

In determining whether the Proposed Loan Security is fair and reasonable, we have had regard to common market practice and RG111.

RG111 does not provide specific guidance regarding independent expert reports prepared to meet the requirements of Listing Rule 10. However, it does provide some relevant recommendations on the general approach an expert should take, including that the expert should focus on the issues faced by shareholders for whom the report is being prepared and on the purpose and outcome of the transaction rather than the legal mechanism used to effect the transaction.

We have also considered the underlying rationale of Listing Rule 10 in determining what constitutes 'fair and reasonable' for the purpose of the listing rule. This rationale is that, as far as practicable, non-associated shareholders should not be disadvantaged as a result of a substantial transaction by the company with people that are in a position of influence with the company.

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2.2.2 Basis of evaluation

We consider the most appropriate basis on which to evaluate whether the Proposed Loan Security is fair and reasonable, is to consider the overall effect of the Proposed Loan Security on the Non-Associated Shareholders and to form a judgement as to whether the advantages of the Proposed Loan Security outweigh the disadvantages.

In order to assess whether the Proposed Loan Security is fair and reasonable we have therefore considered:

- The advantages and disadvantages of the Proposed Loan Security for Non-Associated Shareholders
- Whether the terms and conditions of the Draft Facility and Proposed Loan Security represent arms length terms for a transaction of this nature
- Alternatives and the position of Non-Associated Shareholders if the Proposed Loan Security is not approved.

2.2.3 Individual circumstances

We have evaluated the Proposed Loan Security for Non-Associated Shareholders as a whole and have not considered the effect of the Proposed Loan Security on the particular circumstances of individual shareholders. Due to their particular circumstances, individual shareholders may place a different emphasis on various aspects of the Proposed Loan Security from the one adopted in this report. Accordingly, shareholders may reach different conclusions to ours on whether the Proposed Loan Security is fair and reasonable. If in doubt shareholders should consult an independent adviser.

2.3 Limitations and reliance on information

The opinion of Deloitte is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix 3.

Our procedures and enquiries do not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board.

3 Profile of Gindalbie

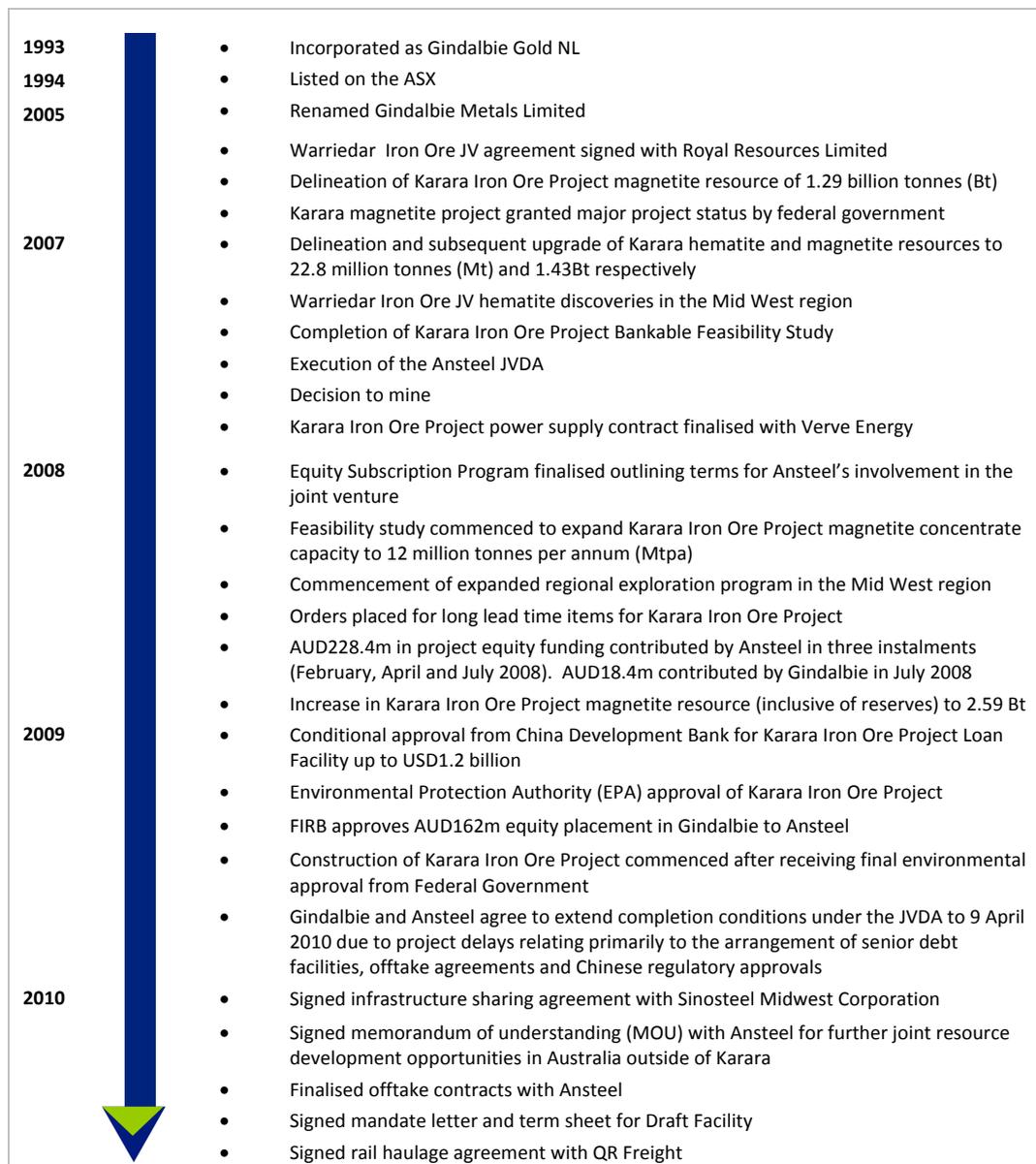
Gindalbie is an iron ore exploration and development company based in Western Australia (WA), which is developing a portfolio of projects in the Mid West region of WA. Gindalbie had a market capitalisation of AUD987 million at 14 April 2010.

Gindalbie’s core asset is the Karara Iron Ore Project which is currently under development and is being undertaken as a joint venture with Ansteel which holds its interest in the Karara Iron Ore Project through Angang, a wholly-owned subsidiary.

3.1 Company history

An overview of Gindalbie’s company history is provided in Figure 1 below.

Figure 1: Company history



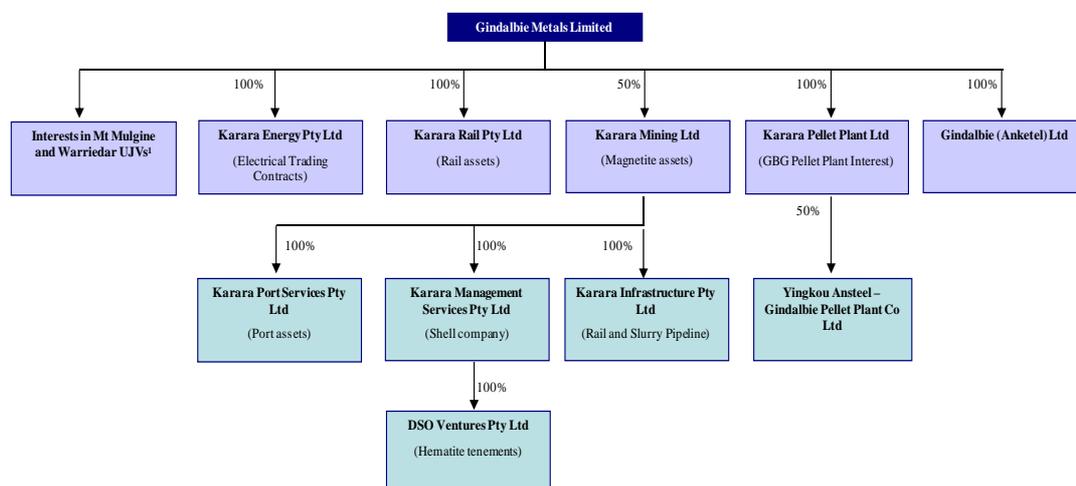
Source: Gindalbie, Company Announcements

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3.2 Legal structure

Figure 2 sets out the group structure for Gindalbie.

Figure 2: Gindalbie group structure



Note 1: 30% interest in Mt Mulgine UJV, and 60% interest in Warriedar UJV

Source: Gindalbie

3.3 Principal activities

Gindalbie is currently focussed on the development of the Karara Iron Ore Project. It also holds interests (some wholly owned and some in joint venture) in 1,900 square kilometres (km²) of prospective tenements in the Mid West region. These assets are described in further detail below.

3.3.1 Karara Iron Ore Project

The Karara Iron Ore Project, located 225 km east of Geraldton in WA, is a joint venture with Ansteel. This project comprises direct shipping ore (DSO) hematite and a magnetite mine. Karara, in which Gindalbie has a 50% interest, holds the assets for the Karara Iron Ore Project.

Gindalbie announced the results of a positive Bankable Feasibility Study (BFS) on the magnetite phase of the Karara Iron Ore Project in September 2007, confirming the economic and technical viability of the project. The BFS contemplated the following:

- A conventional 20 Mtpa open pit mining operation
- Production of 8 Mtpa of magnetite concentrate on site at Karara
- Transportation of magnetite concentrate to the port of Geraldton using rail as the preferred product transport mode, to accommodate future expansion
- Production of 4 Mtpa of blast furnace quality pellets at a new joint venture pellet plant at Yingkou Port, north-eastern China
- Off-take for magnetite concentrate and pellets at Ansteel's new 6.5 Mtpa Bayuquan steel mill at Yingkou Port
- First production of magnetite concentrate is currently scheduled for the last quarter of 2011.

The Karara Iron Ore Project will initially produce 10 Mtpa of iron products commencing in 2011, comprising 8 Mtpa of high-grade magnetite concentrate, a value-added product, and up to 3 Mtpa of DSO. Karara has the potential to produce more than 30 Mtpa over a mine life estimated at more than 30 years. Iron products will initially be exported through Geraldton Port, with Karara also able to commit foundation tonnages to underpin the development of the multi-billion dollar Oakajee Port.

3.3.2 Ansteel

Ansteel is currently China's second-largest steel producer and its largest iron ore miner. It is the major producer in the north-east region of China, with crude steel production of 37 Mtpa and plans to increase output to approximately 50 Mtpa. Ansteel is considered to be one of China's key growth companies and has strong government support in securing new sources of long-term iron ore supply through international investment.

Ansteel has developed a new integrated iron and steel making facility at Bayuquan, adjacent to the Port of Yingkou, approximately 100km south-west of its current steel making facilities in the city of Anshan. The new facility has the capacity to produce 6.5 Mtpa of finished steel products. The Karara Iron Ore Project will be a key feed source for Ansteel's Chinese steel mills, including the facility at Bayuquan.

On 24 February 2010, Gindalbie and Ansteel announced that they had signed an MOU to work together to target new resource development projects in Australia other than the Karara Iron Ore Project.

On 30 March 2010, Gindalbie announced the finalisation of a long-term offtake contract with Ansteel covering total life-of-mine magnetite concentrate production from the Karara Iron Ore Project.

On 7 April 2010, Gindalbie announced the finalisation of a long-term offtake contract with Ansteel covering up to 3 Mtpa of hematite production from the Karara Iron Ore Project.

3.4 Exploration assets

Gindalbie controls a highly prospective portfolio totalling 1,900km² in the Mid West, with the Karara tenements accounting for just 20% of that area. Gindalbie's geologists believe that small-to-medium sized hematite ore-bodies represent the principal exploration target within the Company's Mid West tenure, in addition to the magnetite deposit already defined at Karara.

Key hematite targets include the Shine and Gap Prospects, located within the Warriedar Joint Venture (Gindalbie 60%, Royal Resources Limited 40%), 45km north of Karara.

While some minimal regional exploration is continuing, Gindalbie is currently allocating most of its resources to the rapid development of the Karara Iron Ore Project.

Management believes that additional hematite and large Karara-style magnetite resources can be identified at other prospects within its tenements, including the Lodestone Prospect, which comprises a banded iron formation 6km long and up to 0.8km wide.

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3.5 Directors and Management

Gindalbie's directors and key management include:

Table 1: Directors and management

Name	Title
Geoff Wedlock	Non-Executive Chairman
Garret Dixon	Managing Director and Chief Executive Officer
George Jones	Non-Executive Director
Michael O'Neil	Non-Executive Director
Tunku Ya'acob Bin Tunku Abdullah	Non-Executive Director
Yu Wanyuan	Non-Executive Director
Chen Ping	Non-Executive Director
Wang Heng	Non-Executive Director
David Southam	Chief Financial Officer
David Stokes	General Counsel and Company Secretary

Source: Gindalbie

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3.6 Capital structure and shareholders

As at 14 April 2010, Gindalbie had 707,757,674 ordinary shares on issue.

Gindalbie also has 12,630,000 unlisted employee options.

Gindalbie's top 5 shareholders as at 19 February 2010 are listed below.

Table 2: Top 5 shareholders

Shareholders	Number of shares (m)	% of total shares on issue
Angang Group Hong Kong	255.7	36.14
Melewar Steel Ventures	39.0	5.51
UBS	27.5	3.88
JP Morgan	21.2	3.00
George Francis Jones	14.6	2.06
Sub Total	358.0	50.59

Source: Gindalbie

The top 5 shareholders account for 50.59% of Gindalbie's issued share capital as at 19 February 2010.

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3.7 Share price performance

A summary of Gindalbie's share price performance is provided in the table below.

Table 3: Gindalbie's quarterly ordinary share price information

Quarter end date	High (AUD)	Low (AUD)	Last Trade (AUD)	Volume (m)
31 March 2008	1.19	0.62	0.71	161.0
30 June 2008	1.82	0.72	1.45	280.0
30 September 2008	1.44	0.65	0.69	175.9
31 December 2008	0.68	0.33	0.59	135.1
31 March 2009	0.71	0.51	0.59	72.5
30 June 2009	0.92	0.55	0.77	135.3
30 September 2009	1.00	0.71	0.86	135.3
31 December 2009	1.06	0.82	1.06	131.9
31 March 2010	1.27	0.87	1.25	174.8
Up to 14 April 2010	1.41	1.25	1.40	35.1

Source: Bloomberg

These share price movements and trading volumes are presented graphically in the figure below.

Figure 3: Gindalbie share price and volume



Source: Bloomberg

During the year to 14 April 2010, 84% of Gindalbie's total issued capital was traded, which indicates a high level of liquidity.

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3.8 Financial performance

The audited financial results of Gindalbie for the years ended 30 June 2008 (FY08), 30 June 2009 (FY09) and the half-year ended 31 December 2009 (HY10) are summarised in the table below.

Table 4: Financial performance of Gindalbie

	FY08 (AUD'000)	FY09 (AUD'000)	HY10 (AUD'000)
Income/(Loss)	57,675	33,446	(4,626)
EBITDA	47,437	21,660	(4,281)
Depreciation and amortisation	(157)	(587)	(345)
EBIT	47,280	21,073	(4,626)
Net interest income	4,987	5,552	2,990
Profit/(loss) before tax	52,267	26,625	(1,636)

Source: Gindalbie financial reports for FY08, FY09 and HY10

- Notes:
1. EBITDA = Earnings before interest, tax, depreciation and amortisation
 2. EBIT = Earnings before interest and tax

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3.9 Financial position

The audited statements of financial position for Gindalbie for FY08, FY09 and HY10 are summarised in the table below:

Table 5: Financial position of Gindalbie

	FY08 ¹ (AUD'000)	FY09 ¹ (AUD'000)	HY10 (AUD'000)
Cash	102,650	127,122	164,470
Receivables	1,929	11,053	10,477
Other	138	103	155
Total current assets	104,717	138,278	175,102
Exploration and evaluation assets	5,501	10,652	11,713
Property, plant and equipment	49,430	124,246	171,883
Other	1,718	621	4,303
Total non-current assets	56,649	135,519	187,899
Payables	8,326	92,478	19,431
Employee benefits	434	704	845
Total current liabilities	8,760	93,182	20,276
Deferred tax liabilities	7,746	6,216	6,311
Employee benefits	23	13	24
Total non-current liabilities	7,769	6,229	6,335
Net assets	144,837	174,386	336,390

Source: Gindalbie financial reports for FY08, FY09 and HY10

Note 1: FY08 is the first period that Gindalbie proportionately consolidated Karara at 66.67% and from FY09 Karara was consolidated at 50.0%.

4 The Draft Facility

4.1 Project finance arrangements

Project finance describes the provision of limited recourse loans to finance a specific project based upon its projected cash flows rather than the balance sheets of the project sponsors. It is usual in project finance arrangements that the lenders' primary recourse is to the assets of the project being financed rather than the general assets of the project sponsors. However, shareholder guarantees and/or a sponsor guarantee may be required, particularly during the construction phase as lenders generally will not take construction risk. Depending on the risk profile of the project, such guarantees may expire upon project completion.

Project finance loans are generally long term loans, given the nature of the assets being funded. Detailed covenants and restrictions on other activities are generally imposed on the project entity to ensure that the lender's security is protected.

4.2 Proposed facility

The Banks are the mandated lead arrangers, bookrunners and underwriters for the proposed USD1.2 billion syndicated limited recourse secured loan facility with Karara. The terms and conditions of the Draft Facility are currently in draft form and remain subject to various due diligence, approvals and documentation.

The Draft Facility will provide funding to meet 70% of the total construction costs for the Karara Iron Ore Project with the balance to be funded by Gindalbie and Angang in the form of equity or subordinated debt.

The term of the Draft Facility is 12 years. The interest rate is variable comprising a fixed margin above the 6 month London Interbank Offered Rate (LIBOR). Principal repayments will commence 3 years after finalisation of the Draft Facility. Financial and other covenants and terms are usual for facilities of this nature.

4.3 Proposed security

The following security arrangements are proposed to support the Draft Facility:

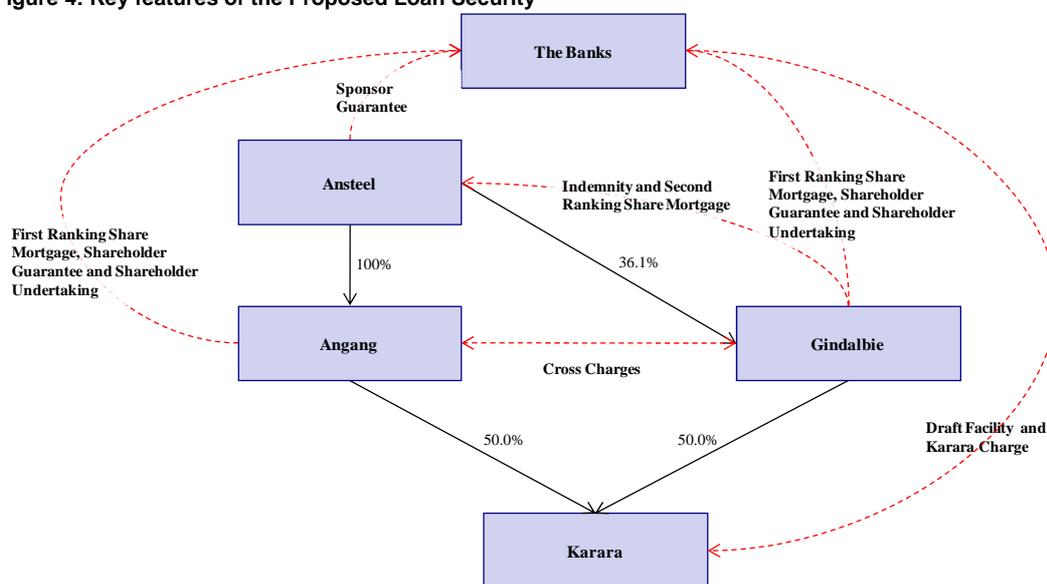
- Karara will grant the Karara Charge over all of its assets
- Under the Shareholder Undertakings, Gindalbie and Angang will each severally undertake to fund any shortfall if project costs exceed funds available to Karara
- Under the Shareholder Guarantees, Gindalbie and Angang will each severally guarantee Karara's obligations under the Draft Facility until project completion occurs
- Gindalbie and Angang will each provide a First Ranking Share Mortgage in favour of the Banks over all of their shares in Karara
- Gindalbie and Angang will provide a Cross Charge to each other over the shares each owns in Karara to secure each entity's obligations under the JVDA and to ensure that the Shareholder Undertakings and Shareholder Guarantees are effectively confined to each party's 50% interest in Karara
- Ansteel will provide the Sponsor Guarantee under which it will guarantee Gindalbie and Angang's payment obligations under the Shareholder Undertakings and Shareholder Guarantees until project completion occurs

- Gindalbie will provide the Indemnity to Ansteel and grant the Second Ranking Share Mortgage in favour of Ansteel to secure any amounts owed under the Indemnity. The Indemnity and Second Ranking Share Mortgage will both expire once the Sponsor Guarantee and Shareholder Guarantee have expired and no amount is due by Gindalbie to Ansteel under the Indemnity.
- A featherweight charge will be granted by Gindalbie, which will only become operative if default occurs and an administrator is appointed over Gindalbie. This charge will enable the Banks to appoint a receiver and therefore effectively enable them to exercise their rights under the First Ranking Share Mortgage immediately.

The Second Ranking Share Mortgage and the Gindalbie Cross Charge together form the Proposed Loan Security, which will rank behind the First Ranking Share Mortgage.

The key features of the Proposed Loan Security are illustrated in Figure 4 below.

Figure 4: Key features of the Proposed Loan Security



Source: Deloitte analysis

4.4 Ansteel's role

As required under the JVDA, Ansteel has arranged for the Banks to provide the Draft Facility. Ansteel's standing in China as a significant state owned enterprise has enabled it to negotiate favourable Draft Facility terms on behalf of Karara. These terms are unlikely to have been available to Karara without Ansteel's support and credit rating.

Ansteel has also agreed to be the project sponsor and provide the Sponsor Guarantee, despite not owning all of the Karara Iron Ore Project. Ansteel is required to obtain Chinese regulatory approval from the State Administration of Foreign Exchange (SAFE) to provide a sponsor guarantee, and this approval is generally only granted in respect of the portion of the project that the Chinese party owns. Ansteel therefore has to demonstrate to the Chinese authorities that it has taken other steps to limit its exposure under the Sponsor Guarantee. This will be achieved by Gindalbie providing the Indemnity to Ansteel for Gindalbie's share of any amounts Ansteel is required to pay under the Sponsor Guarantee. The Indemnity will be secured by the Second Ranking Share Mortgage.

It is important to note that Ansteel does not have security over all of Gindalbie's assets and its only recourse to Gindalbie is to its shares in Karara. These shares will already have been provided as security to the Banks under the First Ranking Share Mortgage and hence Gindalbie is effectively not assuming any additional risk by providing the Second Ranking Share Mortgage to Ansteel.

5 Evaluation and conclusion

5.1 Basis of evaluation

In order to assess whether the Proposed Loan Security is fair and reasonable we have considered:

- The advantages and disadvantages of the Proposed Loan Security for Non-Associated Shareholders
- Whether the terms and conditions of the Draft Facility and Proposed Loan Security represent arms length terms for a transaction of this nature
- Alternatives and the position of Non-Associated Shareholders if the Proposed Loan Security is not approved.

5.2 Evaluation

In our opinion the Proposed Loan Security is fair and reasonable to Non-Associated Shareholders. In arriving at this opinion, we have had regard to the following factors:

Advantage of the Proposed Loan Security

Ansteel's support and the Proposed Loan Security has made it possible to obtain a favourable Draft Facility

The terms of the Draft Facility are generally favourable for Karara and are therefore also considered favourable for Gindalbie. This includes the proposed term, lending margin, bank fees, security and covenants. These terms were obtained as a result of Ansteel's credit rating and standing in China and Ansteel's willingness to provide the Sponsor Guarantee. We would not expect such terms to be available to Karara without the support of Ansteel.

The Second Ranking Share Mortgage is required to protect Ansteel's position in relation to the Sponsor Guarantee as Gindalbie is not wholly owned by Ansteel. Therefore if Ansteel is called upon to make payments on behalf of Gindalbie under the Sponsor Guarantee, Ansteel requires recourse to Gindalbie to mitigate its costs, initially under the Indemnity provided by Gindalbie and ultimately, if required, through access to Gindalbie's shares in Karara. We consider this a normal commercial arrangement associated with loans of this nature.

The Gindalbie Cross Charge is advantageous to Non-Associated Shareholders because it is part of a reciprocal arrangement that protects both Gindalbie and Angang by ensuring that the Shareholder Guarantees provided by each party effectively cover only the 50% interest in Karara held by each party. This is usual practice in a joint venture funding arrangement.

Disadvantage of the Proposed Loan Security

If the Sponsor Guarantee is called upon, Ansteel could sell Gindalbie's shares in Karara to recoup its associated costs

If Karara is in default, the Banks can call upon Gindalbie and Angang under the Shareholder Undertakings and the Shareholder Guarantees (which expire at project completion), or they can call directly upon the Sponsor Guarantee. If the latter occurs, Ansteel will be required to meet all of the obligations of Angang and Gindalbie but will then be able to sell Gindalbie's shares in Karara to recoup its costs associated with Gindalbie's 50% share of such obligations.

However, under the First Ranking Share Mortgage, the Banks already have the same right to sell Gindalbie's shares in Karara if Karara is in default and Gindalbie is unable to honour the Shareholder Undertaking and Guarantee.

We therefore do not consider that the Second Ranking Share Mortgage provides any additional risk to Gindalbie, and this is therefore not a major disadvantage to Non-Associated Shareholders.

Other Matters

The Proposed Loan Security is usual for a project financing transaction of this nature

In project financing arrangements the lenders' primary recourse is usually to the asset being financed, however a sponsor guarantee is also usually required during the construction phase as lenders generally will not take construction risk. It is usual for such guarantees to expire upon project completion.

Under the Draft Facility, the Banks' primary security will be the Karara Iron Ore Project. The Shareholder Guarantees, backed up by the First Ranking Share Mortgages covering all of the shares in Karara, provide secondary security to the Banks. The Sponsor Guarantee is a third level of security that will apply during the construction phase. These are all usual project financing security arrangements.

The Cross Charges are necessary to protect Gindalbie and Angang by ensuring that each Shareholder Guarantee is effectively several (only covering 50% of Karara's obligations), and the Second Ranking Share Mortgage is necessary to protect Ansteel in relation to the Sponsor Guarantee as it provides cover for both Gindalbie and Angang's obligations under the Shareholder Guarantee.

In our opinion, the Proposed Loan Security is therefore commercially rational, at arm's length and normal for a project financing transaction of this nature.

Alternative funding sources would likely be difficult and expensive to obtain in the current market

Since the onset of the global financial crisis in late 2008, project finance markets have been constrained and debt funding has been difficult to obtain. In Australia this was exacerbated by the withdrawal of many foreign lenders from the Australian market. Debt has become less available and the terms of funding have become significantly more expensive and onerous for borrowers.

Although there are signs that project finance is starting to become more available, funding terms remain expensive and few banks are able to offer funding for a period of 12 years. There is currently no certainty that comparable alternative funding sources for the Karara Iron Ore Project could be found and it is likely that any alternatives would be significantly more expensive without the support of Ansteel.

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5.3 Conclusion

On balance, in our opinion, the advantages of the Proposed Loan Security outweigh the disadvantages. Therefore, in our opinion, the Proposed Loan Security is fair and reasonable to Non-Associated Shareholders.

An individual Non-Associated Shareholder's decision in relation to the Proposed Loan Security may be influenced by his or her particular circumstances. If in doubt the Non-Associated Shareholder should consult an independent adviser.

Appendix 1: Glossary

Reference	Definition
AICD	Australian Institute of Company Directors
Angang	Angang Group Investment (Australia) Pty Ltd
Ansteel	Anshan Iron and Steel Group Corporation
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
AUD	Australian dollars
the Banks	Consortium of banks including China Development Bank Corporation and Bank of China Limited
BFS	Bankable feasibility study
Bt	Billion tonnes
Cross Charges	As part of the JVDA, both Gindalbie and Angang will provide a cross charge over the shares each owns in Karara
Deloitte	Deloitte Corporate Finance Pty Limited
Draft Facility	Draft agreement for the proposed USD1.2bn debt funding for the construction of the Karara Iron Ore Project
DSO	Direct shipping ore
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPA	Environmental Protection Authority
FICS	Financial Industry Complaints Service
FINSIA	Financial Services Institute of Australasia
FIRB	Foreign Investment Review Board
First Ranking Share Mortgage	Gindalbie and Angang will each provide a share mortgage in favour of the Banks over all of their shares in Karara
FSG	Financial Services Guide
FY08 and FY09	Financial year ending 30 June 2008 and 30 June 2009
Gindalbie	Gindalbie Metals Ltd
Gindalbie Cross Charge	Gindalbie will grant security over all of its shares in Karara in favour of Angang
HY10	Half-year ended 31 December 2009
ICAA	The Institute of Chartered Accountants in Australia
Indemnity	Gindalbie will provide an indemnity to Ansteel for Gindalbie's share of any amounts paid by Ansteel if the Sponsor Guarantee is called upon
Independent Directors	The independent directors of Gindalbie
JVDA	Joint venture agreement between Angang and Gindalbie for the joint development of the Karara Iron Ore Project
Karara	Karara Mining Limited
Karara Charge	Karara will grant a fixed and floating charge over all of its assets

Reference	Definition
LIBOR	London Interbank Offered Rate
Listing Rule 10	Listing Rule 10.1 of the ASX
MOU	Memorandum of understanding
Mt	Million tonnes
Mtpa	Million tonnes per annum
Non-Associated Shareholders	Shareholders of Gindalbie other than Ansteel
Notice of Meeting	Notice of meeting to approve the Proposed Loan Security
PDS	Product Disclosure Statement
Proposed Loan Security	Second Ranking Share Mortgage and the Gindalbie Cross Charge
RG111	Regulatory Guide 111 issued by ASIC in relation to the content of expert's reports
SAFE	State Administration of Foreign Exchange
Second Ranking Share Mortgage	Gindalbie provides a share mortgage in favour of Ansteel over all of its shares in Karara
Shareholder Guarantees	Gindalbie and Angang will each severally guarantee Karara's obligations under the Draft Facility. The Shareholder Guarantees expire at project completion
Shareholder Undertakings	Gindalbie and Angang will each severally undertake to fund any shortfall if project costs exceed funds available to Karara
Sponsor Guarantee	Ansteel will provide a sponsor guarantee under which it will guarantee Gindalbie and Angang's payment obligations under the Shareholder Undertakings and Shareholder Guarantees until project completion occurs
USD	United States dollars

Appendix 2: Sources of information

In preparing this report we have had access to the following principal sources of information:

- Final term sheet dated 7 April 2010
- Draft deed of Cross Charges between Angang and Gindalbie
- Draft Equitable Mortgage over Shares and Indemnity – Gindalbie Metals Limited (Karara Mining Limited) between Gindalbie and Ansteel
- Gindalbie Undertaking letter dated 3 February 2010
- JVDA
- Audited financial statements for Gindalbie for the years ending 30 June 2008, 30 June 2009 and the half-year ending 31 December 2009
- Company website of Gindalbie
- Publicly available information on Gindalbie, Angang, Ansteel and Karara published by ASIC, ASX and Bloomberg Financial markets
- Other publicly available information and media releases on Gindalbie, Angang, Ansteel and Karara

In addition, we have had discussions and correspondence with certain directors and executives. We have also held discussion with legal and financial advisers to Karara, Gindalbie and Ansteel in relation to the above information and to current operations and prospects.

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Appendix 3: Qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of Gindalbie and is to be included in the Notice of Meeting to be given to Shareholders for approval of the Proposed Loan Security in accordance with Listing Rule 10. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Notice of Meeting in their assessment of the Proposed Loan Security outlined in the report and should not be used for any other purpose. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Loan Security.

The report represents solely the expression by Deloitte of its opinion as to whether the Proposed Loan Security is fair and reasonable in relation to Listing Rule 10.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte has relied upon the completeness of the information provided by Gindalbie and its officers, employees, agents or advisors which Deloitte believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Gindalbie management for confirmation of factual accuracy.

In recognition that Deloitte may rely on information provided by Gindalbie and its officers, employees, agents or advisors, Gindalbie has agreed that it will not make any claim against Deloitte to recover any loss or damage which Gindalbie may suffer as a result of that reliance and that it will indemnify Deloitte against any liability that arises out of either Deloitte's reliance on the information provided by Gindalbie and its officers, employees, agents or advisors or the failure by Gindalbie and its officers, employees, agents or advisors to provide Deloitte with any material information relating to the Proposed Loan Security.

Deloitte holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte principally involved in the preparation of this report were Nicki Ivory (B.Com (Hons), CA, CFA), Keith Jones (B.Bus and Fellow of ICAA, AICD and FINSIA) and Roger Black (BSc, MBA). Nicki and Keith are Directors of Deloitte and Roger is a Partner of Deloitte Touche Tohmatsu. Nicki and Keith have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Roger has many years experience in the provision of project development and project finance advice including advice on debt raising and structuring.

Neither Deloitte, Deloitte Touche Tohmatsu, nor any partner or executive or employee thereof has any financial interest in the outcome of the Proposed Loan Security which could be considered to affect our ability to render an unbiased opinion in this report. Deloitte will receive a fee of AUD40,000 exclusive of GST in relation to the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Loan Security.

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Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 240 St Georges Terrace, Perth WA 6000 acknowledges that:

- Gindalbie proposes to issue a Notice of Meeting in respect of the Proposed Loan Security
- the Notice of Meeting will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Notice of Meeting for review
- it is named in the Notice of Meeting as the ‘independent expert’ and the Notice of Meeting includes its independent expert’s report in Annexure A of the Notice of Meeting.

On the basis that the Notice of Meeting is consistent in all material respects with the draft Notice of Meeting received, Deloitte Corporate Finance Pty Limited consents to it being named in the Notice of Meeting in the form and context in which it is so named, to the inclusion of its independent expert’s report in Annexure A of the Notice of Meeting and to all references to its independent expert’s report in the form and context in which they are included, whether the Notice of Meeting is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Notice of Meeting and takes no responsibility for any part of the Notice of Meeting, other than any references to its name and the independent expert’s report as included in Annexure A.

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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

For all enquiries call:

Telephone: +61 (0) 8 9389 8033
Email: 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 8.00am (Perth time) on 14 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 shareholders holding shares at 5.00pm (Perth time) on Monday, 14 May 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, Explanatory Statement and Independent Expert's Report.
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.

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, 14 Mil Street, Perth WA, on 16 June 2010 at 10.00am (Perth time) or any adjournment thereof (the "Meeting").

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

the Chairmen 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*

Resolution 1 - Approval of Share Mortgage and Cross Charge

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.

Individual or Member 1

Member 2 (if joint holding)

Member 3 (if joint holding)

/ /

Sole Director and Sole Secretary

Director/Company Secretary

Director

Date