



GINDALBIE
METALS LIMITED

Acquisition Scheme Booklet

**THIS DOCUMENT IS IMPORTANT AND
REQUIRES YOUR URGENT ATTENTION.**

YOU SHOULD READ THIS ACQUISITION SCHEME BOOKLET IN ITS ENTIRETY PRIOR TO DECIDING WHETHER OR NOT TO VOTE IN FAVOUR OF THE ACQUISITION SCHEME RESOLUTION. IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH THIS ACQUISITION SCHEME BOOKLET, PLEASE CONSULT YOUR INDEPENDENT FINANCIAL, LEGAL OR TAXATION ADVISER IMMEDIATELY. IF YOU HAVE SOLD ALL OF YOUR GINDALBIE SHARES, PLEASE IGNORE THIS ACQUISITION SCHEME BOOKLET.

LEGAL ADVISER TO
GINDALBIE METALS LIMITED

CLAYTON UTZ

GINDALBIE METALS LIMITED
ACN 060 857 614

for the recommended scheme of arrangement in relation to the proposed acquisition of all of your Gindalbie Shares by Angang Group Hong Kong (Holdings) Limited

VOTE IN FAVOUR



The Independent Directors unanimously recommend that you **VOTE IN FAVOUR** of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.

The Independent Expert has concluded that, in the absence of a superior offer, the Acquisition Scheme is **FAIR AND REASONABLE AND THEREFORE IN THE BEST INTERESTS** of Gindalbie Shareholders.

If you have any questions in relation to this Acquisition Scheme Booklet or the Acquisition Scheme you should contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

Contents

Important notices	1
Important dates and expected timetable for the Acquisition Scheme	6
Chairman’s letter	7
What you should do	10
Summary of considerations relevant to your vote	12
Reasons to vote in favour of the Acquisition Scheme	13
Reasons to vote against the Acquisition Scheme	18
Other considerations relevant to your vote on the Acquisition Scheme	20
1. Summary of the Acquisition Scheme	21
2. Frequently asked questions	29
3. How to vote	44
4. Information on Gindalbie	48
5. Information on Ansteel	63
6. Risks	69
7. Implementation of the Acquisition Scheme	74
8. Implications if the Acquisition Scheme is not implemented	79
9. Tax implications of the Acquisition Scheme	81
10. Additional information	88
11. Glossary	94
Annexure A Summary of the Acquisition Scheme Implementation Agreement	100
Annexure B Independent Expert’s Report	108
Annexure C Acquisition Scheme	229
Annexure D Acquisition Deed Poll	244
Annexure E Notice of Acquisition Scheme Meeting	254

Important notices

Date of Acquisition Scheme Booklet

This Acquisition Scheme Booklet is dated 24 May 2019.

General

Gindalbie Shareholders should read this Acquisition Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Acquisition Scheme Meeting. If you are in any doubt as to how to deal with this Acquisition Scheme Booklet, please consult your independent financial, legal or taxation adviser immediately.

Purpose of this Acquisition Scheme Booklet

The purpose of this Acquisition Scheme Booklet is to explain the terms of the Acquisition Scheme and the manner in which the Acquisition Scheme will be considered and implemented (if approved), and to provide such information as is prescribed or otherwise material to the decision of Gindalbie Shareholders whether or not to approve the Acquisition Scheme. This Acquisition Scheme Booklet includes the explanatory statement required by section 412(1) of the Corporations Act in relation to the Acquisition Scheme. A copy of the proposed Acquisition Scheme is set out in Annexure C.

Responsibility statement

The Gindalbie Information (being all information contained in this Acquisition Scheme Booklet, other than the Ansteel Information, Section 9 and the Independent Expert's Report) has been prepared by, and is the responsibility of, Gindalbie. None of Ansteel, or its Related Bodies Corporate, or any of their directors, officers, employees and advisers, assumes any responsibility for the accuracy or completeness of the Gindalbie Information.

The Ansteel Information (being the information contained in Section 5 and under the heading "Who is Ansteel?" on page 31 of this Acquisition Scheme Booklet) has been prepared by, and is the responsibility of, Ansteel. None of Gindalbie, or its Related Bodies Corporate, or any of their directors, officers, employees and advisers, assumes any responsibility for the accuracy or completeness of the Ansteel Information.

The Independent Expert's Report contained in this Acquisition Scheme Booklet has been prepared by, and is the responsibility of, BDO, the Independent Expert. The Independent Expert and its directors, officers and employees are not responsible for the accuracy and completeness of any other part of this Acquisition Scheme Booklet. None of Gindalbie or Ansteel, or their respective Related Bodies Corporate, or any of their respective directors, officers, employees and advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report, except, in the case of Gindalbie and Ansteel, respectively, in relation to the information which it has provided to the Independent Expert.

KPMG has prepared and is responsible for a letter to the Gindalbie Directors advising them of the tax implications of the Acquisition Scheme which has been included in Section 9 of this Acquisition Scheme Booklet. None of Gindalbie or Ansteel, or their respective Related Bodies Corporate, or any of their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of that Section. KPMG and its directors, officers and employees are not responsible for the accuracy and completeness of any other part of this Acquisition Scheme Booklet.

ASIC and the ASX

A copy of this Acquisition Scheme Booklet has been provided to ASIC for the purpose of section 411(2) of the Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has reviewed a copy of this Acquisition Scheme Booklet. Gindalbie has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Acquisition Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor its officers take any responsibility for the contents of this Acquisition Scheme Booklet.

A copy of this Acquisition Scheme Booklet has been provided to the ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Acquisition Scheme Booklet.

Important notice associated with the Court order under section 411(1) of the Corporations Act

The Court has ordered the convening of the Acquisition Scheme Meeting pursuant to section 411(1) of the Corporations Act. The fact that under section 411(1) of the Corporations Act the Court has ordered that the Acquisition Scheme Meeting be convened and has approved this Acquisition Scheme Booklet does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Acquisition Scheme or as to how Gindalbie Shareholders should vote (on this matter Gindalbie Shareholders must reach their own decision); or
- (b) has prepared, or is responsible for, the content of this Acquisition Scheme Booklet.

The order of the Court that the Acquisition Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Acquisition Scheme.

No investment advice

The information contained in this Acquisition Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position and particular needs of Gindalbie Shareholders or any other person. The information in this Acquisition Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Acquisition Scheme or Gindalbie Shares. Gindalbie Shareholders should seek independent financial, legal and taxation advice before making any decision regarding the Acquisition Scheme.

Mineral resources and ore reserves

Mineral resources and ore reserves estimates contained in this Acquisition Scheme Booklet are stated in accordance with the JORC Code and are expressions of judgment based on knowledge, experience and industry practice. Although mineral resources and ore reserves estimates contained in this Acquisition Scheme Booklet comply with the JORC Code, they may not comply with the relevant guidelines in other countries.

Not an offer

This Acquisition Scheme Booklet does not constitute or contain an offer to Gindalbie Shareholders, or a solicitation of an offer from Gindalbie Shareholders, in any jurisdiction.

Forward looking statements

Certain statements in this Acquisition Scheme Booklet, including statements relating to Gindalbie's or Ansteel's plans, intentions or expectations of future costs or revenues relate to the future and are forward looking statements or information. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Gindalbie to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand.

Assumptions upon which forward looking statements in this Acquisition Scheme Booklet are based include, without limitation: (a) that Gindalbie Shareholders will approve the Acquisition Scheme; (b) that the Court will approve the Acquisition Scheme; and (c) that all other conditions to the Acquisition Scheme will be satisfied or waived (as applicable). Many of these assumptions are based on factors and events that are not within the control of Gindalbie and may not prove to be correct.

Factors that could cause actual results to vary materially from results anticipated by such forward looking statements include, but are not limited to: the satisfaction of the conditions to the Acquisition Scheme, including the receipt of Gindalbie Shareholder approval and Court approval on the terms expected by Gindalbie and Ansteel; the parties' ability to meet expectations regarding the timing of implementation of the Acquisition Scheme; and accounting and tax treatments of the Acquisition Scheme and the factors identified in Section 6, as well as in Gindalbie's recent annual and half-yearly financial reports, which are available from Gindalbie's website at www.gindalbie.com.au.

Without limiting the generality of the other provisions of this cautionary statement, the Independent Expert's Report set out in Annexure B may contain or refer to forward looking information and is subject to certain assumptions, limitations, risks and uncertainties as described herein and therein.

Other than as required by law, neither Gindalbie nor Ansteel nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Acquisition Scheme Booklet will actually occur. Gindalbie Shareholders are cautioned about relying on any such forward looking statements. The forward looking statements in this Acquisition Scheme Booklet reflect views held only at the date of this Acquisition Scheme Booklet. Additionally, statements of the intentions of Ansteel in this Acquisition Scheme Booklet reflect present intentions as at the date of this Acquisition Scheme Booklet and may be subject to change. Forward looking statements are made as at the date of this Acquisition Scheme Booklet and neither Gindalbie nor Ansteel undertakes to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

Estimates, targets and forecasts

Unless otherwise indicated, all references to estimates, targets and forecasts and derivatives of the same in this Acquisition Scheme Booklet are references to estimates, targets and forecasts by management of either Gindalbie or Ansteel (as applicable). Management estimates, targets and forecasts are based on views held only as at the date of this Acquisition Scheme Booklet, and actual events and results may be materially different from them.

Gindalbie believes that any forecast attributed to it in this Acquisition Scheme Booklet has been made on reasonable grounds and no forecast in this Acquisition Scheme Booklet is attributable to Ansteel. However, readers are cautioned that the estimates, targets and forecasts are subject to a variety of factors that are likely to cause actual results to vary from them, and such variations may be material. Forward looking information generally involves risks and uncertainties as described above, which are in many instances beyond Gindalbie's or Ansteel's control, including amongst other things, global economic conditions, specific market conditions, commodity prices, regulatory developments, exchange rates, litigation, interest rates and regulatory changes. A description of certain risks is set out in Section 6. These could cause actual events and results to vary significantly from those included in or contemplated by such statements.

Any estimates, targets or forecasts reflect certain assumptions by Gindalbie and/or Ansteel whose assumptions may differ with respect to future events, economic, competitive and regulatory conditions, financial market conditions and future business decisions, including a continuation of existing business operations on substantially the same basis as currently exists, all of which are difficult to predict and many of which are beyond Gindalbie's or Ansteel's control. Accordingly, there can be no assurance that any estimate, forecast or target is indicative of Gindalbie's or Ansteel's future performance or that actual events and results would not differ materially from them.

Privacy and personal information

Gindalbie, Ansteel and the Share Registry may collect personal information in the process of implementing the Acquisition Scheme. The personal information may include the names, addresses, other contact details and details of the security holdings of Gindalbie Shareholders, and the names of individuals appointed by Gindalbie Shareholders as proxies, corporate representatives or attorneys at the Acquisition Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The personal information is collected for the primary purposes of assisting Gindalbie to conduct the Acquisition Scheme Meeting and to enable the Acquisition Scheme to be implemented. The personal information may be disclosed to Gindalbie's and Ansteel's share registries/transfer agents, securities brokers, print and mail service providers and any other service provider to the extent necessary to conduct the Acquisition Scheme Meeting and implement the Acquisition Scheme.

If the information outlined above is not collected, Gindalbie may be hindered in, or prevented from, conducting the Acquisition Scheme Meeting and implementing the Acquisition Scheme.

Gindalbie Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Share Registry on 1300 554 474 (within Australia) or +61 1300 554 474 (outside of Australia) if they wish to exercise these rights.

Gindalbie Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Acquisition Scheme Meeting should inform such an individual of the matters outlined above.

The Privacy Policy of Gindalbie is available at www.gindalbie.com.au/corporate-governance/legal and contains information about how an individual may access personal information about the individual that is held by Gindalbie, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

The Privacy Policy of the Share Registry is available at issuers.linkmarketservices.com.au/Help/Privacy.html and contains information about how an individual may access personal information about the individual that is held by the Share Registry, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

Tax implications of the Acquisition Scheme

If the Acquisition Scheme becomes Effective and is implemented, there will be tax consequences for Acquisition Scheme Shareholders which may include tax being payable on any gain on disposal of Gindalbie Shares or if you are a Relevant Foreign Resident and you are unable to provide a signed and completed Relevant Foreign Resident Declaration Form by the Acquisition Scheme Record Date, Ansteel may be required to withhold and pay to the ATO a foreign resident capital gains tax withholding amount of 12.5% of the Acquisition Scheme Consideration payable to you (or some lesser ATO varied amount).

If you have not provided your TFN, TFN exemption or ABN to Gindalbie, Gindalbie will withhold and pay to the ATO, 47% of the dividend component (if any) of the Demerger Scheme Consideration. As the Demerger Scheme Consideration is not cash, the required amount of any withholding will be deducted from the Acquisition Scheme Consideration that may be payable to you and paid to the ATO. Please refer to Sections 1.5 and 7.4 and the question titled "What is the tax direction?" in Section 2 for further information in respect of the relevant withholding process.

Please refer to Section 9 for further details about the general Australian tax consequences of the Acquisition Scheme. The tax treatment may vary depending on the nature and characteristics of each Gindalbie Shareholder and their specific circumstances. Accordingly, Gindalbie Shareholders should seek independent taxation advice in relation to their particular circumstances.

Interpretation

Information contained in this Acquisition Scheme Booklet is given as of 24 May 2019, unless otherwise stated to the contrary. Capitalised terms and certain abbreviations used in this Acquisition Scheme Booklet have the defined meanings set out in Section 11. The documents reproduced or summarised in the Annexures to this Acquisition Scheme Booklet may have their own defined terms, which are sometimes different from those in Section 11.

Figures, amounts, percentages, estimates, calculations of value and fractions in this Acquisition Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Acquisition Scheme Booklet. All references to times in this Acquisition Scheme Booklet are references to time in Perth, Western Australia, Australia, unless otherwise stated. All dates in the timetable are indicative only and subject to change. All references in this Acquisition Scheme Booklet to "\$", "A\$", "AUD", "Australian dollars" and "cents" are to Australian currency.

Notice of Acquisition Scheme Meeting

The Notice of Acquisition Scheme Meeting is set out in Annexure E.

Notice of Second Court Hearing and if a Gindalbie Shareholder wishes to oppose the Acquisition Scheme

At the Second Court Hearing, the Court will consider whether to approve the Acquisition Scheme following the vote at the Acquisition Scheme Meeting. Any Gindalbie Shareholder may appear at the Second Court Hearing and may oppose the approval of the Acquisition Scheme at the Second Court Hearing. If you wish to oppose in this manner, you must file with the Court and serve on Gindalbie a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Gindalbie at its address for service at least one day before 8 July 2019. The address for service for Gindalbie is c/- Clayton Utz, Level 27, QV1 Building, 250 St Georges Terrace, Perth WA 6000 (Reference: Cameron Belyea) Facsimile: 08 9481 3095 Email: cbelyea@claytonutz.com.

The Second Court Hearing is expected to be held on 8 July 2019 at the Peter Durack Commonwealth Law Courts Building, 1 Victoria Avenue, Perth, Western Australia, Australia.

No internet site is part of this Acquisition Scheme Booklet

Gindalbie and Ansteel each maintain an internet website. The content of those websites does not form part of this Acquisition Scheme Booklet. Any reference in this Acquisition Scheme Booklet to a website is a textual reference for information only and no information in any website forms part of this Acquisition Scheme Booklet.

Foreign jurisdictions

The release, publication or distribution of this Acquisition Scheme Booklet outside Australia may be restricted by law or regulation and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws or regulations. Gindalbie and its Related Bodies Corporate and their directors, officers, employees and advisers each disclaim all liabilities to such persons.

This Acquisition Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Acquisition Scheme Booklet may not be the same as that which would have been disclosed if this Acquisition Scheme Booklet had been prepared in accordance with the laws and regulations of jurisdictions other than Australia.

Gindalbie Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Acquisition Scheme Booklet or any aspect of the Acquisition Scheme in any jurisdiction outside Australia.

Questions and supplementary information

If you have any questions in relation to this Acquisition Scheme Booklet or the Acquisition Scheme you should contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

Gindalbie Shareholders should seek independent financial, legal and taxation advice before making any decision regarding the Acquisition Scheme.

In certain circumstances, Gindalbie may provide additional disclosure to Gindalbie Shareholders in relation to the Acquisition Scheme after the date of this Acquisition Scheme Booklet. To the extent applicable, Gindalbie Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Acquisition Scheme.

Important dates and expected timetable for the Acquisition Scheme

Event	Time and Date
First Court Hearing	24 May 2019
Despatch of Acquisition Scheme Booklet and Notice of Acquisition Scheme Meeting to Gindalbie Shareholders	3 June 2019
Latest time and date by which completed Proxy Forms for the Acquisition Scheme Meeting must be received	9.30 am (Perth time) on 1 July 2019
Time and date for determining eligibility of registered Gindalbie Shareholders to vote at the Acquisition Scheme Meeting	5.00 pm (Perth time) on 1 July 2019
Acquisition Scheme Meeting (to be held at the Perth Convention and Exhibition Centre, Meeting Room 8)	9.30 am (Perth time) on 3 July 2019

If the Acquisition Scheme is approved by the Requisite Majorities, the expected timetable for implementation of the Acquisition Scheme is:

Second Court Hearing for approval of the Acquisition Scheme	8 July 2019
Effective Date on which the Acquisition Scheme comes into effect and is binding	9 July 2019
Court order lodged with ASIC and announcement to the ASX	
Last day of trading in Gindalbie Shares on the ASX (with Gindalbie Shares suspended from close of trading)	
Acquisition Scheme Record Date for determining entitlements to Acquisition Scheme Consideration	5.00 pm (Perth time) on 16 July 2019
Implementation Date	23 July 2019
Payment of Acquisition Scheme Consideration to be made to Acquisition Scheme Shareholders	

All dates and times are references to the date and/or time in Perth, Western Australia, Australia, unless otherwise stated. This timetable is indicative only and all dates after the Acquisition Scheme Meeting are subject to the Court approval process and the satisfaction or, where applicable, waiver of the Conditions. Those Conditions are summarised in Annexure A and set out in full in clause 3.1 of the Acquisition Scheme Implementation Agreement.

Gindalbie has the right to vary the timetable set out above subject to all necessary approvals. Any variation to the timetable set out above will be announced on Gindalbie's website and on the ASX.

Chairman's letter

24 May 2019

Dear fellow Gindalbie Shareholder

On behalf of the Independent Directors of Gindalbie Metals Limited (**Gindalbie**), I am writing to provide you with the Acquisition Scheme Booklet, which contains important information for you to consider about the proposed acquisition of your Gindalbie Shares by Angang Group Hong Kong (Holdings) Limited (**Ansteel**).

On 11 March 2019, Gindalbie announced that it had entered into two transactions that, if implemented, will lead to the acquisition by Ansteel of all of the Gindalbie Shares that it does not already own for cash consideration of \$0.026 per Gindalbie Share, and the demerger of Gindalbie's wholly owned subsidiary, Coda Minerals Limited (**Coda**), to Eligible Gindalbie Shareholders.

Coda is an exploration company focused on generating shareholder value from the highly prospective Mt Gunson Copper-Cobalt Project in South Australia (**Mt Gunson**), in which it has a right to earn up to 75%. Coda is currently wholly owned by Gindalbie.

In this letter, I will summarise what your Independent Directors of Gindalbie (**Independent Directors**) believe to be the critical issues facing Gindalbie. I will also explain the reasons why the Independent Directors unanimously recommend that you vote in favour of the Acquisition Scheme Resolution and the Demerger, subject to the qualifications stated throughout the Acquisition Scheme Booklet.

Gindalbie has an interest in the Karara Iron-Ore Project (**Karara**). Karara is an incorporated joint venture between Ansteel (currently ~52%) and Gindalbie (currently ~48%). Karara is currently carrying over US\$3 billion of debt and the Independent Directors consider it is highly unlikely that Karara will ever generate sufficient free cash flow to repay this debt, or profits to return dividends to its shareholders, under the current financial and operating structures. For this reason, the Gindalbie Board took the prudent step of reducing the carrying value of Karara to nil (\$0) in the 2014 audited financial statements.

Please refer to page 32 for answers to frequently asked questions regarding Karara's valuation and operations.

Karara has made an operating loss in each year since it commenced operations and continues to make operating losses. Karara's ongoing sustaining capital requirements, and the need to service its substantial debt burden, have placed enormous pressure on Karara's shareholders, Gindalbie and Ansteel. Future cash calls from Karara could, at any time, significantly reduce Gindalbie's shareholding in Karara if they involve the subscription of equity and if Gindalbie did not, or could not, participate.

While Gindalbie currently retains a significant cash balance and is actively advancing feasibility work on Mt Gunson, Gindalbie Shares have traded significantly below Gindalbie's cash backing for the majority of the past two years. The Independent Directors believe this is due to the lack of liquidity and the continued presence of Ansteel as a 35.71% Gindalbie Shareholder. Gindalbie's significant contingent liability exposure to Karara, in the opinion of the Independent Directors, also prevents Gindalbie from being able to secure significant debt funding and detrimentally affects the company's ability to raise equity capital. This may adversely affect Gindalbie's ability to fund the continued development of Mt Gunson.

Accordingly, the Independent Directors believe an exit from Karara and a focus on new shareholder value-generating opportunities, such as Coda, are in the best interests of Gindalbie Shareholders. The Independent Directors consider that the Acquisition Scheme and the Demerger Scheme (together with the Capital Reduction, the Transaction) achieve these outcomes.

We believe that the Acquisition Scheme provides Gindalbie Shareholders with an opportunity to step away from the overhang of the liabilities from Karara – an asset that the Independent Directors believe is unlikely to ever deliver a financial return to Gindalbie or Gindalbie Shareholders – in exchange for \$0.026 per Gindalbie Share, which is a significant premium relative to Gindalbie's VWAPs leading up to the Announcement Date.

The Independent Directors believe that the Transaction delivers significant value for all Gindalbie Shareholders. Importantly, if the Transaction is implemented, Gindalbie Shareholders will be able to exit all exposure to Gindalbie's significant contingent liabilities and Eligible Gindalbie Shareholders will also benefit from Coda's ownership and farm-in rights relating to Mt Gunson, plus the cash holdings being injected in Coda from Gindalbie, and any additional exploration opportunities Coda pursues. Coda intends to apply for admission to the official list of the ASX as soon as practicable after the implementation of the Demerger (though listing is not guaranteed).

While the Independent Directors appreciate Ansteel as a valued and supportive Gindalbie Shareholder, as part of the Transaction Ansteel has agreed not to participate in the first Equity Capital Raising undertaken by Coda within 12 months after the Demerger is implemented. This means Ansteel will be diluted if Coda undertakes the Equity Capital Raising in that period.

The Equity Capital Raising structures currently being considered by Coda would, if successfully implemented, result in a dilution of Ansteel's interest in Coda to below 20% as a result of Ansteel's agreement not to participate. Subject to applicable laws, other Coda Shareholders are intended to be given the opportunity to participate in the Equity Capital Raising. Please refer to the Demerger Scheme Booklet for further information on the Equity Capital Raising.

More information in relation to Coda and the Demerger can be found in the Demerger Scheme Booklet, which was sent to you at the same time as the Acquisition Scheme Booklet.

Independent Expert's opinion

To assist Gindalbie Shareholders in assessing the Acquisition Scheme, Gindalbie appointed BDO to prepare an Independent Expert's Report. In its report, the Independent Expert has concluded that, in the absence of a superior offer, the Acquisition Scheme is fair and reasonable and therefore in the best interests of Gindalbie Shareholders. The Independent Expert has assessed the value of a Gindalbie Share, inclusive of a premium for control (but excluding Coda and the cash allocated to Coda under the Demerger), to lie in the range of \$0.017 to \$0.022. The Acquisition Scheme Consideration of \$0.026 per Gindalbie Share exceeds the Independent Expert's assessed value range.

A full copy of the Independent Expert's Report is set out in Annexure A of the Acquisition Scheme Booklet. This is an important document and I encourage you to read it in full.

Your vote will affect the future value of your investment

Your vote is important. I encourage you to vote by completing the Proxy Form accompanying the Acquisition Scheme Booklet, or alternatively by attending the Acquisition Scheme Meeting to be held at 9.30 am (Perth time) on 3 July 2019 at the Perth Convention and Exhibition Centre, Meeting Room 8.

For the Acquisition Scheme to be approved by Gindalbie Shareholders, votes in favour of the Acquisition Scheme Resolution must be received from a majority in number (more than 50%) of Gindalbie Shareholders present and voting at the Acquisition Scheme Meeting (unless the Court orders otherwise) and at least 75% of the total number of votes cast on the Acquisition Scheme Resolution by Gindalbie Shareholders. Ansteel will not be voting on the Acquisition Scheme.

If the Acquisition Scheme is not approved and implemented, you will not receive the cash consideration offered under the Acquisition Scheme and the trading price of Gindalbie Shares is likely to fall in the near-term in the absence of a Superior Proposal. In that circumstance, the inter-conditional nature of the Transaction means that the Demerger will also not proceed. This means that no Gindalbie Shareholders will receive Coda Shares under the Demerger.

Further information

The Acquisition Scheme Booklet sets out important information relating to the Acquisition Scheme including the conditions precedent, the reasons why the Independent Directors have recommended that Gindalbie Shareholders vote in favour of the Acquisition Scheme Resolution, and the Independent Expert's Report. It also sets out reasons why Gindalbie Shareholders may wish to vote against the Acquisition Scheme Resolution.

If you have any questions about the Acquisition Scheme, please contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

On behalf of the Gindalbie Board, I would like to take this opportunity to thank you for your ongoing support of Gindalbie, and I look forward to your participation at the Acquisition Scheme Meeting.

A handwritten signature in black ink, appearing to be 'KJ', with a long vertical stroke extending downwards from the bottom of the signature.

Keith Jones
Non-Executive Chairman
Gindalbie Metals Limited

What you should do

Step 1: Read this Acquisition Scheme Booklet

You should read this Acquisition Scheme Booklet carefully in its entirety, including the reasons to vote in favour of or against the Acquisition Scheme Resolution, before making any decision on how to vote on the Acquisition Scheme Resolution.

Answers to various frequently asked questions about the Acquisition Scheme are set out in Section 2.

If you have any additional questions in relation to this Acquisition Scheme Booklet or the Acquisition Scheme please consult your independent financial, legal or taxation adviser or contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

Step 2: Vote on the Acquisition Scheme at the Acquisition Scheme Meeting

Vote on the Acquisition Scheme at the Acquisition Scheme Meeting by doing one of the following:

- (a) **Vote in person** - attend the Acquisition Scheme Meeting in person at 9.30 am (Perth time) on 3 July 2019 at the Perth Convention and Exhibition Centre, Meeting Room 8.
- (b) **Vote by proxy** - complete and return the Proxy Form in accordance with the instructions set out on the Proxy Form so that it is received by the Share Registry by no later than 9.30 am (Perth time) on 1 July 2019.
- (c) **Vote by corporate representative** - a Gindalbie Shareholder or proxy who is a body corporate may vote at the Acquisition Scheme Meeting by having their corporate representative attend the Acquisition Scheme Meeting in person and vote on their behalf. The authorised corporate representative will be admitted to the Acquisition Scheme Meeting upon providing, at the point of entry to the Acquisition Scheme Meeting, the appropriate "Certificate of Appointment of Corporate Representative" (which can be obtained from the Share Registry's website at www.linkmarketservices.com.au by hovering over 'Resources', clicking on 'Forms', selecting 'Holding Management' and then selecting 'Appointment of Corporate Representation').
- (d) **Vote by attorney** - a Gindalbie Shareholder may vote at the Acquisition Scheme Meeting by having their fully authorised attorney attend the Acquisition Scheme Meeting in person and vote on their behalf. A Gindalbie Shareholder wishing to vote by attorney at the Acquisition Scheme Meeting must, if they have not already presented an appropriate power of attorney to Gindalbie, deliver to the Share Registry the original instrument appointing the attorney or a certified copy of it by 9.30 am (Perth time) on 1 July 2019.

In order for the Acquisition Scheme to be approved by Gindalbie Shareholders, votes in favour of the Acquisition Scheme Resolution must be received from:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Gindalbie Shareholders present and voting at the Acquisition Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Gindalbie Shareholders, by a duly appointed corporate representative); and
- (b) at least 75% of the total number of votes cast on the Acquisition Scheme Resolution by Gindalbie Shareholders at the Acquisition Scheme Meeting.

If the Acquisition Scheme is not approved by the Requisite Majorities of Gindalbie Shareholders at the Acquisition Scheme Meeting, the Acquisition Scheme will not proceed.

Please refer to Section 3 for further information on how to vote at the Acquisition Scheme Meeting.

Step 3: Participate in the Acquisition Scheme

If you are eligible and wish to participate in the Acquisition Scheme, you will need to ensure that you do not sell your Gindalbie Shares prior to the Acquisition Scheme Record Date, expected to be 5.00 pm (Perth time) on 16 July 2019. Otherwise, and assuming the Acquisition Scheme is approved by the Requisite Majorities and the Court, and all other Conditions are satisfied or waived (as applicable), you do not need to do anything to participate in the Acquisition Scheme.

Further information

Further information relating to the Acquisition Scheme Resolution is contained in the Notice of Acquisition Scheme Meeting (which is set out in Annexure E).

Gindalbie Shareholders who have any questions or require further information in relation to this Acquisition Scheme Booklet or the Acquisition Scheme should contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

Gindalbie Shareholders should seek independent financial, legal and taxation advice before making any decision regarding the Acquisition Scheme.

Summary of considerations relevant to your vote



Reasons to vote in favour of the Acquisition Scheme



Karara is unlikely to ever deliver a financial return to Gindalbie or Gindalbie Shareholders and the Acquisition Scheme provides you with an opportunity to remove your exposure to it in exchange for cash.



The cash consideration offered under the Acquisition Scheme delivers certainty and immediate value for your Gindalbie Shares and removes the ongoing risks and uncertainties associated with Gindalbie and its investment in Karara.



The Independent Directors have assessed the merits of the Acquisition Scheme and unanimously recommend that you vote in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.



The Acquisition Scheme Consideration represents a significant premium relative to Gindalbie's 30, 60, 90 and 120 day VWAPs up to the Announcement Date.



The Acquisition Scheme represents a significant liquidity opportunity for you to receive \$0.026 for each Gindalbie Share you own.



The Acquisition Scheme and the Demerger Scheme are inter-conditional, which means the Demerger Scheme cannot proceed unless the Acquisition Scheme is approved. The Demerger offers you more direct exposure to benefit from the potential success and upside of Coda and Mt Gunson.



The Independent Expert has concluded that, in the absence of a superior offer, the Acquisition Scheme is fair and reasonable and therefore in the best interests of Gindalbie Shareholders.



Since the announcement of the Acquisition Scheme, no Superior Proposal has emerged.



The trading price of Gindalbie Shares is likely to fall in the near-term if the Acquisition Scheme is not implemented and in the absence of a Superior Proposal.



No brokerage or stamp duty will be payable by you for the transfer of your Gindalbie Shares under the Acquisition Scheme.

These reasons are discussed in more detail on pages 13 to 17.



Reasons to vote against the Acquisition Scheme



You may disagree with the unanimous recommendation of the Independent Directors, the Independent Expert's conclusion or both and believe that the Acquisition Scheme is not in your best interests.



The taxation implications of the Acquisition Scheme may not be suitable to your financial circumstances or position.



You will no longer be able to participate in any upside through the development of Gindalbie's business.



You may wish to maintain your investment in Gindalbie.



You may consider that there is the potential for a Superior Proposal to emerge.

These reasons are discussed in more detail on pages 18 and 19.

Reasons to vote in favour of the Acquisition Scheme

- (a) **Karara is unlikely to ever deliver a financial return to Gindalbie or Gindalbie Shareholders and the Acquisition Scheme provides you with an opportunity to remove your exposure to it in exchange for cash.**

In the opinion of the Independent Directors, Karara's current debt levels combined with its high fixed and variable operating costs mean that it is highly unlikely, based on Gindalbie's financial modelling, that any foreseeable increase in the iron ore price or reduction in operating costs would ever result in a return to Gindalbie or Gindalbie Shareholders. As at 31 December 2018, Karara had outstanding bank loan balances of US\$3.19 billion, RMB 170m and A\$100m. Please refer to Section 2 for more detailed commentary on Karara's operating performance.

Since 2014, Gindalbie has attributed no value to its holding in Karara. The Independent Directors do not consider this situation likely to change and, as at the date of this Acquisition Scheme Booklet, the value of Gindalbie's investment in Karara, including the shareholder loan Gindalbie made to Karara, remains at nil.

- (b) **The cash consideration offered under the Acquisition Scheme delivers certainty and immediate value for your Gindalbie Shares and removes the ongoing risks and uncertainties associated with Gindalbie and its investment in Karara.**

The offer from Ansteel is \$0.026 per Gindalbie Share. This offers a high degree of certainty of value and timing. More specifically, if the Acquisition Scheme is implemented, you will receive that cash consideration for each Gindalbie Share you hold on the Acquisition Scheme Record Date, to be paid on the Implementation Date.

In contrast, if the Acquisition Scheme is not implemented, the amount which you will be able to realise for your investment in Gindalbie Shares may be uncertain. The Independent Directors are cognisant that Gindalbie faces an uncertain future due to its significant contingent liability exposure to Karara and the risks discussed further in Section 6.

These risks include:

Availability of funding

Gindalbie has a declining cash balance, and there can be no guarantee that Gindalbie will be able to obtain future debt or equity financing to sustain its operations.

Furthermore, as at the date of this Acquisition Scheme Booklet, **the Independent Directors' consider that Gindalbie cannot secure significant debt funding due to its significant contingent liability exposure to Karara, and any additional equity financing may be dilutive to existing Gindalbie Shareholders.** For that same reason, the Independent Directors consider that Gindalbie's ability to raise equity funding, particularly from institutional shareholders, would be detrimentally affected and Gindalbie is likely to remain at a trading level below its cash backing in the absence of the Acquisition Scheme.

Potential dilution of Gindalbie's holding in Karara

Gindalbie is exposed to the risk of further dilution in Karara. This is because Ansteel also has the option to purchase additional share capital in Karara which, if exercised, would result in Gindalbie's ownership of Karara decreasing from 47.84% to approximately 38.24%. Any further equity contribution to Karara from Ansteel would, if Gindalbie would not or could not also participate, further dilute Gindalbie's ownership of Karara.

Given the loss-making nature of Karara, the project has required ongoing funding. To date, Ansteel has primarily contributed this ongoing funding in the form of loans guaranteed by Ansteel's Chinese parent company. Ansteel could, at any point, elect to make equity contributions to Karara instead of providing debt funding. If Gindalbie would not, or could not, participate, this would dilute Gindalbie's ownership of Karara.

Contingent liability exposure to Karara

Gindalbie is a minority owner of Karara and is not represented on the board of Karara.

As at the date of this Acquisition Scheme Booklet, Karara still requires financial support to operate and Gindalbie is unable at present to significantly contribute towards Karara's ongoing costs. Without the continued provision of additional funding, which is currently being provided by Ansteel, Karara's operations could cease and Karara could become insolvent.

The Independent Directors consider Karara's solvency to be important to Gindalbie, as Gindalbie has provided various guarantees in respect of Karara:

- as at 31 December 2018, Gindalbie had contingent liabilities totalling \$231 million in relation to bank guarantees provided to suppliers of Karara; and
- in addition, as at 31 December 2018, Gindalbie had provided limited recourse guarantees to Ansteel exceeding US\$3.1 billion, which guarantees are limited to the extent of Gindalbie's shareholding in Karara.

For the guarantees to be called upon, Karara would need to default on the relevant loans or otherwise default in the satisfaction of a guaranteed liability. Based on usage estimates as at the date of this Acquisition Scheme Booklet, the bank guarantees referred to above will start expiring in 2022 and will be fully expired by the end of 2023.

As at the date of this Acquisition Scheme Booklet, the Independent Directors are not aware of any guarantees being called upon, but there remains a risk that Ansteel may not continue to fund or support Karara, which could lead to the guarantees being called. If Gindalbie is required to repay its proportional share of the shareholders' guarantees to Ansteel, the potential obligation is currently in excess of the value of Gindalbie's shares in Karara and the net assets of Gindalbie.

Although the Independent Directors have a reasonable expectation, as at the date of this Acquisition Scheme Booklet, that the guarantees will not be called upon and that Gindalbie will have adequate resources to continue in operational existence for the foreseeable future and pay its debts as and when they are due, there remains a risk that the guarantees could be called.

Consistent with the view of the Independent Directors, the Independent Expert has also valued Gindalbie's interest in Karara at nil (\$0).

The Acquisition Scheme, if implemented, will remove Gindalbie Shareholders' exposure to the above risks, as well as the other risks and uncertainties relevant to an investment in Gindalbie, in exchange for cash consideration.

The cash consideration offered under the Acquisition Scheme delivers certainty and immediate value. Further, if each element of the Transaction is implemented, Eligible Gindalbie Shareholders will retain their exposure to Mt Gunson as a result of the Demerger and the pro-rata distribution of Coda Shares.

The above risks, and other risks relating to remaining a Gindalbie Shareholder, are discussed further in Section 6.

- (c) **The Independent Directors have assessed the merits of the Acquisition Scheme and unanimously recommend that you vote in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.**

In reaching their recommendation, the Independent Directors have considered the advantages and disadvantages of the Acquisition Scheme, including the information contained in:

- the rest of this "Reasons to vote in favour of the Acquisition Scheme" Section;
- the "Reasons to vote against the Acquisition Scheme" Section;
- Section 6 (Risk factors) and Section 9 (Tax implications of the Acquisition Scheme); and
- Annexure B (Independent Expert's Report).

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders, each of the Independent Directors intends to cause all the Gindalbie Shares in which he has a Relevant Interest to be voted in favour of the Acquisition Scheme Resolution.

Further details of the interests of the Independent Directors are contained in Section 10.

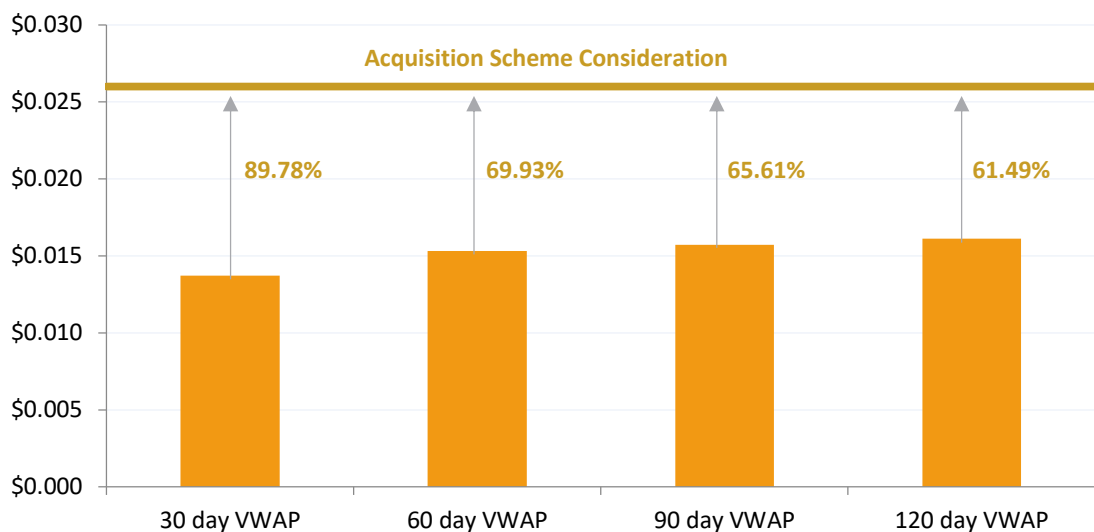
(d) **The Acquisition Scheme Consideration represents a significant premium relative to Gindalbie’s 30, 60, 90 and 120 day VWAPs up to the Announcement Date.**

If the Acquisition Scheme is implemented, you will receive the Acquisition Scheme Consideration of \$0.026 for each Gindalbie Share that you own on the Acquisition Scheme Record Date.

The Acquisition Scheme Consideration represents a significant premium of:

- 89.78% to Gindalbie’s 30 day VWAP leading up to the Announcement Date of \$0.0137;
- 69.93% to Gindalbie’s 60 day VWAP leading up to the Announcement Date of \$0.0153;
- 65.61% to Gindalbie’s 90 day VWAP leading up to the Announcement Date of \$0.0157; and
- 61.49% to Gindalbie’s 120 day VWAP leading up to the Announcement Date of \$0.0161.

The graph below illustrates the premium implied by the Acquisition Scheme Consideration to the range of benchmarks listed above.



(e) **The Acquisition Scheme represents a significant liquidity opportunity for you to receive \$0.026 for each Gindalbie Share you own.**

The Acquisition Scheme provides an opportunity for you to monetise your investment in Gindalbie and be provided with immediate liquidity, while realising a significant cash premium relative to prevailing prices of Gindalbie Shares on the ASX in the recent period up to the Announcement Date.

In the absence of the Acquisition Scheme, the general low level of liquidity of Gindalbie Shares means it may be difficult for Gindalbie Shareholders to sell their shareholding in a timely manner in the ordinary course of trading on the ASX.

In the 12 months up to the Announcement Date, Gindalbie’s total aggregate trading volume was under 10% of the total number of Gindalbie Shares on issue. If the Acquisition Scheme is implemented, Gindalbie Shareholders who are registered as such on the Acquisition Scheme Record Date (other than Ansteel and its Related Bodies Corporate) will be provided with immediate liquidity for 100% of their investment in Gindalbie, which might otherwise be difficult to achieve in the absence of the Acquisition Scheme.

(f) **The Acquisition Scheme and the Demerger Scheme are inter-conditional, which means the Demerger Scheme cannot proceed unless the Acquisition Scheme is approved. The Demerger offers you more direct exposure to benefit from the potential success and upside of Coda and Mt Gunson.**

If the Demerger is implemented, Eligible Gindalbie Shareholders will receive one Coda Share for every 45 Gindalbie Shares they hold on the record date for the Demerger Scheme. Upon implementation of the Demerger Scheme, Coda is expected to have a cash balance of approximately A\$7 million and will have a right to earn up to 75% of Mt Gunson. More information in relation to Coda and the Demerger (including Coda's expected cash balance) can be found in the Demerger Scheme Booklet, which was sent to you at the same time at this Acquisition Scheme Booklet.

The Demerger Scheme is conditional on the Requisite Majorities of Gindalbie Shareholders also approving the Acquisition Scheme (among other things). That means if the Acquisition Scheme does not proceed, the Demerger Scheme will not proceed, and so no Gindalbie Shareholders will receive the Acquisition Scheme Consideration or the Demerger Scheme Consideration. This means you will not receive any Coda Shares under the Demerger.

The Independent Directors unanimously recommend that Gindalbie Shareholders vote in favour of both the Acquisition Scheme Resolution and the Demerger, in the absence of a Superior Proposal and subject in each case to the Independent Expert continuing to conclude that the relevant Scheme is in the best interests of Gindalbie Shareholders.

If the Demerger is implemented, it is intended that Coda will be an exploration company with a clear focus on progressing Mt Gunson, in which it has a right to earn up to a 75% interest, and delivering value for shareholders. Coda intends to apply for admission to the official list of the ASX as soon as practicable after implementation of the Demerger (though listing is not guaranteed). Please refer to the Demerger Scheme Booklet for further information.

Coda currently holds the rights and interests under the Mt Gunson Farm-in Agreement to earn up to a 75% interest in a significant and strategic portfolio of tenements in South Australia. These tenements are located approximately 100km south of BHP's world-class Olympic Dam copper-gold-uranium mine and within 50km of OZ Minerals' Carrapateena copper project.

Coda will have a diverse and experienced Board and management team, who will be dedicated to driving growth in shareholder wealth through a strategy to add value to Mt Gunson, and any other projects Coda acquires, through feasibility stages towards commercialisation.

Gindalbie's management team, which is currently responsible for managing Coda's business (including the farm-in to Mt Gunson), will remain with Coda and will utilise its expertise to extend Mt Gunson's known resources and access the best options for the exploration of that asset. Gindalbie's current CEO, Chris Stevens, will be the Managing Director of Coda. In addition, Gindalbie's Non-Executive Chairman, Keith Jones, and Non-Executive Directors, Paul Hallam and Andrew (Robin) Marshall, will also be on the Coda Board and will provide valuable experience and corporate knowledge.

(g) **The Independent Expert has concluded that, in the absence of a superior offer, the Acquisition Scheme is fair and reasonable and therefore in the best interests of Gindalbie Shareholders.**

Gindalbie appointed the Independent Expert, BDO, to provide an opinion as to whether the Acquisition Scheme is in the best interests of Gindalbie Shareholders and prepare the Independent Expert's Report.

The Independent Expert has concluded that, in the absence of a superior offer, the Acquisition Scheme is fair and reasonable and therefore in the best interests of Gindalbie Shareholders. The Independent Expert has assessed the value of a Gindalbie Share, inclusive of a premium for control (but excluding Coda and the cash allocated to Coda under the Demerger), to lie in the range of \$0.017 to \$0.022. The Acquisition Scheme Consideration of \$0.026 per Gindalbie Share exceeds the Independent Expert's assessed value range.

The Independent Expert has valued Gindalbie's interest in Karara at nil (\$0).

A full copy of the Independent Expert's Report is set out in Annexure B.

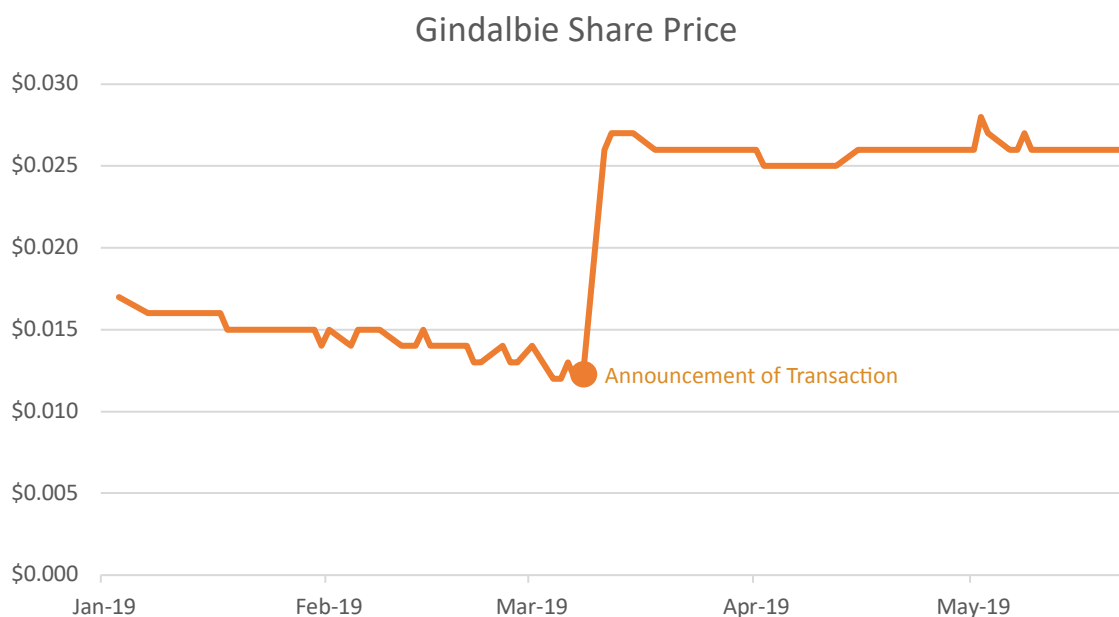
The Independent Directors encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Acquisition Scheme Resolution.

(h) **Since the announcement of the Acquisition Scheme, no Superior Proposal has emerged.**

Since the Announcement Date, and up to the date of this Acquisition Scheme Booklet, no Superior Proposal has emerged and the Independent Directors are not aware, as at the date of this Acquisition Scheme Booklet, of any Superior Proposal that is likely to emerge.

(i) **The trading price of Gindalbie Shares is likely to fall in the near-term if the Acquisition Scheme is not implemented and in the absence of a Superior Proposal.**

On the last trading day prior to the Announcement Date, the closing price of Gindalbie Shares was \$0.012. Since then, the closing price of Gindalbie Shares has increased by 117% to \$0.026 per Gindalbie Share on the Last Practicable Date.



If the Acquisition Scheme is not implemented, and in the absence of a Superior Proposal, the Independent Directors believe that it is likely that the trading price of Gindalbie Shares will fall from current levels. Gindalbie shares did not trade at or above the level of the Acquisition Scheme Consideration in the 12 months up to the Announcement Date.

The Independent Directors believe that Gindalbie’s share price was depressed prior to the Announcement Date as a result of legacy issues related to Karara, and the Independent Directors believe the trading price of Gindalbie Shares could revert to those levels, should the Acquisition Scheme not be implemented and in the absence of a Superior Proposal.

(j) **No brokerage or stamp duty will be payable by you for the transfer of your Gindalbie Shares under the Acquisition Scheme.**

You will not incur any brokerage or stamp duty on the transfer of your Gindalbie Shares to Ansteel under the Acquisition Scheme. It is possible that such charges may be incurred if you transfer your Gindalbie Shares other than under the Acquisition Scheme.

On the Last Practicable Date, 8,234 Gindalbie Shareholders held less than a “marketable parcel” of Gindalbie Shares (as that term is used in the ASX Listing Rules). In the absence of the Acquisition Scheme, the disposal of less than a marketable parcel of Gindalbie Shares may be impractical or, once brokerage and handling costs are taken into account, uneconomic.

Reasons to vote against the Acquisition Scheme

The Independent Directors believe that Gindalbie Shareholders should take into consideration the following potential disadvantages and reasons to vote against the Acquisition Scheme.

Having identified these potential disadvantages, the Independent Directors consider that they are outweighed by the potential advantages of the Acquisition Scheme set out in the “Reasons to vote in favour of the Acquisition Scheme” Section on pages 13 to 17. This assessment has led to the Independent Directors unanimously recommending that Gindalbie Shareholders vote in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.

- (a) **You may disagree with the unanimous recommendation of the Independent Directors, the Independent Expert’s conclusion or both and believe that the Acquisition Scheme is not in your best interests.**

Despite the unanimous recommendation of the Independent Directors and the conclusion of the Independent Expert, you may believe that the Acquisition Scheme is not in your best interests. In reaching their decision, the Independent Directors have made various judgements and assumptions based on future business conditions, circumstances and events, which cannot be predicted with certainty and which may prove to be positively or negatively inaccurate.

There is no obligation for Gindalbie Shareholders to agree with the unanimous recommendation of the Independent Directors, or agree with the conclusion of the Independent Expert.

A full copy of the Independent Expert’s Report is set out in Annexure B.

- (b) **The taxation implications of the Acquisition Scheme may not be suitable to your financial circumstances or position.**

If the Acquisition Scheme is implemented, there may be tax consequences that result for you as a Gindalbie Shareholder, some of which may be adverse.

Please refer to Section 9 for further detail regarding the tax implications of the Acquisition Scheme. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Gindalbie Shareholder.

- (c) **You will no longer be able to participate in any upside through the development of Gindalbie’s business.**

If the Acquisition Scheme is implemented, you will cease to be a Gindalbie Shareholder and will no longer be able to participate in any upside through the development of Gindalbie’s iron ore business.

However, if each element of the Transaction is implemented, Eligible Gindalbie Shareholders will retain their exposure to Mt Gunson as a result of the Demerger and the pro-rata distribution of Coda Shares.

In addition, while the Independent Directors believe that Mt Gunson has upside potential and Gindalbie is actively engaged in the evaluation of strategic development opportunities to leverage its remaining cash assets and drive shareholder value, the Independent Directors are also cognisant that Gindalbie faces an uncertain future due to its significant contingent liability exposure to Karara and the risks discussed further in Section 6. These risks may result in Gindalbie’s upside potential not being fully realised or realised at all.

- (d) **You may wish to maintain your investment in Gindalbie.**

You may wish to maintain your investment in Gindalbie in order to have an investment in a public listed company with Gindalbie’s specific characteristics, including but not limited to risk, industry, geography and capital structure.

Implementation of the Acquisition Scheme may result in a disadvantage to those who wish to maintain their current investment profile. Gindalbie Shareholders who wish to maintain their investment profile

may find it difficult to find an investment with a similar profile to that of Gindalbie and they may incur transaction costs in undertaking any new investment.

(e) **You may consider that there is the potential for a Superior Proposal to emerge.**

You may believe that there is the potential for a Superior Proposal to be made in the foreseeable future, such as a takeover bid more favourable to Gindalbie Shareholders than the Transaction as a whole. However, as at the date of this Acquisition Scheme Booklet, no Superior Proposal has emerged and the Independent Directors are not aware of any Superior Proposal that is likely to emerge.

If a Superior Proposal emerges, this will be announced to the ASX and the Independent Directors will carefully reconsider the Transaction and advise Gindalbie Shareholders of their recommendation (subject to the exclusivity provisions of the Acquisition Scheme Implementation Agreement).

Other considerations relevant to your vote on the Acquisition Scheme

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Acquisition Scheme Resolution.

(a) **The Acquisition Scheme may be implemented even if you vote against it.**

The Acquisition Scheme will be implemented if the Acquisition Scheme is approved by the Requisite Majorities, is approved by the Court, and all other Conditions are satisfied or waived (as applicable), irrespective of whether you do not vote or you vote against the Acquisition Scheme Resolution at the Acquisition Scheme Meeting.

If this occurs, all Gindalbie Shares you hold on the Acquisition Scheme Record Date will be transferred to Ansteel and you will receive the Acquisition Scheme Consideration of \$0.026 for each of those Gindalbie Shares.

(b) **If the Acquisition Scheme is not implemented, you will not receive the Acquisition Scheme Consideration.**

If the Acquisition Scheme is not approved or all outstanding Conditions are not satisfied or waived (as applicable), the Acquisition Scheme will not be implemented.

In such circumstances, you will not receive the Acquisition Scheme Consideration, Gindalbie will continue to operate as it does currently, and Gindalbie Shares will remain listed on the ASX. Due to the inter-conditional nature of the Transaction, the Demerger will not proceed and Eligible Gindalbie Shareholders will not receive Coda Shares.

If the Acquisition Scheme is not implemented, the advantages of the Acquisition Scheme described in the "Reasons to vote in favour of the Acquisition Scheme" Section on pages 13 to 17 will not be realised.

(c) **Conditionality of the Acquisition Scheme.**

The implementation of the Acquisition Scheme is subject to a number of Conditions, which are summarised in Annexure A and set out in full in clause 3.1 of the Acquisition Scheme Implementation Agreement.

If the Conditions are not satisfied or waived (as applicable), the Acquisition Scheme will not be implemented and you will not receive the Acquisition Scheme Consideration.

(d) **Exclusivity and reimbursement fees.**

Gindalbie and Ansteel have entered into certain arrangements which restrict the ability of Gindalbie to enter into discussions with potential rival bidders (subject to various exceptions) and require Gindalbie to provide Ansteel with certain rights in respect of matching any alternative offers, if they arise. The exclusivity provisions are summarised in Annexure A and set out in full in clause 9 of the Acquisition Scheme Implementation Agreement.

In addition, Gindalbie has agreed to pay a reimbursement fee to Ansteel in certain circumstances, and Ansteel has agreed to pay a reimbursement fee to Gindalbie in certain circumstances. The reimbursement fees are summarised in Annexure A and set out in full in clause 10 of the Acquisition Scheme Implementation Agreement.

01 Summary of the Acquisition Scheme

1. Summary of the Acquisition Scheme

1.1 Background

On 11 March 2019, Gindalbie announced that it had entered into two transactions that, if implemented, will lead to the acquisition by Ansteel of all of the Gindalbie Shares that it does not already own (under the Acquisition Scheme), and the demerger of Gindalbie's wholly owned subsidiary, Coda, to Eligible Gindalbie Shareholders (under the Demerger). The Acquisition Scheme and the Demerger are separate but inter-conditional.

A “scheme of arrangement” is a statutory procedure that can be used, among other things, as a means of implementing an acquisition of securities under the Corporations Act. To be implemented, a scheme of arrangement must be approved by 75% of the votes cast at a meeting of shareholders and by 50% of the shareholders voting at that meeting (unless the Court orders otherwise), and also requires Court approval.

If the Acquisition Scheme is approved by Gindalbie Shareholders and implemented:

- Acquisition Scheme Shareholders will receive the Acquisition Scheme Consideration of \$0.026 for each Acquisition Scheme Share held by them on the Acquisition Scheme Record Date; and
- Gindalbie will become a subsidiary of Ansteel. Gindalbie will apply for termination of the official quotation of Gindalbie Shares on the ASX and to have itself removed from the official list of the ASX with effect from the close of business on the Business Day following the Implementation Date.

If the Acquisition Scheme is not approved by Gindalbie Shareholders, the Acquisition Scheme will not be implemented and Gindalbie will continue as a standalone entity listed on the ASX. In such circumstances, the Demerger will also not be implemented, and so no Gindalbie Shareholders will receive any Coda Shares.

A summary of the Acquisition Scheme Implementation Agreement is set out in Annexure A and a copy of the Acquisition Scheme is set out in Annexure C.

1.2 Independent Directors' recommendation

The Independent Directors believe that the Acquisition Scheme is in the best interests of Gindalbie Shareholders and unanimously recommend that Gindalbie Shareholders vote in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.

The Independent Directors are Keith Jones, Andrew (Robin) Marshall and Paul Hallam. Ge Li and An Lin Shao are not considered independent directors of Gindalbie (given they are nominees of Ansteel) and do not consider it appropriate to make a recommendation in relation to the Acquisition Scheme.

1.3 Voting intentions of the Independent Directors

Each Independent Director intends to cause any Gindalbie Shares in which he has a Relevant Interest to be voted in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.

Details of the interests of each Independent Director in Gindalbie Shares are set out in Section 10.1.

1.4 Independent Expert's conclusion

The Independent Expert has concluded that, in the absence of a superior offer, the Acquisition Scheme is fair and reasonable and therefore in the best interests of Gindalbie Shareholders.

The Independent Expert has assessed the value of a Gindalbie Share, inclusive of a premium for control (but excluding Coda and the cash allocated to Coda under the Demerger), to lie in the range of \$0.017 to \$0.022. The Acquisition Scheme Consideration of \$0.026 per Gindalbie Share exceeds the Independent Expert's assessed value range.

A full copy of the Independent Expert's Report is set out in Annexure B. The Independent Directors encourage you to read this report in its entirety before making a decision as to whether or not to vote in favour of the Acquisition Scheme Resolution.

1.5 Cash to be received if the Acquisition Scheme proceeds

If the Acquisition Scheme proceeds, Acquisition Scheme Shareholders will receive the Acquisition Scheme Consideration of \$0.026 for each Acquisition Scheme Share held by them on the Acquisition Scheme Record Date.

As set out in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet, Gindalbie may need to withhold an amount of tax as a result of the Demerger Scheme. It is not practicable to withhold tax from the Demerger Scheme Consideration to be transferred under the Demerger Scheme, given that the Demerger Scheme Consideration comprises Coda Shares and does not contain a cash component.

To address this, the Demerger Scheme and the Acquisition Scheme contain certain provisions, the effect of which is that Gindalbie is directed to pay that withholding on the relevant person's behalf and apply a portion of the Acquisition Scheme Consideration payable to that person as is necessary to repay that amount. Please refer to Section 7.4 for further information on this tax direction.

If the number of Acquisition Scheme Shares held by an Acquisition Scheme Shareholder on the Acquisition Scheme Record Date is such that the aggregate entitlement of that Acquisition Scheme Shareholder to Acquisition Scheme Consideration results in a fractional entitlement to a cent, then the entitlement of that Acquisition Scheme Shareholder must be rounded up or down to the nearest cent (with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole cent and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole cent).

1.6 The Demerger is a separate transaction

In addition to the Acquisition Scheme, Gindalbie intends to propose the Demerger to Gindalbie Shareholders. The Demerger is a separate but inter-conditional transaction and details of the Demerger are not included in this Acquisition Scheme Booklet.

More information in relation to the Demerger can be found in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet.

1.7 Payment of the Acquisition Scheme Consideration

All payments will be made:

- (a) where an Acquisition Scheme Shareholder has, prior to the Acquisition Scheme Record Date, made a valid election to receive dividends by electronic funds transfer to a bank account nominated by the Acquisition Scheme Shareholder – in accordance with that election; or
- (b) otherwise, regardless of whether such an election has been made, by cheque for the relevant amount in Australian currency, dispatched by prepaid post to that Acquisition Scheme Shareholder's Registered Address.

For Gindalbie Shares held in joint names, the relevant payment will be made to the joint holders and any cheque will be sent to the holder whose name appears first in the Gindalbie Share Register. Gindalbie may cancel a cheque if it is returned to Gindalbie or has not been presented for payment within six months after the date on which it was sent, and the Unclaimed Money Act 1990 (WA) will apply in relation to any Acquisition Scheme Consideration which becomes 'unclaimed money' under that Act.

You should be aware that if the Acquisition Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the cash payments described above may also be delayed.

Under the Acquisition Deed Poll, Ansteel has undertaken to deposit (or procure the deposit of) an amount equal to the total Acquisition Scheme Consideration into an Australian dollar denominated trust account, operated by or on behalf of Gindalbie as trustee for the Acquisition Scheme Shareholders, by no later than the Business Day before the Second Court Date. On the Implementation Date, Gindalbie will procure the payment from the trust account of the Acquisition Scheme Consideration to each Acquisition Scheme Shareholder in accordance with the above and the terms of the Acquisition Scheme.

A summary of how Ansteel will be funding the Acquisition Scheme Consideration is set out in Section 5.

1.8 Conditions

The implementation of the Acquisition Scheme is subject to a number of conditions, which need to be satisfied or waived (as applicable) before the Acquisition Scheme can be implemented. The Conditions include:

- (a) **Acquisition Scheme shareholder approval:** Gindalbie Shareholders approving the Acquisition Scheme by the Requisite Majorities;
- (b) **Demerger Scheme shareholder approval:** Gindalbie Shareholders approving the Demerger Scheme by the Requisite Majorities;
- (c) **Capital Reduction shareholder approval:** Gindalbie Shareholders approving the Capital Reduction;
- (d) **Court approval:** the Court approving the Acquisition Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (e) **FIRB approval:** FIRB approval being obtained before the Acquisition Scheme Meeting;
- (f) **Chinese regulatory approvals:** specified Chinese regulatory approvals being obtained before the Acquisition Scheme Meeting (Annexure A contains further details regarding what constitutes such approvals);
- (g) **Independent Expert's Report:** the Independent Expert not changing or publicly withdrawing its conclusion that the Acquisition Scheme is in the best interests of Gindalbie Shareholders prior to 8.00 am (Perth time) on the Second Court Date;
- (h) **Material Adverse Change:** no Material Adverse Change occurring or becoming known to Ansteel between the date of the Acquisition Scheme Implementation Agreement and 8.00 am (Perth time) on the Second Court Date; and
- (i) **Representations and Warranties:** the representations and warranties given by Gindalbie being true and correct in all material respects as at the time they are given or made.

Gindalbie announced the satisfaction of the "FIRB approval" Condition to the ASX on 24 April 2019.

The Conditions are summarised in Annexure A and set out in full in clause 3.1 of the Acquisition Scheme Implementation Agreement. The Conditions set out in paragraphs (a) to (e) above cannot be waived.

As at the date of this Acquisition Scheme Booklet, Gindalbie is not aware of any circumstances that would cause the outstanding Conditions not to be satisfied or waived.

Gindalbie intends to announce on the ASX the satisfaction or waiver (as applicable) of the Conditions.

If the Conditions are not satisfied or waived (as applicable) by the End Date, the Acquisition Scheme Implementation Agreement may be terminated, which will mean the Acquisition Scheme will not be implemented.

1.9 Key agreements for the Acquisition Scheme

The key agreements to effect the Acquisition Scheme are as follows.

(a) Acquisition Scheme Implementation Agreement

The Acquisition Scheme Implementation Agreement sets out the obligations of Gindalbie and Ansteel in connection with the implementation of the Acquisition Scheme.

A summary of the key terms of the Acquisition Scheme Implementation Agreement is set out in Annexure A and provides details in relation to (among other things):

- the Conditions;
- the exclusivity provisions;
- the circumstances in which a reimbursement fee will be payable by Gindalbie or Ansteel, as applicable; and
- each party's termination rights.

A full copy of the Acquisition Scheme Implementation Agreement is attached to Gindalbie's ASX announcement on 11 March 2019, which is available on Gindalbie's website at www.gindalbie.com.au and on the ASX's website at www.asx.com.au.

(b) Acquisition Scheme

The Acquisition Scheme contains the terms of the scheme of arrangement to effect the acquisition by Ansteel of all the Gindalbie Shares it does not already own. The Acquisition Scheme is set out in Annexure C.

(c) Acquisition Deed Poll

Ansteel has entered into the Acquisition Deed Poll in favour of the Acquisition Scheme Shareholders under which Ansteel has undertaken to deposit (or procure the deposit of) an amount equal to the total Acquisition Scheme Consideration into a trust account operated by Gindalbie as trustee for the Acquisition Scheme Shareholders by no later than the Business Day before the Second Court Date and has also undertaken to undertake all other actions attributed to it under the Acquisition Scheme, as if named as a party to the Acquisition Scheme.

The Acquisition Deed Poll may be relied on and enforced by any Acquisition Scheme Shareholder in accordance with its terms, despite the fact that they are not a party to it, and under the Acquisition Scheme each Acquisition Scheme Shareholder appoints Gindalbie as its agent and attorney for executing any document or form or doing any other act necessary to give effect to the Acquisition Scheme and enforcing the Acquisition Deed Poll against Ansteel.

The Acquisition Deed Poll is set out in Annexure D.

1.10 Key steps to implement the Acquisition Scheme

The key steps to implement the Acquisition Scheme are as follows.

- (a) Gindalbie Shareholders will vote on whether to approve the Acquisition Scheme at the Acquisition Scheme Meeting. Each person registered as a Gindalbie Shareholder at 5.00 pm (Perth time) on 1 July 2019 is entitled to vote at the Acquisition Scheme Meeting.
- (b) If the Acquisition Scheme is approved by the Requisite Majorities of Gindalbie Shareholders at the Acquisition Scheme Meeting, the Demerger Scheme is approved by the Requisite Majorities of Gindalbie Shareholders at the Demerger Scheme Meeting and the Capital Reduction is approved by Gindalbie Shareholders at the General Meeting, Gindalbie will apply to the Court for orders approving the Acquisition Scheme on the Second Court Date. Any Gindalbie Shareholder may appear at the Second Court Hearing.
- (c) If the Court approves the Acquisition Scheme, and all the Conditions to the Acquisition Scheme have been satisfied or waived (as applicable), Gindalbie will lodge with ASIC an office copy of the Court orders approving the Acquisition Scheme in accordance with section 411(10) of the Corporations Act and the Acquisition Scheme will become Effective. Gindalbie expects to lodge this with ASIC on 9 July 2019. Gindalbie will, on the Demerger Scheme becoming Effective, give notice of that event to the ASX.
- (d) It is expected that suspension of trading in Gindalbie Shares on the ASX will occur from the close of trading on the Effective Date.
- (e) On the Implementation Date, Acquisition Scheme Shareholders will receive the Acquisition Scheme Consideration for every Acquisition Scheme Share held on the Acquisition Scheme Record Date.
- (f) Gindalbie will apply to the ASX for termination of official quotation of Gindalbie Shares and to have itself removed from the official list of the ASX with effect from the close of trading on the Business Day following the Implementation Date.

Section 7 contains further details on the implementation of the Acquisition Scheme, including the approvals required in order for the Acquisition Scheme to proceed.

1.11 Your choices as a Gindalbie Shareholder

As a Gindalbie Shareholder you have the following four options in relation to your Gindalbie Shares.

(a) **Vote in favour of the Acquisition Scheme at the Acquisition Scheme Meeting**

The Independent Directors unanimously recommend that you vote in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.

The reasons for the Independent Directors' unanimous recommendation are set out in the "Reasons to vote in favour of the Acquisition Scheme" Section on pages 13 to 17.

(b) **Vote against the Acquisition Scheme at the Acquisition Scheme Meeting**

If, despite the Independent Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Acquisition Scheme, you may vote against the Acquisition Scheme at the Acquisition Scheme Meeting.

However, you should be aware that if all of the Conditions to the Acquisition Scheme are satisfied or waived (as applicable), including the Requisite Majorities of Gindalbie Shareholders approving the Acquisition Scheme, the Acquisition Scheme will bind all Acquisition Scheme Shareholders, including

those who vote against the Acquisition Scheme at the Acquisition Scheme Meeting and those who do not vote at all.

(c) **Sell your Gindalbie Shares on the ASX**

You can sell your Gindalbie Shares on the ASX at any time before the cessation of trading of Gindalbie Shares on the ASX. If you sell your Gindalbie Shares on the ASX you may incur brokerage or other costs. If the Acquisition Scheme becomes Effective, trading in Gindalbie Shares on the ASX is expected to cease at the close of trading on the ASX on the day on which the Acquisition Scheme becomes Effective. This is expected to occur on 9 July 2019.

(d) **Do nothing**

If, despite the Independent Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should be aware that if all of the Conditions to the Acquisition Scheme are satisfied or waived (as applicable), including the Requisite Majorities of Gindalbie Shareholders approving the Acquisition Scheme, the Acquisition Scheme will bind all Acquisition Scheme Shareholders, including those who vote against the Acquisition Scheme at the Acquisition Scheme Meeting and those who do not vote at all.

If you want to receive the Acquisition Scheme Consideration, your vote is important.

If the Acquisition Scheme is not approved by the Requisite Majorities of Gindalbie Shareholders, you will not receive the Acquisition Scheme Consideration.

1.12 Treatment of Gindalbie Options

Gindalbie operates, and has historically operated, an employee incentive plan involving the issue, vesting and exercise of Gindalbie Options, being the Gindalbie ESOP. All Gindalbie Options currently on issue were granted under the Gindalbie ESOP.

The Gindalbie ESOP was first approved by Gindalbie Shareholders on 19 November 2004. The Gindalbie ESOP was subsequently amended and/or approved by Gindalbie Shareholders at general meetings held on 22 November 2006, 5 November 2009, 10 November 2011 and 16 November 2012. The Gindalbie Shareholder approval on 10 November 2011 had the effect of amending the Gindalbie ESOP to allow Gindalbie to operate an Option Share Trust.

Under the Acquisition Scheme Implementation Agreement, Gindalbie must put in place arrangements so that all Gindalbie Options outstanding as at the date of the Acquisition Scheme Implementation Agreement will vest (resulting in the issue of Gindalbie Shares) before the Acquisition Scheme Record Date. Gindalbie has arrangements in place that are consistent with the requirements of the Acquisition Scheme Implementation Agreement.

In accordance with the terms of issue of the outstanding Gindalbie Options and the requirements of the Option Share Trust operated under the Gindalbie ESOP, each Gindalbie Option will be exercised by the trustee of the Option Share Trust once the Acquisition Scheme becomes Effective. This will result in the issue of Gindalbie Shares, via the trustee of the Option Share Trust, to the two members of Gindalbie management's personnel who currently hold Gindalbie Options.

1.13 If the Acquisition Scheme is not implemented

If the Acquisition Scheme is not implemented, Gindalbie Shareholders will retain their Gindalbie Shares and Gindalbie will continue to operate as a standalone entity listed on the ASX. No Gindalbie Shareholders will receive the Acquisition Scheme Consideration, and the Demerger will not proceed given the inter-conditional nature of the Transaction, which means no Gindalbie Shareholders will receive any Coda Shares.

In such circumstances, Gindalbie will continue to focus on its current business plan and growth strategy and Gindalbie Shareholders will remain exposed to the risks of Gindalbie, as discussed in Section 6. Further details on what will occur if the Acquisition Scheme is not implemented are set out in Section 8.

1.14 Costs

If the Acquisition Scheme is implemented, the costs incurred by Gindalbie in relation to the Acquisition Scheme will effectively be met by Ansteel as the ultimate controller of Gindalbie following implementation of the Acquisition Scheme. If the Acquisition Scheme is not implemented and if no Superior Proposal emerges and becomes effective, Gindalbie will need to pay its own transaction costs, which are a sunk cost.

1.15 Australian taxation implications

A general guide to the taxation implications of the Acquisition Scheme for certain Gindalbie Shareholders is set out in Section 9. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Gindalbie Shareholder.

1.16 No brokerage or stamp duty

No brokerage or stamp duty will be payable by Acquisition Scheme Shareholders on the transfer of their Acquisition Scheme Shares under the Acquisition Scheme.

1.17 Further information for Gindalbie Shareholders

If you have any questions in relation to this Acquisition Scheme Booklet or the Acquisition Scheme you should contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

02

Frequently asked questions

2. Frequently asked questions

This Acquisition Scheme Booklet contains detailed information regarding the Acquisition Scheme. This Section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Acquisition Scheme Booklet. It is not intended to address all relevant issues for Gindalbie Shareholders. This Section should be read together with the other parts of this Acquisition Scheme Booklet.

Please refer to page 32 for answers to frequently asked questions regarding Karara's valuation and operations.

Question	Answer
Overview of the Transaction	
Why have I received this Acquisition Scheme Booklet?	This Acquisition Scheme Booklet was sent to you because you are a Gindalbie Shareholder and you are being asked to vote on the Acquisition Scheme. This Acquisition Scheme Booklet is intended to help you to consider and decide on how to vote on the Acquisition Scheme at the Acquisition Scheme Meeting.
What is the Transaction?	On 11 March 2019, Gindalbie announced the Transaction to the ASX. The Acquisition Scheme, Demerger Scheme and the Capital Reduction are together referred to as the Transaction. The Transaction will be implemented by way of two separate but inter-conditional schemes of arrangement and a capital reduction to effect the Demerger.
What is the Acquisition Scheme?	<p>The Acquisition Scheme is a scheme of arrangement under Part 5.1 of the Corporations Act between Gindalbie and Acquisition Scheme Shareholders. If the Acquisition Scheme is implemented:</p> <ul style="list-style-type: none">• Acquisition Scheme Shareholders will receive the Acquisition Scheme Consideration of \$0.026 for each Acquisition Scheme Share held on the Acquisition Scheme Record Date; and• Gindalbie will become a wholly-owned subsidiary of Ansteel and will apply to the ASX for termination of official quotation of Gindalbie Shares and to have itself removed from the official list of the ASX with effect from the close of business on the Business Day following the Implementation Date. <p>Please refer to Section 1 for a summary of the Acquisition Scheme.</p>
What is the Demerger?	<p>The Demerger is separate from the Acquisition Scheme. The Demerger involves the demerger of Coda, which is currently a wholly owned subsidiary of Gindalbie. Upon implementation of the Demerger, Coda will become a standalone entity, separate to Gindalbie.</p> <p>The Demerger is proposed to occur by way of the Demerger Scheme and the Capital Reduction, which will result in 100% of the Coda Shares being distributed to, or for the benefit of, Gindalbie Shareholders.</p> <p>If the Demerger is approved by Gindalbie Shareholders and implemented, Eligible Gindalbie Shareholders will receive 1 Coda Share for every 45 Gindalbie Shares they hold on the record date for the Demerger Scheme.</p> <p>The Demerger is conditional on (among other things) the Requisite Majorities of Gindalbie Shareholders also approving the Acquisition Scheme.</p> <p>Details of the Demerger are not included in this Acquisition Scheme Booklet. More information in relation to the Demerger can be found in the Demerger</p>

Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet.

What is the Demerger Scheme?

The Demerger Scheme is a scheme of arrangement under part 5.1 of the Corporations Act between Gindalbie and “Demerger Scheme Shareholders”. Gindalbie Shareholders will be asked to approve the Demerger Scheme at the Demerger Scheme Meeting.

More information in relation to Demerger Scheme can be found in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet.

What is a “scheme of arrangement”?

A “scheme of arrangement” is a statutory procedure that can be used, among other things, as a means of implementing an acquisition of securities under the Corporations Act. To be implemented, a scheme of arrangement must be approved by 75% of the votes cast at meeting of shareholders and by 50% of the shareholders voting at that meeting (unless the Court orders otherwise), and also requires Court approval.

What is the Capital Reduction?

The Capital Reduction is a return of capital on your Gindalbie Shares, and is a necessary step to effect the Demerger. Both the Acquisition Scheme and the Demerger Scheme are conditional on the Capital Reduction being approved by Gindalbie Shareholders. You will not receive any cash from the Capital Reduction as it will be applied in consideration for the transfer of Coda Shares under the Demerger Scheme.

However, if the Acquisition Scheme is implemented, you will receive cash consideration of \$0.026 for each Gindalbie Share you hold on the Acquisition Scheme Record Date, to be paid on the Implementation Date.

More information in relation to the Capital Reduction can be found in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet.

Overview of Ansteel

Who is Ansteel?

Ansteel Parent is a People’s Republic of China state-owned enterprise established in July 2010, following a merger and reorganisation of Anshan Iron and Steel Group Corporation and Pangang Group Co., Ltd.

Ansteel Parent is a Fortune 500 company and is one of the top steel manufacturers in the world. Ansteel is an indirectly wholly-owned subsidiary of Ansteel Parent through which it holds a 35.71% shareholding in Gindalbie. If the Acquisition Scheme is implemented, Ansteel will acquire the shares in Gindalbie that it does not already own, and Gindalbie will become a wholly owned subsidiary of Ansteel.

Please refer to Section 5 for further information in relation to Ansteel.

Overview of Coda

Who is Coda?

Coda is currently a wholly-owned subsidiary of Gindalbie and was incorporated on 26 April 2018 as a public company limited by shares.

Coda was established to farm-in to up to a 75% interest in Mt Gunson. If the Demerger is implemented, it is intended that Coda will be an exploration company with a clear focus on progressing Mt Gunson, in which it has a right to earn up to a 75% interest, and delivering value for shareholders.

More information in relation to Coda, Mt Gunson and the Demerger can be found in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet.

Karara's valuation and operations

Why is Karara valued at nil by Gindalbie?	<p>Gindalbie has valued Karara at nil (\$0) since 2014 and continues to do so. This nil value has been derived due to Gindalbie's financial models, which show Karara will not deliver a financial return to its shareholders (based on current assumptions and iron ore price forecasts). Based on these financial models, the value of Karara's assets and its potential to earn revenue from the sale of iron ore minus the costs of sale is less than the total debt in the operation.</p> <p>Gindalbie's valuation of Karara is reviewed by Gindalbie's management every six months.</p> <p>Gindalbie's valuation of Karara is consistent with the view of the Independent Expert. The Independent Expert has valued Gindalbie's interest in Karara at nil.</p>
What is the total value of debt in Karara?	<p>As at 31 December 2018, Karara had outstanding bank loan balances of US\$3.19 billion, RMB 170m and A\$100m.</p> <p>Karara's debt is a result of the costs of constructing the project plus the costs of supporting it, as Karara has incurred significant operating losses to date. As at the date of this Acquisition Scheme Booklet:</p> <ul style="list-style-type: none">• Karara continues to make a loss on each tonne of ore produced (on a modified all-in-cost basis) and requires ongoing funding to operate. As such, Karara's debt has continued to grow; and• Ansteel supports Karara without assistance from Gindalbie as Gindalbie is unable at present to significantly contribute towards Karara's ongoing costs.
Will a sustained increase in iron ore prices result in a return of value in Karara to Gindalbie and Gindalbie Shareholders?	<p>Based on Gindalbie's internal financial modelling, as well as in the opinion of the Independent Expert, Karara is not expected to become profitable on a modified all-in-cost basis under current iron ore price forecasts.</p> <p>By way of an illustrative example, Karara's un-audited management accounts show that the average total cost of production per tonne of concentrate in 2018 was A\$150.26 per tonne of concentrate produced (on a modified all-in-cost basis). The average price received during that period was A\$123.07 per tonne.</p>
Did Karara make a profit in 2017?	<p>Karara is required to prepare annual financial reports and lodge them with ASIC. These reports are publicly available and can be obtained from ASIC for a fee.</p> <p>Karara's financial reports for the period ending 31 December 2017 show a profit of approximately \$45 million. This profit is due to an "unrealised foreign exchange gain" of \$228 million. This gain is not a realised profit and is an accounting item relating to the AUD value of USD-denominated debt.</p> <p>In the opinion of the Independent Directors, the "Net Cash used in Operating Activities" column in Karara's cash flow statement is more reflective of Karara's operating performance. This column shows that Karara's operations used \$299 million more in cash than those operations brought in to Karara in the period ending 31 December 2017. This figure is similar to the corresponding figure in Karara's financial reports for the period ending 30 June 2016, which is \$366 million.</p> <p>During the period ending 31 December 2017, Karara's financial reports show that Karara repaid \$630 million of debt and borrowed an additional \$1.034 billion, resulting in an additional \$404 million in debt relative to the start of the period. As at the date of this Acquisition Scheme Booklet, Karara is not paying down its net debt and is not in a position to do so.</p>

Why is the cost of Karara's production so high?

Karara was conceptualised during a different and unprecedented time in the global iron ore cycle, when the benchmark iron ore price was continuously trading above US\$120 per tonne of iron ore. The operation was expected to be able to utilise the Oakajee Port and Rail project to expand production and reduce the cost of transport and shipping from the Mid-West. Unfortunately, that project did not proceed.

Karara's cost of production is primarily driven by several key factors:

- mining and processing magnetite is comparably higher in cost than mining hematite due to the additional crushing and processing of low grade ores;
- Karara's cost of servicing and repaying its debt is high, especially when amortised over the relatively low production rate of 8 million dry tonnes of ore per annum;
- Karara's total debt levels are high due to the high capital cost of constructing the project and ongoing losses;
- the cost of rail transport for Karara's ore is higher than iron ore companies in the Pilbara; and
- the cost of shipping Karara's ore is significantly higher than the majority of other Australian iron ore companies as Karara ships its ore from Geraldton.

Would operational efficiencies and cost reduction materially affect the value of Karara?

Since Karara was commissioned, it has undertaken a significant number of cost reduction exercises.

The Independent Directors consider that it is unlikely that any additional measures would have a material effect on Karara's costs and the economics of the project. Accordingly, the Independent Directors consider that even a significant program to reduce Karara's operational and processing costs would be unlikely to change the value attributed to Karara by Gindalbie (currently nil).

What are the implications for Gindalbie Shareholders of an expansion of Karara?

The iron ore price environment when Karara was conceived was radically different to the current environment. Prices when Karara was conceived were consistently above US\$120 per tonne.

Furthermore, Karara was also expected to be able to utilise the Oakajee Port and Rail project to expand production and reduce the cost of transport and shipping from the Mid-West. Unfortunately, that project did not proceed.

Although some of Karara's infrastructure was built to complement the potential expansion of Karara's operations to 16 million tonnes per annum, the Independent Directors understand that it is not currently considered financially viable to expand Karara's production. The expansion of production would entail the construction of significant additional infrastructure and processing capacity. The increase in tonnage would not generate sufficient free cash flow to be able to support the capital cost of expansion based on current iron ore price forecasts.

More importantly for Gindalbie Shareholders, if Karara were to obtain and commit the significant capital required to expand production, Gindalbie would not be in a position to fund its share of that expenditure and would, if Ansteel opted to fund Karara via equity contributions, have its interests in Karara diluted.

The additional value of the infrastructure that Karara built to reach stage two was also written off by Gindalbie in 2014 when it made the decision to write down the value of its investment in Karara. The Independent Directors

believe there is no reasonable basis to expect a return of this investment to Karara's shareholders, including Ansteel.

Karara used to export direct shipping ore. Why has this ceased?

Direct shipping ore, also known as hematite, is generally of lower grade in the Mid-West than in the Pilbara and commands a significant discount due to its lower grade and higher impurities.

Although direct shipping ore, primarily from the Hinge deposit, was an important source of additional revenue during Karara's commissioning phase, Karara now operates at, or close to, its nameplate capacity of eight million dry tonnes (approximately eight million eight hundred thousand wet tonnes) per annum. This means that there is no additional infrastructure capacity to support the export of direct shipping ore.

At current and forecast iron ore prices (as forecast by independent and reputable commercial forecasters), the Independent Directors understand that Karara does not have any economic reserves of direct shipping ore.

Does Karara receive a fair price for its concentrate?

The premium Karara receives for its concentrate varies (which is normal in the iron ore market) but is generally between 15% and 33% relative to the 62% Platts IODEX. This represents a significant premium relative to the grade differential of 62% to 66%.

Karara received an average premium relative to the 62% Platts IODEX of:

- 14.57% in 2017; and
- 32.92% in 2018.

The price that Karara receives also includes a penalty for the relatively higher silica content of its concentrate plus a premium for the "value in use" of the concentrate.

The prices received for Karara concentrate, including the "value in use" premium, are disclosed in Gindalbie's quarterly reports and are freely available to all Gindalbie Shareholders. Gindalbie's management and the Independent Directors monitor the prices that Karara receives for its concentrate and believe they fairly reflect market pricing.

It is important to note that Karara sells a concentrate product and not a pellet product. Pellet products are priced on a different scale and command a different premium to concentrate products. The case for a pelletisation plant was studied in detail in 2013 and found to be uneconomic based on the cost of inputs to the plant and capital costs of construction versus expected premiums.

Lodestone and Gindalbie's shareholder loan to Karara

Will Gindalbie be repaid the shareholder loan it advanced to Karara?

Gindalbie previously extended a shareholder loan to Karara. This loan is subordinated to Karara's project finance facility, which means Karara's senior lenders have a right to be repaid first.

As part of Gindalbie's decision to write down the carrying value of its interest in Karara to nil (\$0) in 2014, the loan referred to above was also impaired to nil. Gindalbie conducts impairment testing in accordance with the Australian Accounting Standards, and that loan remains valued at nil for the reason that there is no reasonable basis to expect repayment.

If the Transaction does not proceed, there is no reasonable basis to expect that Gindalbie will receive repayment of its shareholder loan.

Does the Acquisition Scheme Consideration reflect the value of Lodestone?

Lodestone is a large iron ore resource located 45km southeast of Karara or approximately 255km south-southeast of Geraldton. Gindalbie holds the resource on a retention licence.

Lodestone has a JORC 2012 compliant inferred resource of 644 million tonnes of magnetite. The Independent Directors consider that Lodestone is not economic to mine in the current iron ore price environment, and there is no economic basis to proceed with any additional drilling and feasibility work.

The Lodestone resource is of significantly lower quality than Karara and, in the opinion of the Independent Directors, it is unlikely that Lodestone would ever be mined in preference to the superior Karara ore.

The holding value of Lodestone in Gindalbie's accounts is \$1.36 million. This deposit has some strategic value and has been factored into the value of the Acquisition Scheme Consideration.

Overview of the Acquisition Scheme

What is the effect of approving the Acquisition Scheme?

The Acquisition Scheme will be implemented if:

- the Acquisition Scheme is approved by the Requisite Majorities at the Acquisition Scheme Meeting;
- the Acquisition Scheme is approved by the Court; and
- all other Conditions to the Acquisition Scheme are satisfied or waived (as applicable).

Who is entitled to participate in the Acquisition Scheme?

You will be entitled to participate in the Acquisition Scheme if you are registered as a Gindalbie Shareholder (holding Acquisition Scheme Shares) on the Acquisition Scheme Record Date.

What happens if the Acquisition Scheme does not proceed?

If the Acquisition Scheme does not proceed:

- no Gindalbie Shareholders will receive the Acquisition Scheme Consideration;
- Gindalbie will continue to operate as a stand-alone entity, and remain listed on the ASX; and
- the Demerger will not proceed, and so no Gindalbie Shareholders will receive any Coda Shares.

The Acquisition Scheme Consideration

What consideration will I receive if the Acquisition Scheme is implemented?

If the Acquisition Scheme is implemented, you will receive the Acquisition Scheme Consideration of \$0.026 for each Gindalbie Share you hold on the Acquisition Scheme Record Date.

Fractional entitlements to a cent under the Acquisition Scheme Consideration will be rounded up or down to the nearest cent (rounded up if the fractional entitlement is equal to or greater than one half, and rounded down if the fractional entitlement is less than one half).

Please refer to Section 9 for a description of the general tax implications of the Acquisition Scheme for Australian residents.

When will I receive the Acquisition Scheme Consideration?

If the Acquisition Scheme becomes Effective, the Acquisition Scheme Consideration will be paid on the Implementation Date, which is expected to occur on 23 July 2019.

If the Acquisition Scheme is not approved by the Requisite Majorities of Gindalbie Shareholders at the Acquisition Scheme Meeting or by the Court,

	or if any other Conditions are not satisfied or waived (as applicable), the Acquisition Scheme Consideration will not be paid.
Does the Acquisition Scheme Consideration represent a premium to Gindalbie's VWAP?	<p>The Acquisition Scheme Consideration represents a significant premium of:</p> <ul style="list-style-type: none"> • 89.78% to Gindalbie's 30 day VWAP leading up to the Announcement Date of \$0.0137; • 69.93% to Gindalbie's 60 day VWAP leading up to the Announcement Date of \$0.0153; • 65.61% to Gindalbie's 90 day VWAP leading up to the Announcement Date of \$0.0157; and • 61.49% to Gindalbie's 120 day VWAP leading up to the Announcement Date of \$0.0161.
Will I have to pay brokerage fees or stamp duty?	No brokerage or stamp duty will be payable on the disposal of your Gindalbie Shares under the Acquisition Scheme.
How will I receive the Acquisition Scheme Consideration?	Section 1.7 describes how the Acquisition Scheme Consideration will be paid.
Am I eligible to receive the Acquisition Scheme Consideration?	If you hold Gindalbie Shares on the Acquisition Scheme Record Date, you will participate in the Acquisition Scheme and be paid the Acquisition Scheme Consideration to which you are entitled under, and in accordance with, the terms of the Acquisition Scheme.
How is Ansteel funding the Acquisition Scheme Consideration?	<p>The maximum amount of cash payable by Ansteel in connection with the Acquisition Scheme is approximately \$25.2 million.</p> <p>For more information about Ansteel's funding arrangements please refer to Section 5.</p>
What are the tax consequences of the Acquisition Scheme for me?	<p>Section 9 provides a description of the general tax implications of the Acquisition Scheme for Australian residents.</p> <p>You should consult with your own tax adviser regarding the consequences of receiving the Acquisition Scheme Consideration and disposing of your Gindalbie Shares to Ansteel in accordance with the Acquisition Scheme in light of current tax laws and your particular circumstances.</p>
What is the tax direction?	<p>As set out in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet, Gindalbie may need to withhold an amount of tax as a result of the Demerger Scheme. It is not practicable to withhold tax from the Demerger Scheme Consideration to be transferred under the Demerger Scheme, given that the Demerger Scheme Consideration comprises Coda Shares and does not contain a cash component.</p> <p>To address this, the Demerger Scheme and the Acquisition Scheme contain certain provisions, the effect of which is that Gindalbie is directed to pay that withholding on the relevant person's behalf and apply a portion of the Acquisition Scheme Consideration payable to that person as is necessary to repay that amount.</p> <p>Please refer to Section 7.4 for further information on the tax direction.</p>
Will there be any tax withholdings from the	Under Australian foreign resident capital gains tax withholding rules, Ansteel is required to consider whether an Acquisition Scheme Shareholder is a

**Acquisition Scheme
Consideration I
receive?**

Relevant Foreign Resident. If Ansteel reasonably believes that an Acquisition Scheme Shareholder is a Relevant Foreign Resident as at the Acquisition Scheme Record Date, then unless the Acquisition Scheme Shareholder has provided a signed and completed Relevant Foreign Resident Declaration Form, Ansteel may be required to withhold and pay to the ATO a foreign resident capital gains tax withholding amount of 12.5% of the Acquisition Scheme Consideration (or some lesser ATO varied amount).

Ansteel will look at a number of factors when considering whether an Acquisition Scheme Shareholder is a Relevant Foreign Resident including but not limited to circumstances in which the Acquisition Scheme Shareholder:

- is classified as a non-resident on the Gindalbie Share Register; or
- has a foreign Registered Address.

If Ansteel reasonably believes that you will be a Relevant Foreign Resident, then you should have received a Relevant Foreign Resident Declaration Form with this Acquisition Scheme Booklet. If you are provided with a Relevant Foreign Resident Declaration Form then you should ensure that you read it in full together with the further details on the Australian foreign resident capital gains tax withholding rules set out in Section 9 (Tax Implications of the Acquisition Scheme) and follow the instructions provided in the Relevant Foreign Resident Declaration Form.

To the extent you are able to make a declaration set out in the Relevant Foreign Resident Declaration Form, you must return your signed and completed Relevant Foreign Resident Declaration Form by the Acquisition Scheme Record Date so that Ansteel does not withhold and pay to the ATO an amount in respect of the foreign resident capital gains tax withholding rules.

If for whatever reason, you think that you will be a Relevant Foreign Resident but you did not receive a Relevant Foreign Resident Declaration Form with this Acquisition Scheme Booklet then you should contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday to request a Relevant Foreign Resident Declaration Form.

Section 9 (Tax Implications of the Acquisition Scheme) sets out further details on the Australian foreign resident capital gains tax withholding rules.

If you are in doubt about what you should do in respect of the Australian foreign resident capital gains tax withholding rules including if you are eligible to make a declaration in the Relevant Foreign Resident Declaration Form, you should seek independent taxation advice in relation to your particular circumstances.

If you have not provided your TFN, TFN exemption or ABN to Gindalbie, Gindalbie will withhold and pay to the ATO, 47% of the dividend component (if any) of the Demerger Scheme Consideration. If you have not already done so, then you should provide your TFN, TFN exemption or ABN to Gindalbie by contacting the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

As the Demerger Scheme Consideration is not cash, the required amount of any withholding will be deducted from the Acquisition Scheme Consideration that may be payable to you and paid to the ATO. Please refer to Sections 1.5 and 7.4 and the question immediately above ("What is the tax direction?") for further information in respect of the relevant withholding process.

Acquisition Scheme Meeting and voting

When and where will the Acquisition Scheme Meeting be held?	The Acquisition Scheme Meeting will be held at 9.30 am (Perth time) on 3 July 2019 at the Perth Convention and Exhibition Centre, Meeting Room 8.
What am I being asked to vote on at the Acquisition Scheme Meeting?	<p>At the Acquisition Scheme Meeting, you are being asked to vote on whether to approve the Acquisition Scheme by voting in favour, or against, the Acquisition Scheme Resolution.</p> <p>The text of the Acquisition Scheme Resolution is contained in the Notice of Acquisition Scheme Meeting set out in Annexure E.</p>
What vote is required to approve the Acquisition Scheme?	<p>For the Acquisition Scheme to be approved by Gindalbie Shareholders, votes in favour of the Acquisition Scheme Resolution must be received from:</p> <ul style="list-style-type: none">• unless the Court orders otherwise, a majority in number (more than 50%) of Gindalbie Shareholders present and voting at the Acquisition Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Gindalbie Shareholders, by a duly appointed corporate representative); and• at least 75% of the total number of votes cast on the Acquisition Scheme Resolution by Gindalbie Shareholders at the Acquisition Scheme Meeting. <p>Even if the Acquisition Scheme is approved by Gindalbie Shareholders at the Acquisition Scheme Meeting, the Acquisition Scheme will still be subject to the approval of the Court and all other Conditions being satisfied or waived (as applicable) before the Acquisition Scheme can be implemented.</p>
Am I entitled to vote at the Acquisition Scheme Meeting?	The time for determining eligibility of registered Gindalbie Shareholders to vote at the Acquisition Scheme Meeting is 5.00 pm (Perth time) on 1 July 2019. Only those Gindalbie Shareholders entered in the Gindalbie Share Register at that time will be entitled to vote at the Acquisition Scheme Meeting.
How do I vote?	Please refer to Section 3 for detailed information on how to vote on the Acquisition Scheme.
Should I vote at the Acquisition Scheme Meeting?	<p>Voting is not compulsory. However, the Independent Directors believe that the Acquisition Scheme is important to all Gindalbie Shareholders.</p> <p>The Independent Directors unanimously recommend that you vote in favour of the Acquisition Scheme Resolution at the Acquisition Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.</p>
What happens if I do not vote, or vote against the Acquisition Scheme?	<p>The Acquisition Scheme may not be approved at the Acquisition Scheme Meeting by the Requisite Majorities of Gindalbie Shareholders. If this occurs, the Acquisition Scheme will not be implemented, you will not receive the Acquisition Scheme Consideration and you will remain a Gindalbie Shareholder.</p> <p>However, if you do not vote or if you vote against the Acquisition Scheme, the Acquisition Scheme will still become binding on all Acquisition Scheme Shareholders if the Acquisition Scheme is approved by the Requisite Majorities of Gindalbie Shareholders, the Court approves the Acquisition Scheme and all other Conditions are satisfied or waived (as applicable).</p>

	<p>This is so even if you did not vote at all or if you voted against the Acquisition Scheme.</p>
<p>What happens if the Acquisition Scheme is not approved at the Acquisition Scheme Meeting?</p>	<p>If the Acquisition Scheme is not approved at the Acquisition Scheme Meeting, the Acquisition Scheme will not be implemented.</p> <p>This means that Gindalbie Shareholders will retain their Gindalbie Shares, Gindalbie will continue to operate as a standalone entity listed on the ASX, no Gindalbie Shareholders will receive the Acquisition Scheme Consideration and the Demerger will not be implemented (given the inter-conditional nature of the Transaction).</p> <p>In such circumstances, Gindalbie will continue to focus on its current business plan and growth strategy. Gindalbie Shareholders will remain exposed to the risks of Gindalbie, as discussed in Section 6.</p> <p>If the Acquisition Scheme is not implemented and no Superior Proposal emerges, the trading price of Gindalbie Shares is likely to fall in the near-term.</p>
<p>What is Ansteel's voting intention?</p>	<p>Ansteel will not be voting on the Acquisition Scheme.</p>
<p>When will the results of the Acquisition Scheme Meeting be known?</p>	<p>The results of the Acquisition Scheme Meeting will be declared at the Acquisition Scheme Meeting and will be announced publicly shortly after the conclusion of the Acquisition Scheme Meeting.</p>
<p>Are any other approvals required?</p>	<p>The Acquisition Scheme must be approved by the Court in addition to being approved by the Requisite Majorities of Gindalbie Shareholders, and all other Conditions must be satisfied or waived (as applicable). If the Acquisition Scheme is approved by the Requisite Majorities of Gindalbie Shareholders at the Acquisition Scheme Meeting, the Demerger Scheme is approved by the Requisite Majorities of Gindalbie Shareholders at the Demerger Scheme Meeting and the Capital Reduction is approved by Gindalbie Shareholders at the General Meeting, Gindalbie will apply to the Court for approval of the Acquisition Scheme.</p> <p>The Court hearing for approval of the Acquisition Scheme is currently expected to be held on 8 July 2019.</p>
<p>Voting Considerations</p>	
<p>Who are the Independent Directors and what do they recommend?</p>	<p>The Independent Directors are Keith Jones, Andrew (Robin) Marshall and Paul Hallam. Ge Li and An Lin Shao are not considered independent directors of Gindalbie (given they are nominees of Ansteel) and do not consider it appropriate to make a recommendation in relation to the Acquisition Scheme.</p> <p>The Independent Directors unanimously recommend that Gindalbie Shareholders vote in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.</p>
<p>How do your Independent Directors intend to vote?</p>	<p>Each Independent Director intends to cause any Gindalbie Shares in which he has a Relevant Interest to be voted in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.</p>

As at the date of this Acquisition Scheme Booklet, the Relevant Interests of each Independent Director in Gindalbie Shares is as follows:

- Keith Jones: 300,000 (0.02%);
- Andrew (Robin) Marshall: 200,000 (0.01%); and
- Paul Hallam: 100,000 (0.01%).

Please refer to Section 10.1 for further details of the interests of the Independent Directors (and the other Gindalbie Directors).

What is the Independent Expert's conclusion?

The Independent Directors engaged BDO as an independent expert to provide a report on the Acquisition Scheme.

The Independent Expert has concluded the Acquisition Scheme is fair and reasonable and therefore in the best interests of Gindalbie Shareholders in the absence of a superior proposal.

A copy of the Independent Expert's Report, including the reasons for the Independent Expert's conclusion, is set out in Annexure B.

The Independent Directors encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Acquisition Scheme Resolution.

What if the Independent Expert changes its opinion?

If the Independent Expert changes its opinion, this will be announced to the ASX and the Independent Directors will carefully consider the Independent Expert's revised opinion and advise you of their recommendation.

What are the reasons to vote in favour of the Acquisition Scheme?

The reasons to vote in favour of the Acquisition Scheme Resolution are set out in the "Reasons to vote in favour of the Acquisition Scheme" Section on pages 13 to 17

What are the possible reasons not to vote in favour of the Acquisition Scheme?

The possible reasons not to vote in favour of the Acquisition Scheme Resolution are set out in the "Reasons to vote against the Acquisition Scheme" Section on pages 18 to 19.

Conditions and implementation of the Acquisition Scheme

Is the Acquisition Scheme subject to any Conditions?

The implementation of the Acquisition Scheme is subject to a number of Conditions. The Conditions are summarised in Annexure A.

As at the date of this Acquisition Scheme Booklet, the outstanding Conditions (which must be satisfied or waived, as applicable) include:

- the Acquisition Scheme being approved at the Acquisition Scheme Meeting;
 - the Demerger Scheme being approved at the Demerger Scheme Meeting;
 - the Capital Reduction being approved at the General Meeting;
 - the Acquisition Scheme being approved by the Court at the Second Court Hearing;
 - certain Chinese regulatory approvals being obtained by the Acquisition Scheme Meeting; and
 - no Material Adverse Change occurring.
-

When will the Acquisition Scheme become Effective?

The Acquisition Scheme will become Effective on the date on which the Court order approving the Acquisition Scheme is lodged with ASIC. The Acquisition Scheme is currently expected to become Effective on 9 July 2019.

When will the Acquisition Scheme be implemented?	If the Acquisition Scheme becomes Effective, the Acquisition Scheme will be implemented on the Implementation Date (being the fifth Business Day after the Acquisition Scheme Record Date), which is currently expected to be 23 July 2019.
What happens if the Acquisition Scheme is approved at the Acquisition Scheme Meeting, but is not approved by the Court?	<p>If the Acquisition Scheme is approved at the Acquisition Scheme Meeting but is not approved by the Court, the Acquisition Scheme will not be implemented.</p> <p>This means that Gindalbie Shareholders will retain their Gindalbie Shares, Gindalbie will continue to operate as a standalone entity listed on the ASX, no Gindalbie Shareholders will receive the Acquisition Scheme Consideration and the Demerger will not be implemented (given the inter-conditional nature of the Transaction).</p> <p>In such circumstances, Gindalbie will continue to focus on its current business plan and growth strategy. Gindalbie Shareholders will remain exposed to the risks of Gindalbie, as discussed in Section 6.</p> <p>If the Acquisition Scheme is not implemented and no Superior Proposal emerges, the trading price of Gindalbie Shares is likely to fall in the near-term.</p>
Other	
Can I keep my Gindalbie Shares?	If the Acquisition Scheme is implemented, your Gindalbie Shares will be transferred to Ansteel. This will happen even if you did not vote at all or you voted against the Acquisition Scheme at the Acquisition Scheme Meeting.
Can I sell my Gindalbie Shares now?	<p>You can sell your Gindalbie Shares on market at any time before close of trading on the ASX on the Effective Date. However, if you do so you will receive the prevailing on-market price set at the time of sale, which may not be the same price as the Acquisition Scheme Consideration, and you may be required to pay brokerage.</p> <p>Gindalbie intends to apply to the ASX for Gindalbie Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your Gindalbie Shares on market after this time.</p>
What choices do I have as a Gindalbie Shareholder?	<p>As a Gindalbie Shareholder you have the following choices:</p> <ul style="list-style-type: none"> • vote in favour of the Acquisition Scheme Resolution at the Acquisition Scheme Meeting; • vote against the Acquisition Scheme Resolution at the Acquisition Scheme Meeting; • sell your Gindalbie Shares on the ASX; or • do nothing.
What do I do if I oppose the Acquisition Scheme?	<p>If you, as a Gindalbie Shareholder, oppose the Acquisition Scheme, you should:</p> <ul style="list-style-type: none"> • contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday and obtain further information; • attend the Acquisition Scheme Meeting and vote against the Acquisition Scheme Resolution; and/or • if Gindalbie Shareholders approve the Acquisition Scheme at the Acquisition Scheme Meeting and you wish to appear at the Second

	<p>Court Hearing and oppose the approval of the Acquisition Scheme, file with the Court and serve on Gindalbie a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. Please refer to the “Important notices” section for further details under the heading “Notice of Second Court Hearing and if a Gindalbie Shareholder wishes to oppose the Acquisition Scheme” on page 4.</p>
<p>What happens if not all of the Transaction Resolutions are approved?</p>	<p>If not all of the Transaction Resolutions are approved at the Transaction Meetings, then the Acquisition Scheme will not proceed. The Acquisition Scheme and the Demerger Scheme are separate transactions, but they are both conditional on all Transaction Resolutions being approved. This means that Gindalbie Shareholders must approve each resolution by the relevant threshold for the Acquisition Scheme to proceed.</p>
<p>When will Gindalbie Shares cease trading on the ASX?</p>	<p>Provided the Acquisition Scheme becomes Effective, suspension of trading in Gindalbie Shares on the ASX is expected to occur from the close of trading on the Effective Date. This is expected to occur on 9 July 2019.</p>
<p>What are the potential risks associated with Gindalbie if the Acquisition Scheme is not implemented?</p>	<p>If the Acquisition Scheme is not implemented, the risks outlined in Section 6 will continue to be relevant to the future operating and financial performance of Gindalbie and the value of Gindalbie Shares.</p>
<p>Do I need to sign anything to transfer my Gindalbie Shares?</p>	<p>No. If the Acquisition Scheme becomes Effective, Gindalbie will automatically have authority to sign a transfer on your behalf and the Acquisition Scheme Consideration will be transferred to you.</p>
<p>Am I required to give any assurances by participating in the Acquisition Scheme?</p>	<p>Under the Acquisition Scheme, you are deemed to have warranted to Ansteel that:</p> <ul style="list-style-type: none"> • all your Acquisition Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of transfer of them to Ansteel, be fully paid and free from all Security Interests and from any restrictions on transfer of any kind; and • you have full power and capacity to sell and to transfer your Acquisition Scheme Shares together with any rights and entitlements attaching to such shares to Ansteel under the Acquisition Scheme. <p>Please refer to Section 7.3 for further information on this warranty.</p>
<p>What will happen to the Gindalbie Options?</p>	<p>As contemplated by the Acquisition Scheme Implementation Agreement, as at 8.00 am (Perth time) on the Second Court Date, Gindalbie must put in place arrangements so that all Gindalbie Options outstanding will vest (resulting in the issue of Gindalbie Shares) before the Acquisition Scheme Record Date, which is 5.00 pm (Perth time) on 16 July 2019.</p> <p>Please refer to Section 1.12 for further details about the treatment of Gindalbie Options.</p>
<p>Under what scenarios can Gindalbie or Ansteel terminate the transaction?</p>	<p>The transaction can be terminated by Gindalbie or Ansteel in certain circumstances, which are summarised in Annexure A and set out in full in clause 14 of the Acquisition Scheme Implementation Agreement.</p>
<p>Is there a reimbursement fee payable by Gindalbie?</p>	<p>Yes. A reimbursement fee up to a maximum of \$500,000 is payable by Gindalbie to Ansteel in certain circumstances, which are summarised in</p>

	Annexure A and set out in full in clause 10 of the Acquisition Scheme Implementation Agreement.
Is there a reimbursement fee payable by Ansteel?	Yes. A reimbursement fee up to a maximum of \$500,000 is payable by Ansteel to Gindalbie in certain circumstances, which are summarised in Annexure A and set out in full in clause 10 of the Acquisition Scheme Implementation Agreement.
What happens if Gindalbie is approached in relation to a Competing Proposal?	<p>If Gindalbie is approached in relation to a Competing Proposal, the Independent Directors will carefully consider the proposal having regards to Gindalbie's obligations under the Acquisition Scheme Implementation Agreement and advise Gindalbie Shareholders of their recommendation.</p> <p>Gindalbie must notify Ansteel of any approach in connection with a Competing Proposal in accordance with the Acquisition Scheme Implementation Agreement.</p>
What happens if a Superior Proposal emerges?	<p>If a Superior Proposal emerges, this will be announced to the ASX and the Independent Directors will carefully reconsider the Acquisition Scheme and advise Gindalbie Shareholders of their recommendation.</p> <p>Under the Acquisition Scheme Implementation Agreement, Gindalbie has granted Ansteel notification and matching rights, which are summarised in Annexure A and set out in full in clauses 9.2 and 9.3 of the Acquisition Scheme Implementation Agreement.</p>
What is a Superior Proposal?	<p>Under the terms of the Acquisition Scheme Implementation Agreement, a Superior Proposal is a bona fide Competing Proposal which the Gindalbie Board considers (in certain circumstances) to be more favourable to Gindalbie Shareholders (as a whole) than the Transaction.</p> <p>Please refer to section 1.1 of the Acquisition Scheme Implementation Agreement for further details regarding what constitutes a Superior Proposal.</p>
What are the prospects of receiving a Superior Proposal?	<p>Since the initial announcement of the Transaction on 11 March 2019 and up to the date of this Acquisition Scheme Booklet, no Superior Proposal has emerged and the Independent Directors are not aware of any Superior Proposal that is likely to emerge.</p> <p>Gindalbie Shareholders should be aware that Gindalbie has agreed to certain exclusivity and reimbursement fee provisions in favour of Ansteel, which are summarised in Annexure A and contained in clauses 9 and 10 of the Acquisition Scheme Implementation Agreement.</p>
What if I have other questions?	<p>If you have any questions in relation to this Acquisition Scheme Booklet or the Acquisition Scheme you should contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.</p> <p>For information about your individual financial or taxation consequences, please consult your independent financial, legal or taxation adviser.</p>

How to
vote

03

3. How to vote

3.1 Acquisition Scheme Meeting

The Acquisition Scheme Meeting to approve the Acquisition Scheme is scheduled to be held at 9.30 am (Perth time) on 3 July 2019 at the Perth Convention and Exhibition Centre, Meeting Room 8.

If the Acquisition Scheme is not approved by the Requisite Majorities of Gindalbie Shareholders at the Acquisition Scheme Meeting, the Acquisition Scheme will not be implemented.

For the Acquisition Scheme to be approved by the Requisite Majorities of Gindalbie Shareholders, votes in favour of the Acquisition Scheme Resolution must be received from:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Gindalbie Shareholders present and voting at the Acquisition Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Gindalbie Shareholders, by a duly appointed corporate representative); and
- (b) at least 75% of the total number of votes cast on the Acquisition Scheme Resolution by Gindalbie Shareholders at the Acquisition Scheme Meeting.

Ansteel will not be voting on the Acquisition Scheme.

Details regarding the Acquisition Scheme Meeting are contained in the Notice of Acquisition Scheme Meeting set out in Annexure E to this Acquisition Scheme Booklet.

3.2 Entitlement to vote

If you are registered as a Gindalbie Shareholder at 5.00 pm (Perth time) on 1 July 2019, you will be entitled to vote on the Acquisition Scheme at the Acquisition Scheme Meeting.

3.3 Joint holders

In the case of Gindalbie Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one Gindalbie Shareholder votes in respect of jointly held Gindalbie Shares, the vote of the senior who tenders a vote must be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the Gindalbie Share Register.

3.4 How to vote

Gindalbie Shareholders can vote at the Acquisition Scheme Meeting by doing one of the following:

(a) **Vote in person**

If you wish to vote in person, you must attend the Acquisition Scheme Meeting.

(b) **Vote by proxy**

You can appoint a proxy by completing and returning the enclosed Proxy Form for the Acquisition Scheme Meeting to the Share Registry. The Proxy Form must be received by the Share Registry (as indicated on the Proxy Form you received) by no later than 9.30 am (Perth time) on 1 July 2019.

You must return the Proxy Form to the Share Registry by lodging, sending, delivering or faxing it as follows:

Online: lodge online at www.linkmarketservices.com.au as follows:

Select 'Investor Login' and in the "Single Holding" section enter:

- "Gindalbie Metals Ltd" or the ASX code "GBG" in the Issuer name field;
- your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your Proxy Form);
- postcode; and
- security code, which is shown on the screen,

and click 'Login'.

Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

Mail to: Gindalbie Metals Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

By hand: Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Australia

Fax to: 02 9287 0309 (within Australia)
+61 2 9287 0309 (outside Australia)

A Gindalbie Shareholder who wishes to submit a proxy has the right to appoint a proxy (who need not be a Gindalbie Shareholder) to represent them at the Acquisition Scheme Meeting by inserting the name of their chosen proxy in the space provided for that purpose on the Proxy Form.

If:

- (i) a Gindalbie Shareholder nominates the chairperson of the Acquisition Scheme Meeting as the Gindalbie Shareholder's proxy; or
- (ii) a proxy appointment is signed by a Gindalbie Shareholder but does not name the proxy or proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

the chairperson of the Acquisition Scheme Meeting will act as proxy under the appointment.

Proxy appointments in favour of the chairperson of the Acquisition Scheme Meeting which do not contain a direction will be voted in favour of the Acquisition Scheme Resolution at the Acquisition Scheme Meeting.

A Gindalbie Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes. The Gindalbie Shares represented by proxy will be voted for or against or withheld from voting in accordance with the instructions of the Gindalbie Shareholder on any ballot that may be called for, and if the Gindalbie Shareholder specifies a choice with respect to any matter to be acted upon, the Gindalbie Shares will be voted accordingly.

A Gindalbie Shareholder who has deposited a Proxy Form may revoke it prior to its use by giving written notice to Gindalbie before the commencement of the Acquisition Scheme

Meeting. A Gindalbie Shareholder may also revoke a proxy in any other manner permitted by law.

(c) **Vote by corporate representative (if you are a corporate Gindalbie Shareholder)**

To vote in person at the Acquisition Scheme Meeting a Gindalbie Shareholder or proxy which is a body corporate may appoint an individual to act as its representative at the Acquisition Scheme Meeting and exercise any of the powers the body corporate may exercise at the Acquisition Scheme Meeting.

The authorised corporate representative will be admitted to the Acquisition Scheme Meeting upon providing, at the point of entry to the Acquisition Scheme Meeting, the appropriate "Certificate of Appointment of Corporate Representative" (which can be obtained from the Share Registry's website at www.linkmarketservices.com.au by hovering over 'Resources', clicking on 'Forms', selecting 'Holding Management' and then selecting 'Appointment of Corporate Representation').

(d) **Vote by attorney**

Gindalbie Shareholders wishing to vote by attorney at the Acquisition Scheme Meeting must, if they have not already presented an appropriate power of attorney to Gindalbie, deliver to Gindalbie's Share Registry the instrument appointing the attorney or a certified copy of it by 9.30 am (Perth time) on 1 July 2019.

Any power of attorney granted by a Gindalbie Shareholder will, as between Gindalbie and that Gindalbie Shareholder, continue in force and may be acted on, unless written notice of its revocation or the death of the relevant Gindalbie Shareholder has been received by Gindalbie before the commencement of the relevant prior to the start of the Acquisition Scheme Meeting.

You will be counted as being present at the Acquisition Scheme Meeting if you vote in any of the ways outlined above.

The notice convening the Acquisition Scheme Meeting is set out in Annexure E. A Proxy Form for the Acquisition Scheme Meeting is enclosed with this Acquisition Scheme Booklet.

Information on Gindalbie

04

4. Information on Gindalbie

4.1 Introduction to Gindalbie

Gindalbie is an independent Australian resources company based in Perth, Western Australia. Gindalbie was incorporated on 16 July 1993 and listed on the ASX on 12 April 1994.

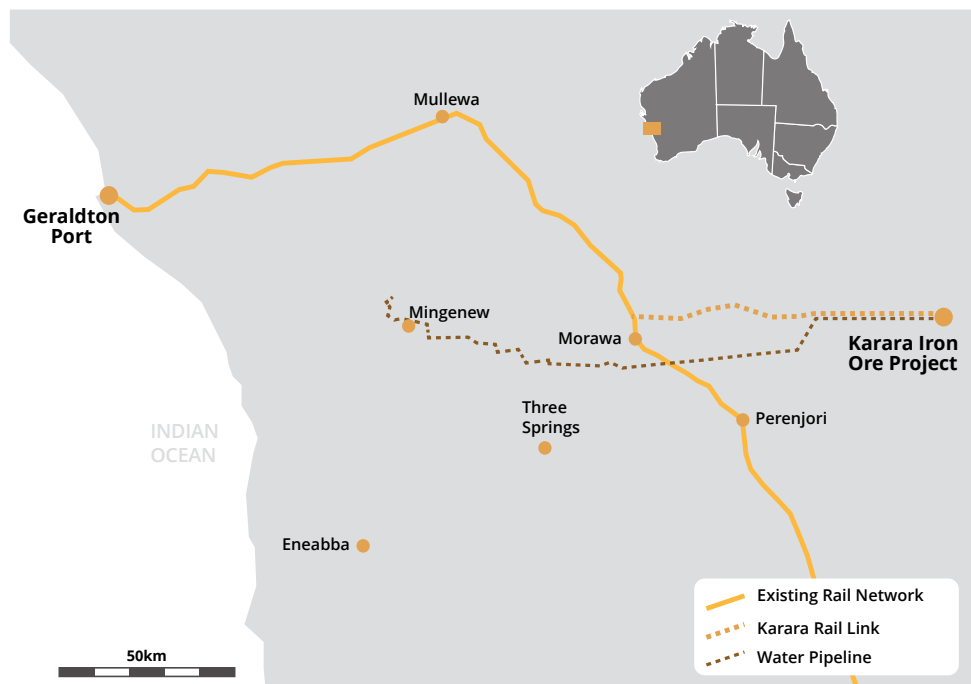
As at the date of this Acquisition Scheme Booklet, Gindalbie has three distinct assets:

- a non-controlling interest in Karara;
- Lodestone; and
- Coda and Mt Gunson.

4.2 Overview of assets

(a) Karara

Located 200km east of Geraldton in Western Australia, Karara is a large-scale integrated iron ore mining and infrastructure project based around a substantial magnetite concentrate operation. Karara is an incorporated joint venture between Ansteel (currently 52.16%) and Gindalbie (currently 47.84%).



The magnetite concentrate operation is underpinned by the Karara magnetite orebody, which boasts substantial scale and a low waste-to-ore stripping ratio.

Geological information

Geologically, Karara falls within the Luke Creek Group, which is the lowermost unit of the Yalgoo-Singleton greenstone belt. The Luke Creek Group at Karara is tightly folded in a belt trending north-northeast. The immediate area of the iron occurrences in the Mungada and Karara areas is complexly folded and faulted, especially in the vicinity of Windanning Hill.

The iron occurrences in the project area are related to the Windanning Formation of the Luke Creek Group, the uppermost member of this Group and the younger of two formations containing banded iron-formation (**BIF**) members. The lower BIF is hosted by the Golconda Formation, which is absent in the project area.

The Windanning Formation is made up of a succession of jaspilitic BIFs and grey-white chert units interlayered with felsic volcanic, volcanoclastic, volcanogenic rocks, and minor amounts of basalt. The Windanning Formation BIF units range in thickness from a few metres to 150 metres with interbedded felsic tuffs of a few centimetres to a few metres in thickness. The BIF is interlayered with red Jasper bands, grey to black hematite bands and/or magnetic-rich bands with white chert bands a few millimetres to a few centimetres thick.

The Windanning Formation reaches thicknesses of up to 1000m. This thickening can be amplified by complex folding, as is the case at Karara, where the BIF unit is isoclinally folded and structurally thickened to >400m on the Western Limb. The Eastern Limb is narrower (~100m thick), outcrops as a series of scattered hills along strike and is disrupted by strike parallel shears.

The general structure of the area is an elongated north-northeast trending fold belt that has been intruded by post-folding granites that would appear to have further contorted and complicated the structure in the Windanning Hill area. The major faulting trends north-northwest to north near Karara, Mungada and Windanning Hill. By and large these faults are oblique to the regional greenstone fold axes.

Mineralogically, the Karara BIF is typical of Yilgarn craton BIFs, though with a high iron head grade. The dominant mineral is chert, which may be recrystallised to quartz. Iron mineralogy is dominated by magnetite in the unweathered portions; however some hematite is present, likely co-deposited syndepositionally. In the typical surface weathering profile, magnetite is martitised and the iron grade increased by selective silica leaching. Within the Karara area, weathering of the BIF units ranges from 25m to 60m in depth. Preferential weathering of the BIF adjacent to contacts and structures occurs to a maximum of 100m.

The iron oxides in the BIF horizons that belong to greenschist facies are usually fine-grained and includes grains that range in size between 0.05mm to 1mm in diameter and generally have an average size around 0.3mm. Silicate intergrowths in the magnetite grains are common where iron-rich bands comprise both magnetite and iron amphiboles.

With the exception of the area in the vicinity of Windanning Hill, the Windanning Formation is mapped as being of greenschist facies metamorphic grade. At the southern end of Karara, the Windanning Formation falls within lower amphibolite facies metamorphism.

Karara's hematite (direct shipping ore) resource is comprised of two main areas:

- Mungada Ride, which is held in an environmental offset pending the reclassification of the area to be a Class A Reserve. As such, none of the deposits can be mined due to environmental restrictions; and
- Blue Hills, Hinge and Terapod, which relate to historical mining areas and the remaining resources occur below the optimised pit where mining has already ceased due to economic reserves having been exhausted.

Mungada Iron Ore Project is located in Mungada Ridge, approximately 250km east of the Port of Geraldton in the Murchison Region of Western Australia. Karara does not currently have any hematite which is a JORC 2012 reserve.

Information on Karara's operations

Magnetite ore is mined and concentrated to produce a high-grade premium concentrate keenly sought by Chinese steel makers. At Karara, this process involves crushing in two stages, followed by primary grinding to 55µm in a ball mill, further grinding to an ultimate particle size of 35µm in a number of fine grind mills followed by reverse flotation and thickening. Multiple stages of magnetic separation occur throughout the processing schedule, including in a scavenger circuit following flotation. The concentrate is dried and stored in covered sheds before being stacked and reclaimed for rail transport to Geraldton, where it is loaded onto Panamax class vessels for transport to overseas clients, primarily in China.

Karara has invested more than \$1 billion in new common-use infrastructure in the Mid-West region, including an 85km rail line, a dedicated 16 million tonnes per annum export facility in Geraldton Port, a

330kV power line, and a 140km water pipeline. Karara is producing at, or close to, its initially planned rate of eight million tonnes of concentrate per annum.

Initial development of Karara was supplemented by a small-scale hematite direct shipping ore operation. The first shipment of hematite product from Karara occurred in March 2011, nearly two years prior to the first magnetite shipments from the project. All known economic hematite ore bodies in the vicinity of Karara have since been mined, exhausting the supply of hematite ore. As a result, hematite shipping ended in November 2015.

Karara's operational and financial performance

Carrying value of Karara

In 2014, Gindalbie made the decision to write down the carrying value of its interest in Karara to nil (\$0), in recognition that it was unlikely that Karara will generate sufficient profits to return dividends to its shareholders. Gindalbie regularly reviews the value of its investment in Karara and, in the Independent Directors' opinion, Karara is unlikely to deliver dividends or a positive financial return to Gindalbie Shareholders in the foreseeable future. Gindalbie's carrying value of its interest in Karara remains nil, and Gindalbie Shareholders should also note that Karara is subject to restrictions on its ability to pay dividends under its project finance facility.

Gindalbie has valued Karara at nil since 2014 and continues to do so. This nil value has been derived due to Gindalbie's financial models, which show Karara will not deliver a financial return to its shareholders (based on current assumptions and iron ore price forecasts). Based on these financial models, the value of Karara's assets and its potential to earn revenue from the sale of iron ore minus the costs of sale is less than the total debt in the operation.

The Independent Expert has also valued Gindalbie's interest in Karara at nil.

As part of Gindalbie's decision to write down the carrying value of its interest in Karara to nil, a loan from Gindalbie to Karara (of an amount equal to \$39 million at that time) was also impaired to nil. Gindalbie conducts impairment testing in accordance with the Australian Accounting Standards, and that loan remains valued at nil. It is important for Gindalbie Shareholders to be aware that this loan is subordinated to Karara's project finance facility, which means Karara's senior lenders have a right to be repaid first.

Although some of Karara's infrastructure was built to complement the potential expansion of Karara's operations to 16 million tonnes per annum, the Independent Directors understand that it is not currently considered financially viable to expand Karara's production. The expansion of production would entail the construction of significant additional infrastructure and processing capacity. The increase in tonnage would not generate sufficient free cash flow to be able to support the capital cost of expansion based on current iron ore price forecasts.

The additional value of the infrastructure referred to above, which Karara built to facilitate the expansion of Karara's operations to 16 million tonnes per annum, was also written off by Gindalbie in 2014 when it made the decision to write down the value of its investment in Karara. The Independent Directors believe there is no reasonable basis to expect a return of this investment to Karara's shareholders, including Ansteel.

Karara's debt levels

As at 31 December 2018, Karara had outstanding bank loan balances of US\$3.19 billion, RMB 170m and A\$100m. Karara's debt is a result of the costs of constructing the project plus the costs of supporting it, as Karara has incurred significant operating losses to date.

As at the date of this Acquisition Scheme Booklet:

- Karara continues to make a loss on each tonne of ore produced (on a modified all-in-cost basis) and requires ongoing funding to operate. As such, Karara's debt has continued to grow; and

- Ansteel supports Karara without assistance from Gindalbie as Gindalbie is unable at present to significantly contribute towards Karara's ongoing costs.

Karara's profitability

Based on Gindalbie's internal financial modelling, as well as in the opinion of the Independent Expert, Karara is not expected to become profitable on an all-in-sustaining-costs basis under current iron ore price forecasts.

By way of an illustrative example, Karara's un-audited management accounts show that the average total cost of production per tonne of concentrate in 2018 was A\$150.26 per tonne of concentrate produced (on a modified all-in-cost basis). The average price received during that period was A\$123.07 per tonne.

Karara's reported financial performance

Karara is required to prepare annual financial reports and lodge them with ASIC. These reports are publicly available and can be obtained from ASIC for a fee.

Karara's financial reports for the period ending 31 December 2017 show a profit of approximately \$45 million. This profit is due to an "unrealised foreign exchange gain" of \$228 million. This gain is not a realised profit and is an accounting item relating to the AUD value of USD-denominated debt.

In the opinion of the Independent Directors, the "Net Cash used in Operating Activities" column in the cash flow statement is more reflective of Karara's operating performance. This column shows Karara's operations used \$299 million more in cash than those operations brought in to Karara in the period ending 31 December 2017. This figure is similar to the corresponding figure in Karara's financial reports for the period ending 30 June 2016, which is \$366 million.

During the period ending 30 June 2017, Karara's financial reports show that Karara repaid \$630 million of debt and borrowed an additional \$1.034 billion, resulting in an additional \$404 million in debt relative to the start of the period. As at the date of this Acquisition Scheme Booklet, Karara is not paying down its net debt and is not in a position to do so.

Karara is a high-cost operation

Karara was conceptualised during a different and unprecedented time in the global iron ore cycle, when the benchmark iron ore price was continuously trading above US\$120 per tonne of iron ore. The operation was expected to be able to utilise the Oakajee Port and Rail project to expand production and reduce the cost of transport and shipping from the Mid-West. Unfortunately, that project did not proceed.

Karara's cost of production is primarily driven by several key factors:

- mining and processing magnetite is comparably higher in cost than mining hematite due to the additional crushing and processing of low grade ores;
- Karara's cost of servicing and repaying its debt is high, especially when amortised over the relatively low production rate of 8 million dry tonnes of ore per annum;
- Karara's total debt levels are high due to the high capital cost of constructing the project and ongoing losses;
- the cost of rail transport for Karara's ore is higher than iron ore companies in the Pilbara; and
- the cost of shipping Karara's ore is significantly higher than the majority of other Australian iron ore companies as Karara ships its ore from Geraldton.

Since Karara was commissioned, it has undertaken a significant number of cost reduction exercises.

The Independent Directors consider that it is unlikely that any additional measures would have a material effect on Karara's operating costs and the economics of the project. Accordingly, the Independent

Directors consider that even a significant program to reduce Karara's operational and processing costs would be unlikely to change the value attributed to Karara by Gindalbie (currently nil).

Karara's price premium

The premium Karara receives for its concentrate varies (which is normal in the iron ore market) but is generally between 15% and 33% relative to the 62% Platts IODEX. This represents a significant premium relative to the grade differential of 62% to 66%.

Karara received an average premium relative to the 62% Platts IODEX of:

- 14.57% in 2017; and
- 32.92% in 2018.

The price that Karara receives also includes a penalty for the relatively higher silica content of its concentrate plus a premium for the "value in use" of the concentrate.

The prices received for Karara concentrate, including the "value in use" premium, are disclosed in Gindalbie quarterly reports and are freely available to all Gindalbie Shareholders. Gindalbie's management and the Independent Directors monitor the prices that Karara receives for its concentrate and believe they fairly reflect market pricing.

It is important to note that Karara sells a concentrate product and not a pellet product. Pellet products are priced on a different scale and command a different premium to concentrate products. The case for a pelletisation plant was studied in detail in 2013 and found to be uneconomic based on the cost of inputs to the plant and capital costs of construction versus expected premiums.

Gindalbie's potential exposure to Karara

As at the date of this Acquisition Scheme Booklet, Karara still requires financial support to operate and Gindalbie is unable at present to significantly contribute towards Karara's ongoing costs. Without the continued provision of additional funding, which is currently being provided by Ansteel, Karara's operations could cease and Karara could become insolvent.

The Independent Directors consider Karara's solvency to be important to Gindalbie, as Gindalbie has provided various guarantees in respect of Karara:

- as at 31 December 2018, Gindalbie had contingent liabilities totalling \$231 million in relation to bank guarantees provided to suppliers of Karara; and
- in addition, as at 31 December 2018, Gindalbie had provided limited recourse guarantees to Ansteel exceeding US\$3.1 billion, which guarantees are limited to the extent of Gindalbie's shareholding in Karara.

For the guarantees to be called upon, Karara would need to default on the relevant loans or otherwise default in the satisfaction of a guaranteed liability. Based on usage estimates as at the date of this Acquisition Scheme Booklet, the bank guarantees referred to above will start expiring in 2022 and will be fully expired by the end of 2023.

As at the date of this Acquisition Scheme Booklet, the Independent Directors are not aware of any guarantees being called upon, but there remains a risk that Ansteel may not continue to fund or support Karara, which could lead to the guarantees being called. If Gindalbie is required to repay its proportional share of the shareholders' guarantees to Ansteel, the potential obligation is currently in excess of the value of Gindalbie's shares in Karara and the net assets of Gindalbie.

Although the Independent Directors have a reasonable expectation, as at the date of this Acquisition Scheme Booklet, that the guarantees will not be called upon and that Gindalbie will have adequate resources to continue in operational existence for the foreseeable future and pay its debts as and when they are due, there remains a risk that the guarantees could be called.

In addition to the risks associated with the guarantees, Gindalbie is also exposed to the risks associated with being a minority interest holder in Karara, such as a lack of operational control, and other risks relating to the value of its investment in Karara, including an exposure to global commodity prices.

Gindalbie also remains exposed to the risk of further dilution in Karara. This is because Ansteel also has the option to purchase additional share capital in Karara which, if exercised, would result in Gindalbie's ownership of Karara decreasing from 47.84% to approximately 38.24%. Any further equity contribution to Karara from Ansteel would, if Gindalbie would not or could not also participate, further dilute Gindalbie's ownership of Karara.

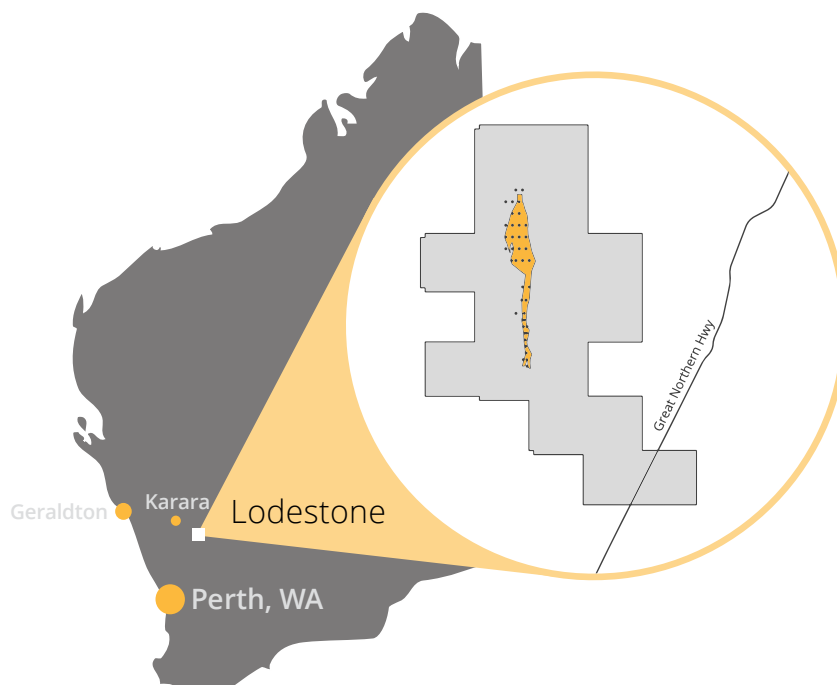
Please refer to the Independent Expert's Report set out in Annexure B for further details on Karara.

(b) **Lodestone**

Lodestone is a large iron ore resource located 45km southeast of Karara or approximately 255km south-southeast of Geraldton. Gindalbie holds the resource on a retention licence, R 59/2, which was granted on the 11 February 2019. R 59/2 covers approximately 55.85 square kilometres, and overlaps the Great Northern Highway in its southern reaches.

Mineralisation at Lodestone is hosted within a folded BIF. The mineralisation strikes roughly north/south and ranges in thickness from 50 to 750m. The rocks are tightly folded, and are interpreted to form part of a north plunging faulted antiform on the basis of available drilling and geophysical data. The primary iron mineral is magnetite, which has oxidised to form goethite and hematite in a small, near-surface portion of the deposit.

Gindalbie has undertaken two drilling programs at Lodestone (in 2007 and 2011) to produce a total drillhole database comprising a total of 41 reverse circulation (RC) holes and five diamond drillholes with RC precollars for a total of 8,168m of RC and 1,122m of diamond. Drilling was undertaken as a series of east/west trending lines at nominal 400m line spacing, with nominal 200m drill hole spacing.



In February 2012, Gindalbie announced a maiden JORC 2004 compliant resource of 1.48 billion tonnes grading 27.15% Fe, including 215 million tonnes of oxide material grading 29.21% Fe and 1,267 million tonnes of fresh material grading 26.80% Fe. This resource was estimated using a 0% Fe cut-off grade.

In February 2017, a re-evaluation of the existing JORC 2004 compliant resource was undertaken by Snowden to upgrade the resource to JORC 2012 inferred standards. This re-evaluation increased the cut-

off grade to 20% Davis Tube Recovery (DTR) recovery (which was equal to the cut-off grade employed at Karara) and excluded material outside an optimised pit shell designed for the deposit. The result was a smaller overall deposit, with headline figures of 644 million tonnes of BIF at 30.2% Fe. For full details, see the table below.

Table 3 Lodestone JORC 2012 compliant inferred resource.

In-situ BIF (Inferred)								
Oxidation Status	Tonnes (Mt)	% Fe Head	% SiO ₂ Head	%AL ₂ O ₃ Head	%P Head	% LOI Head	% S Head	
Oxide	6	35.9	43	1.8	0.05	2.47	0.03	
Fresh	638	30.2	43.8	3.91	0.06	2.63	1.29	
Total	644	30.2	43.8	3.89	0.06	2.63	1.28	
Recovered Concentrate								
Oxidation Status	Tonnes (Mt)	% DTR weight recovery	% Fe Con	% SiO ₂ Con	%AL ₂ O ₃ Con	%P Con	% LOI Con	% S Con
Oxide	2	30.5	63.6	11.2	0.18	0.02	-0.38	0.1
Fresh	202	31.7	64.3	9.5	0.32	0.02	-2.22	0.38
Total	204	31.7	64.3	9.5	0.32	0.02	-2.2	0.37

The information in this Acquisition Scheme Booklet that relates to the Lodestone mineral resource estimate is based upon information compiled by John Graindorge who is a Chartered Professional (Geology) and a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a competent person as defined in the JORC Code. John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and consents to the inclusion in this Acquisition Scheme Booklet of the matters based on his information in the form and context in which it appears.

Gindalbie Shareholders should be aware that the Lodestone resource estimate is a global resource estimate and further work is required to investigate opportunities to improve the magnetite weight recovery. The Independent Directors consider that Lodestone is not economic to mine in the current iron ore price environment, and there is no economic basis to proceed with any additional drilling and feasibility work.

The Lodestone resource is of significantly lower quality than Karara and, in the opinion of the Independent Directors, it is unlikely that Lodestone would ever be mined in preference to the superior Karara ore.

The holding value of Lodestone in Gindalbie's accounts is \$1.36 million.

(c) Coda and Mt Gunson

Coda is currently a wholly owned subsidiary of Gindalbie and was incorporated on 26 April 2018 as a public company limited by shares. Coda is an exploration company with a clear focus on progressing Mt Gunson, in which it has a right to earn up to a 75% interest, and delivering value for shareholders. Gindalbie is proposing to demerge Coda via the Demerger.

The Independent Directors believe that Mt Gunson is a highly prospective project that contains a significant and strategic portfolio of tenements. Mt Gunson boasts two JORC 2012 compliant inferred resources, known as MG14 and Windabout, and Gindalbie has also identified a number of priority exploration targets at various levels of development, including those known as Emmie Bluff and Gully.

On 17 March 2017, Gindalbie announced to the ASX that it had executed the Mt Gunson Farm-in Agreement with Terrace Mining. The Mt Gunson Farm-in Agreement was subsequently novated to Coda on 21 May 2018 (with the conditions to the novation being satisfied in August 2018).

The Mt Gunson Farm-in Agreement provides that, if at any point during the farm-in process Coda spends a total of \$6.62 million, Coda will automatically earn a 70% interest in Mt Gunson. The Mt Gunson Farm-in Agreement also grants Coda an option to purchase another 5% interest for \$1.5 million in certain circumstances.

As part of its strategy to deliver value for Coda Shareholders, and in addition to progressing Mt Gunson, Coda will also look to develop strategic opportunities that meet appropriate scale and risk criteria, are situated in the appropriate locations, and offer growth potential:

- **Scale and risk:** Coda will look for opportunities and projects where it can add strategic value during late stage feasibility studies towards commercialisation, that maximise strategic fit via alignment with in-house capabilities and skill sets, and which offer reduced risk through staged and flexible commitment levels.
- **Location:** Coda will look to operate in low sovereign risk locations in proximity to critical infrastructure, and has identified Australia (where it currently operates) and South America as preferred locations.
- **Growth potential:** Coda will look to leverage its global licence for GlyLeach glycine technology and invest in gold projects with low capital and operating costs or projects that involve extracting technology enabling commodities (with Coda considering that copper and cobalt projects have high growth potential).

A graphical depiction of Coda’s preferred strategic zone of operations is shown below.



More information in relation to Coda and the Demerger can be found in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet.

4.3 Gindalbie Board and senior management

Gindalbie Board

As at the date of this Acquisition Scheme Booklet, the Gindalbie Board comprises:

Name	Position
Keith Jones	Non-Executive Chairman
Andrew (Robin) Marshall	Non-Executive Director

Paul Hallam	Non-Executive Director
Ge Li	Non-Executive Director
An Lin Shao	Non-Executive Director

Key management personnel

As at the date of this Acquisition Scheme Booklet, the key management personnel of Gindalbie comprise:

Name	Position
Chris Stevens	Chief Executive Officer
Rebecca Moylan	Chief Financial Officer and Company Secretary

4.4 Gindalbie's securities and capital structure

Gindalbie Shares on issue

As at the Last Practicable Date, Gindalbie had 1,499,637,059 Gindalbie Shares on issue.

Gindalbie Options on issue

As at the Last Practicable Date, Gindalbie had 6,250,001 unlisted Gindalbie Options on issue. On exercise, each Gindalbie Option will entitle its holder to be issued with one Gindalbie Share.

Expiry date	Exercise price	Beneficial holder	Number
25 September 2021	\$0.00	Chris Stevens	4,166,667
25 September 2021	\$0.00	Rebecca Moylan	2,083,334

The Gindalbie Options above were issued to the relevant persons in 2017 as long term incentives granted as part of those executives' FY2017 remuneration. The Gindalbie Board resolved not to issue equity as part of those executives' FY2018 remuneration as the Gindalbie Board considered, due to its discussions with Ansteel, that any issue of equity would not reflect the intention of the long term incentive scheme, which is to retain senior executives in the long term and reward them for increases in the price of Gindalbie Shares. The Independent Directors intend to issue the foregone Gindalbie Options to the relevant executives if the Acquisition Scheme is not implemented.

Additional details regarding the Gindalbie Options, including the treatment of Gindalbie Options if the Acquisition Scheme is implemented, are set out in Section 1.12.

Substantial shareholders

As at the Last Practicable Date, Gindalbie had received notifications from the following substantial shareholders in accordance with section 671B of the Corporations Act:

Name	Number of Gindalbie Shares	Percentage of total issued Gindalbie Shares
Angang Group Hong Kong (Holdings) Limited and other Ansteel entities	535,492,521	35.71%
LinLin Li	92,346,132	6.16%

4.5 Recent Gindalbie share price performance

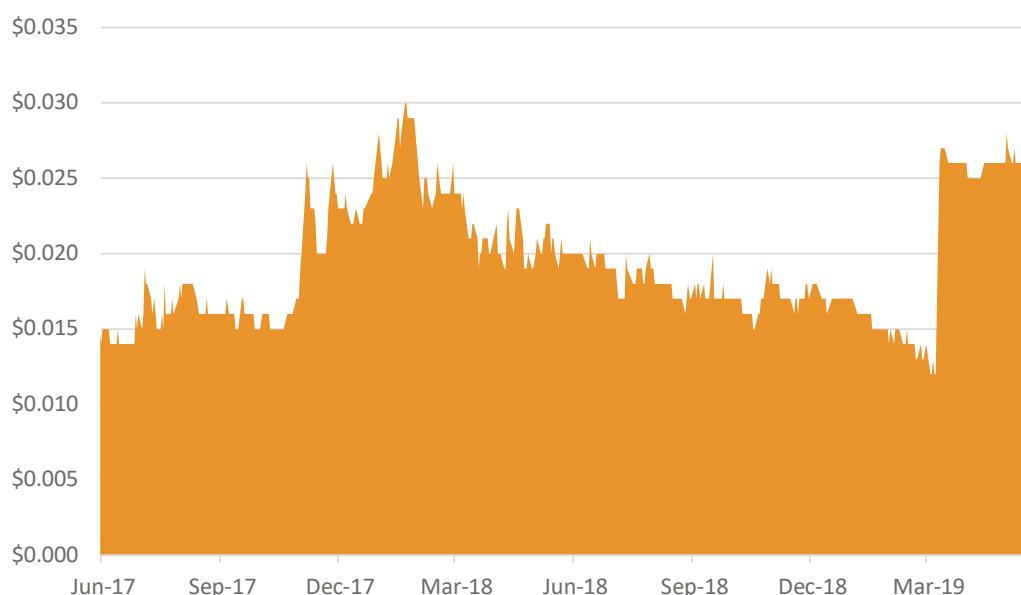
Gindalbie Shares are listed on the ASX under the trading symbol “GBG”.

The closing price of Gindalbie Shares on the ASX on 8 March 2019 (i.e. the last trading day prior to the Announcement Date) was \$0.012. The closing price of Gindalbie Shares on the ASX on the Last Practicable Date was \$0.026.

During the three months ending on the Last Practicable Date:

- (a) the highest recorded daily closing price of Gindalbie Shares was \$0.028 on 2 May 2019; and
- (b) the lowest recorded daily closing price of Gindalbie Shares on the ASX was \$0.012 on 3 March 2019.

The chart below shows Gindalbie’s share price performance over the 24 months to the Last Practicable Date.



The current price of Gindalbie Shares on the ASX can be obtained from the ASX’s website at www.asx.com.au or Gindalbie’s website at www.gindalbie.com.au/share-price-data/.

4.6 Financial information

This Section contains financial information relating to Gindalbie for the financial years ended 30 June 2017 and 30 June 2018 and the six months ended 31 December 2018. The full year and interim financial statements from which it has been extracted were audited/reviewed by KPMG.

The financial information in this Section is a summary only and has been prepared and extracted for the purposes of this Acquisition Scheme Booklet only.

Further detail about Gindalbie’s financial performance can be found in the financial statements for the half year ended 31 December 2018, which was announced to the ASX on 8 March 2019 and which can be found on Gindalbie’s website at www.gindalbie.com.au.

(a) Basis of preparation

The historical financial information of Gindalbie presented is in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act.

Gindalbie considers that, for the purposes of this Acquisition Scheme Booklet, the historical financial information presented is more meaningful to Gindalbie Shareholders. The historical financial information of Gindalbie has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The historical financial information in this Acquisition Scheme Booklet is presented on a standalone basis and accordingly does not reflect any impact of the Acquisition Scheme.

(b) **Consolidated Statement of Profit or Loss and Other Comprehensive Income**

The following table presents the historical consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2018, and for the financial years ended 30 June 2017 and 30 June 2018.

	1H 2019 \$'000	FY2018 \$'000	FY2017 \$'000
Other income	7	7	-
Administration expenses	(1,268)	(2,229)	(2,047)
Other expenses	(33)	(30)	(155)
Results from operating activities	(1,294)	(2,252)	(2,202)
Finance income	437	886	958
Net financing income	437	886	958
Loss before income tax	(857)	(1,366)	(1,244)
Income tax expense	-	-	-
Loss for the period	(857)	(1,366)	(1,244)
Total comprehensive loss	(857)	(1,366)	(1,244)
Loss attributable to:			
Owners of Gindalbie	(857)	(1,366)	(1,244)
Loss for the period	(857)	(1,366)	(1,244)
Total comprehensive (loss)/income attributable to:			
Owners of Gindalbie	(857)	(1,366)	(1,244)
Total comprehensive loss for the period	(857)	(1,366)	(1,244)
Loss per share			
Basic loss per share – cents	(0.06)	(0.09)	(0.08)
Diluted loss per share – cents	(0.06)	(0.09)	(0.08)

(c) **Consolidated Statement of Financial Position**

The following table presents the historical consolidated statement of financial position as at 31 December 2018, 30 June 2018 and 30 June 2017.

	1H 2019 \$'000	FY2018 \$'000	FY2017 \$'000
Assets			
Cash and cash equivalents	1,560	2,792	3,757
Term Deposits	31,600	32,600	33,600
Other receivables	500	423	436
Prepayments	139	43	16
Total current assets	33,799	35,858	37,809
Other receivables	50	25	50
Property, plant and equipment	60	68	64
Exploration and evaluation assets	3,930	2,605	1,441
Intangible Asset	178	185	197
Total non current assets	4,218	2,883	1,752
Total assets	38,017	38,741	39,561
Liabilities			
Trade and other payables	1,820	1,586	1,283
Employee benefits	22	145	15
Total current liabilities	1,842	1,731	1,299
Employee benefits	59	57	35
Total non current liabilities	59	57	35
Total liabilities	1,901	1,788	1,334
Net assets	36,116	36,953	38,227
Equity			
Issued capital	753,965	753,965	753,965
Reserves	9,520	9,500	9,408
Accumulated losses	(727,369)	(726,512)	(725,146)
Total equity	36,116	36,953	38,227

(d) **Consolidated Statement of Cash Flows**

The following table presents the historical consolidated statement of cash flows for the six months ended 31 December 2018, and for the financial years ended 30 June 2017 and 30 June 2018.

	1H 2019 \$'000	FY2018 \$'000	FY2017 \$'000
Cash flows from operating activities			
Cash receipts from customers	-	36	-
Cash payments to suppliers and employees	(1,293)	(1,779)	(1,795)
Interest received	387	859	904
Net cash used in operating activities	(906)	(884)	(891)
Cash flows from investing activities			
Receipts/(Payments) for term deposits	1,000	1,000	(8,600)
Payments for Exploration and evaluation	(1,325)	(1,061)	(395)
Receipts/(Payments) for investments	-	-	-
Purchases of Property, plant and equipment	(1)	(20)	(21)
Payment for intangible asset	-	-	(200)
Payment of loan to associate entity	-	-	(49)
Net cash used in investing activities	(326)	(81)	(9,265)
Cash flows from financing activities			
Proceeds from the issue of shares	-	-	-
Payment of capital raising costs	-	-	-
Net cash used in financing activities	-	-	-
Net decrease in cash and cash equivalents	(1,232)	(965)	(10,156)
Cash and cash equivalents at start of period	2,792	3,757	13,913
Cash and cash equivalents at end of period	1,560	2,792	3,757

4.7 No material changes in Gindalbie's financial position

To the knowledge of the Gindalbie Directors, other than expenditure in the ordinary course of business and as otherwise disclosed in this Acquisition Scheme Booklet or as otherwise disclosed to the ASX by Gindalbie, the financial position of Gindalbie has not changed materially since 31 December 2018, being the date of the last balance sheet prepared before this Acquisition Scheme Booklet was sent to Gindalbie Shareholders in accordance with the Corporations Act.

4.8 Intention regarding the continuation of Gindalbie's business

The Corporations Regulations require a statement by the Independent Directors of their intentions regarding Gindalbie's business. If the Acquisition Scheme is implemented, the current Independent Directors will resign and a reconstituted board will be determined by Ansteel. It is for the reconstituted Gindalbie Board to determine its intentions as to:

- (a) the continuation of the business of Gindalbie;
- (b) any major changes, if any, to be made to the business of Gindalbie, including any redeployment of fixed assets of Gindalbie; and

- (c) the future employment of the present employees of Gindalbie. However, Gindalbie has agreed in the Demerger Deed that if the Demerger is implemented, it will terminate all of its employees' employment, and Coda has agreed that it may offer employment to such persons on terms and conditions in its discretion.

If the Acquisition Scheme is implemented, Ansteel will have 100% ownership and control of Gindalbie. The current intentions of Ansteel with respect to these matters are set out in Section 5.

In the event that the Acquisition Scheme is not implemented, the Independent Directors intend to continue to operate in the ordinary course of business and for Gindalbie to remain listed on the ASX.

4.9 Gindalbie risk factors

Risk factors relating to Gindalbie and its business are discussed in Section 6.

4.10 Public information available for inspection

As an ASX listed company and a "disclosing entity" under the Corporations Act, Gindalbie is subject to regular reporting and disclosure obligations. Among other things, these obligations require Gindalbie to announce price sensitive information to the ASX as soon as Gindalbie becomes aware of information, subject to some exceptions. Gindalbie's most recent announcements are available from its website at www.gindalbie.com.au/asx-announcements/. Further announcements concerning Gindalbie will continue to be made available on this website after the date of this Acquisition Scheme Booklet.

Under the Corporations Act, Gindalbie is required to prepare and lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the Independent Directors and an audit or review report respectively.

Copies of the documents filed with the ASX may be obtained from the ASX's website at www.asx.com.au and Gindalbie's website at www.gindalbie.com.au. Copies of the documents lodged with ASIC in relation to Gindalbie may be obtained from, or inspected at, an ASIC office. Copies of these documents will also be made available free of charge following a request in writing to Gindalbie at any time before the Second Court Hearing.

05

Information on Ansteel

5. Information on Ansteel

This Section 5, and the information concerning Ansteel and its intentions, views and opinions, has been prepared by, and is the responsibility of, Ansteel. None of Gindalbie, its Related Bodies Corporate, or any of their directors, officers, employees and advisers, assumes any responsibility for the accuracy or completeness of this information, except to the extent that Gindalbie provided Ansteel with information for the purpose of Ansteel preparing information on the combined entity following implementation of the Acquisition Scheme.

5.1 Overview of Ansteel Group

Ansteel Parent and its subsidiaries (including Ansteel itself) are referred to as the “Ansteel Group” in this Acquisition Scheme Booklet.

Ansteel Parent is a Peoples Republic of China state-owned enterprise established in July 2010 following a merger and reorganisation of Anshan Iron and Steel Group Corporation and Pangang Group Co., Ltd.

The Ansteel Group’s major activities include ferrous metal mining, metallurgy and processing, iron and steel trading, vanadium and titanium trading and processing, and metallurgical project services. As one of the largest Chinese state-owned enterprises, the Ansteel Group has seven production bases in China, including in Liaoning and Sichuan.

The Ansteel Group’s sole investment in Australia is its indirect interest in Karara and its 35.71% shareholding in Gindalbie. Karara is owned by Karara Mining Limited, a joint venture company in which 52.16% is held by the Ansteel Group’s wholly-owned subsidiary Angang Group Investment (Australia) Pty Ltd, and the remaining 47.84% is held by Gindalbie.

Ansteel Parent is a Fortune 500 company, having been on the Fortune 500 list for 5 years. It is also one of the top steel manufacturers in the world. According to the steel and iron production statistics published by the World Steel Association, an international non-profit trade organisation for the iron and steel industry, Ansteel Group was ranked as the 7th top steel-producer globally in 2017.

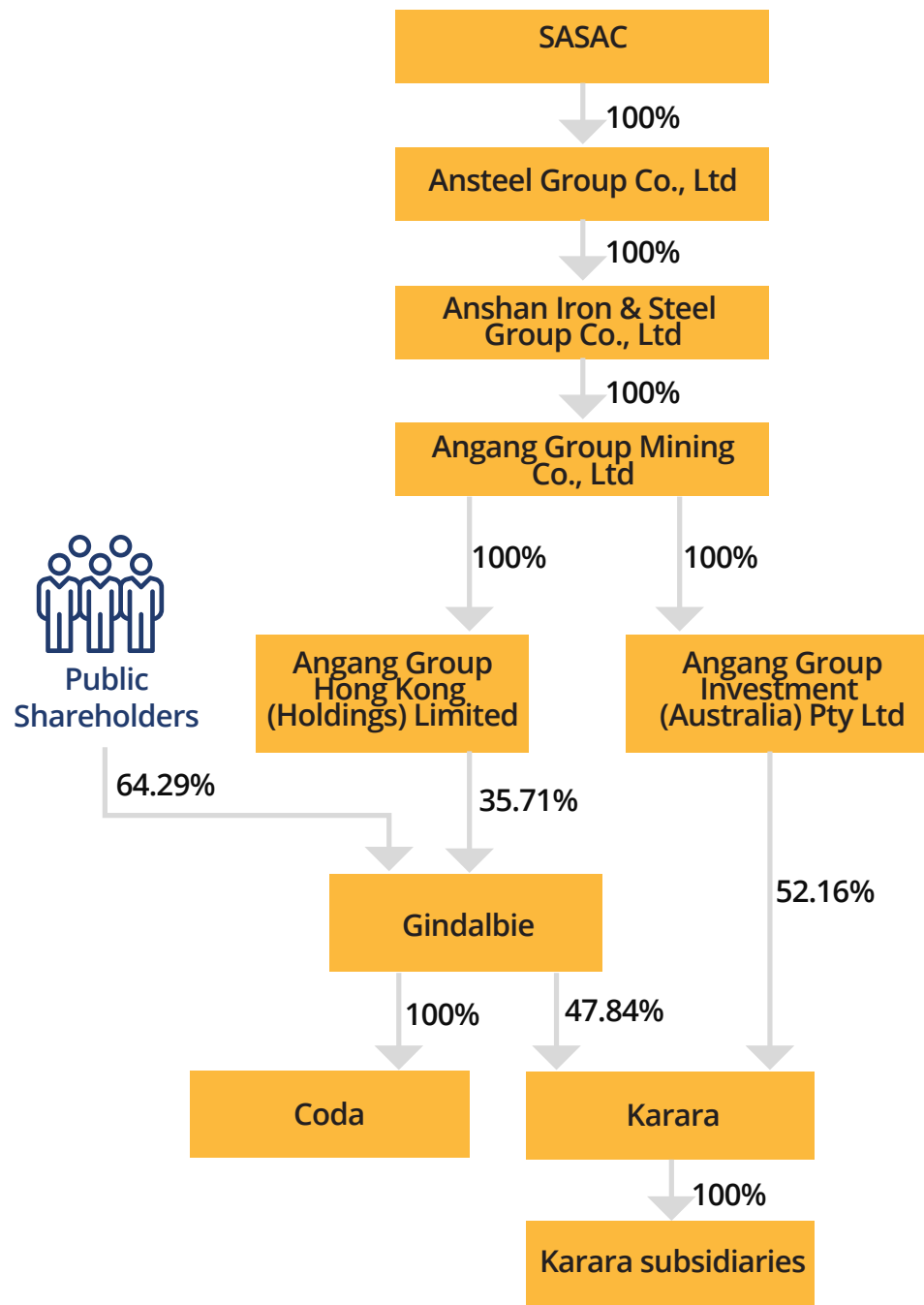
For the financial year ended 31 December 2017, Ansteel Parent reported consolidated revenues of RMB187,834,912,376 (approximately A\$39,527,892,369 based on the RMB/AUD exchange rate of 1:0.21) and a consolidated net profit after tax of RMB1,160,737,248 (approximately A\$244,265,011 based on the RMB/AUD exchange rate of 1:0.21).

As at 31 December 2017, net assets attributable to owners of the parent of the Ansteel Group amounted to RMB70,101,929,346 (approximately A\$14,752,217,695 based on the RMB/AUD exchange rate of 1:0.21) and profits amounted to RMB 3,700,231,816 (approximately A\$778,675,078 based on the RMB/AUD exchange rate of 1:0.21). The Ansteel Group had approximately 118,898 employees as at 31 December 2017.

5.2 Ansteel ownership structure

Ansteel Parent is the ultimate holding company of the Ansteel Group. Ansteel Parent is a state-owned enterprise owned by the Government of the People’s Republic of China through the State Council, and is supervised by the State-Owned Assets Supervision and Administration Commission (“SASAC” in the diagram opposite).

Ansteel is indirectly wholly-owned by Ansteel Parent. The following diagram sets out Ansteel’s ownership structure:



5.3 Directors of Ansteel Parent

As at the date of this Acquisition Scheme Booklet, the directors of Ansteel Parent are:

Lin YAO (姚林) (Chairman)

Mr Yao is the Chairman of Ansteel Parent. He is also a senior engineer and holds a doctorate degree in engineering. Mr Yao has worked at Ansteel Parent for 31 years.

Zhihao DAI (戴志浩) (Director)

Mr Dai is a director of Ansteel Parent. Mr Dai is also a senior engineer and holds a master’s degree from the University of West Virginia. He began working at Ansteel Parent in November 2018.

Baoqing LI (栗宝卿) (Director)

Mr Li is a director of Ansteel Parent. Mr Li is a senior accountant and holds a PhD. He began working at Ansteel Parent in July 2018.

Li YIN (尹利) (Employee Director)

Mr Yin is a director of Ansteel Parent. Mr Yin holds a bachelor's degree and has been working at Ansteel for over 40 years.

Xizhi NA (那希志) (Outside director)

Mr Na is a director of Ansteel Parent. Mr Na is a professor-level senior engineer and holds a master's degree.

Haibin YANG (杨海滨) (Outside director)

Mr Yang is a director of Ansteel Parent. Mr Yang holds a Master of Industrial Enterprise Management from Renmin University of China.

Deming DAI (戴德明) (Outside director)

Mr Dai is a director of Ansteel Parent. Mr Dai is a professor and PhD tutor at the Accounting Department at the Renmin University of China.

Qinyi DIAO (刁钦义) (Outside director)

Mr Diao is a director of Ansteel Parent. Mr Diao has worked in the finance industry for about 40 years.

5.4 Directors of Ansteel

As at the date of this Acquisition Scheme Booklet, the Directors of Ansteel are:

Xingkai DU (都兴开)

Mr Du is a director at Ansteel Group. He holds a Bachelor's degree in Engineering. Mr Du is the Head of Financial Operations at Ansteel Parent and has worked in the organisation for over 30 years.

Zhiqi LI (李之奇)

Mr Li is a director of the Ansteel Group and is also a non-executive director of Karara. Mr Li is a director and deputy general manager of Angang Group Mining Co., Ltd and has been working at Ansteel Parent for over 30 years.

Anlin SHAO (邵安林)

Mr Shao is the Chairman of the board of Ansteel Group and a non-executive director of Gindalbie. Mr Shao is the deputy general manager of Ansteel Parent and the Chairman of the board of Angang Group Mining Co., Ltd. Mr Shao has worked at Ansteel Parent for more than 35 years.

5.5 Rationale for the proposed acquisition of Gindalbie

The Ansteel Group and Gindalbie are joint venture partners in Karara, with the Ansteel Group owning 52.16% of Karara and Gindalbie the balance. As Ansteel also owns 35.71% of the shares in Gindalbie, the acquisition of all the Gindalbie Shares that Ansteel does not already own under the Acquisition Scheme allows the Ansteel Group to own 100% of the Karara Iron Ore Project.

5.6 Ansteel's intentions if the Acquisition Scheme is implemented

The information in this Section has been prepared by Ansteel on the basis of the information concerning Gindalbie and its business and assets known to Ansteel at the time of preparing this Acquisition Scheme Booklet, and on the basis that Coda and its related assets and contracts will cease to be owned by Gindalbie as result of the Demerger. Ansteel will only make final decisions in light of the information available to it and circumstances at the relevant time of taking any action. The statements set out in this Section are therefore statements of current intentions only, which may vary as new information becomes available or circumstances change.

(a) Demerger of Coda

Pursuant to the Demerger, all of the assets and contracts of Gindalbie relating to the business of Coda will be transferred to Coda and all of the shares in Coda owned by Gindalbie will be transferred to, or for the benefit of, Gindalbie Shareholders immediately prior to the acquisition of Gindalbie by Ansteel being implemented. Coda directly, and Mt Gunson indirectly, will therefore cease to be owned by Gindalbie prior to implementation of the Acquisition Scheme.

(b) Karara and Lodestone

After the Demerger, the principal business of Gindalbie will be the management of its investment in Karara and its ownership of Lodestone. Ansteel will consider the most efficient structure for its ownership of these assets, but currently intends to continue to own and manage these assets and does not intend to make any major changes to the business of managing these assets or to redeploy any of these assets.

(c) Employees and Directors

In accordance with the Acquisition Scheme Implementation Agreement, all Gindalbie Directors who are not nominees of Ansteel will resign. Subsequent to, or concurrently with, those resignations Ansteel will appoint one additional director to the Gindalbie Board, whose identity is yet to be determined.

As set out in Section 4.8, Gindalbie has agreed in the Demerger Deed that if the Demerger is implemented, it will terminate all of its employees' employment.

(d) Removal from Official List of the ASX

Once Gindalbie becomes a wholly owned subsidiary of Ansteel, Gindalbie will be removed from the official list of ASX and Gindalbie Shares will cease to be quoted by the ASX.

5.7 Funding of the Acquisition Scheme Consideration

(a) Cash consideration

The consideration payable under the Acquisition Scheme is 100% cash. If the Acquisition Scheme becomes effective and is successfully implemented, holders of Acquisition Scheme Shares will be entitled to receive \$0.026 in cash per Acquisition Scheme Share held on the Acquisition Scheme Record Date.

Based on the number of Gindalbie Shares and Gindalbie Options currently outstanding, the aggregate amount of cash payable by Ansteel to holders of Acquisition Scheme Shares (including Gindalbie Shares issued as a result of the vesting and exercise of the Gindalbie Options currently on issue) in connection with the Acquisition Scheme will be approximately \$25.2 million.

Pursuant to the Acquisition Deed Poll, Ansteel has undertaken in favour of each Acquisition Scheme Shareholder to deposit (or procure the deposit of) an amount equal to the total Acquisition Scheme Consideration in cleared funds payable to all Scheme Shareholders in a trust account operated by or on behalf of Gindalbie as trustee for the Acquisition Scheme Shareholders. Please refer to Section 1.9(c) for further details regarding the obligations of Ansteel under the Acquisition Deed Poll.

(b) **Overview of funding arrangements**

The necessary funds to pay the aggregate Acquisition Scheme Consideration will be sourced from internal cash reserves of Angang Group Mining Co.. Ansteel has entered into a subscription agreement with Angang Group Mining Co., under which Angang Group Mining Co., will subscribe for further shares in Ansteel for an amount equal to the sum required to be paid by Ansteel under the Acquisition Deed Poll prior to the date for payment. On the basis of the arrangements described in this Section, Ansteel is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will have sufficient funds available to fund the payment of the aggregate Acquisition Scheme Consideration.

5.8 Interests and dealings in Gindalbie Shares

(a) **Relevant Interests and voting power**

As at the date of this Acquisition Scheme Booklet, Ansteel has a Relevant Interest in 535,492,521 ordinary shares of Gindalbie, which represents voting power of 35.71% in Gindalbie.

(b) **No dealings in Gindalbie Shares or Gindalbie Options in the previous four months**

Neither Ansteel nor any of its Associates has provided, or agreed to provide, consideration for Gindalbie Shares or Gindalbie Options under any purchase or agreement during the four months before the date of this Acquisition Scheme Booklet, other than pursuant to the Acquisition Deed Poll.

06

Risks

6. Risks

Gindalbie Shareholders should be aware that there are a number of risks, both general and specific, associated with the Acquisition Scheme. The Independent Directors also consider that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Gindalbie and the value of Gindalbie Shares.

The information set out in this Section 6 is a summary only and does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Gindalbie. Additional risks and uncertainties not currently known to Gindalbie may also have a material adverse effect on Gindalbie's financial and operational performance. The occurrence and consequences of some of the risks described in this Section are partially or completely outside the control of Gindalbie and the Independent Directors.

If the Acquisition Scheme is implemented, you will receive the Acquisition Scheme Consideration of \$0.026 for each Gindalbie Share you own on the Acquisition Scheme Record Date and you will cease to be a Gindalbie Shareholder from implementation of the Acquisition Scheme. From that point in time, you will no longer be exposed to the risks set out in this Section 6. However, Eligible Gindalbie Shareholders will remain directly exposed to the risks related to Coda if the Demerger Scheme is implemented. Please refer to Section 6 of the Demerger Scheme Booklet for details about those risks.

You should carefully consider the risks and uncertainties described below, together with all other information in this Acquisition Scheme Booklet, including Section 6, before making a decision to vote in favour of the Acquisition Scheme Resolution.

If you do not understand any part of this Acquisition Scheme Booklet or are in any doubt as to how to vote in relation to the Acquisition Scheme, you should seek independent financial, legal and taxation advice before making any decision regarding the Acquisition Scheme.

6.1 General risks

(a) Equity market conditions

Shares listed on the ASX, or any other securities market, and in particular securities of small companies engaged in exploration activities, can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. These security market conditions may affect the value of Gindalbie Shares regardless of Gindalbie's operating performance.

General factors that may affect the market price of securities include economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(b) General economic conditions

Economic conditions, both domestic and global, may affect the performance of Gindalbie. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, insurance market conditions, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, amongst others, are outside the control of Gindalbie and may result in material adverse impacts on the business and operating results of Gindalbie.

(c) **Liquidity and realisation**

There may be few or many potential buyers or sellers of Gindalbie Shares on the ASX at any time. This may affect the volatility of the market price of Gindalbie Shares. This may increase the volatility of the market price of Gindalbie Shares. It may also affect the prevailing market price at which shareholders are able to sell their Gindalbie Shares.

(d) **Taxation**

A change to the current taxation regime may affect Gindalbie and Gindalbie Shareholders. Personal tax liabilities are the responsibility of each individual investor in Gindalbie. Gindalbie is not responsible for taxation or penalties incurred by investors in Gindalbie.

(e) **Accounting standards**

Changes to any applicable accounting standards or to any assumptions, estimates or judgments applied by management in connection with complex accounting matters may adversely impact Gindalbie's financial statements, results or condition.

(f) **Force majeure**

Events outside the control of Gindalbie, such as acts of terrorism, civil disturbance or protest, war, political intervention and natural activities such as earthquakes, floods, fires and adverse weather conditions, may adversely impact Gindalbie by affecting its operations and those of its suppliers or service providers, the market for commodities, or the transport or other infrastructure relating to the operations of Gindalbie.

6.2 Risks that relate to Gindalbie

There are a number of business-specific risks associated with your current investment in Gindalbie Shares, as set out below. You will only continue to be exposed to these risks if the Acquisition Scheme is not implemented, in which case (in the absence of a Competing Proposal that is ultimately consummated), Gindalbie will continue to operate as a stand-alone entity.

(a) **Contingent liability exposure to Karara and potential dilution**

Gindalbie is a minority owner of Karara and is not represented on the board of Karara.

As at the date of this Acquisition Scheme Booklet, Karara still requires financial support to operate and Gindalbie is unable at present to significantly contribute towards Karara's ongoing costs. Without the continued provision of additional funding, which is currently being provided by Ansteel, Karara's operations could cease and Karara could become insolvent.

The Independent Directors consider Karara's solvency to be important to Gindalbie, as Gindalbie has provided various guarantees in respect of Karara:

- as at 31 December 2018, Gindalbie had contingent liabilities totalling \$231 million in relation to bank guarantees provided to suppliers of Karara; and
- in addition, as at 31 December 2018, Gindalbie had provided limited recourse guarantees to Ansteel exceeding US\$3.1 billion, which guarantees are limited to the extent of Gindalbie's shareholding in Karara.

For the guarantees to be called upon, Karara would need to default on the relevant loans or otherwise default in the satisfaction of a guaranteed liability. Based on usage estimates as at the date of this Acquisition Scheme Booklet, the bank guarantees referred to above will start expiring in 2022 and will be fully expired by the end of 2023.

As at the date of this Acquisition Scheme Booklet, the Independent Directors are not aware of any guarantees being called upon, but there remains a risk that Ansteel may not continue to fund or support

Karara, which could lead to the guarantees being called. If Gindalbie is required to repay its proportional share of the shareholders' guarantees to Ansteel, the potential obligation is currently in excess of the value of Gindalbie's shares in Karara and the net assets of Gindalbie.

Although the Independent Directors have a reasonable expectation, as at the date of this Acquisition Scheme Booklet, that the guarantees will not be called upon and that Gindalbie will have adequate resources to continue in operational existence for the foreseeable future and pay its debts as and when they are due, there remains a risk that the guarantees could be called.

In addition to the risks associated with the guarantees, Gindalbie is also exposed to the risks associated with being a minority interest holder in Karara, such as a lack of operational control, and other risks relating to the value of its investment in Karara, including an exposure to global commodity prices.

Gindalbie also remains exposed to the risk of further dilution in Karara. This is because Ansteel also has the option to purchase additional share capital in Karara which, if exercised, would result in Gindalbie's ownership of Karara decreasing from 47.84% to approximately 38.24%. Any further equity contribution to Karara from Ansteel would, if Gindalbie would not or could not also participate, further dilute Gindalbie's ownership of Karara.

In 2014, Gindalbie made the decision to write down the carrying value of its interest in Karara to nil (\$0), in recognition that it was unlikely that Karara will generate sufficient profits to return dividends to its shareholders. Gindalbie regularly reviews the value of its investment in Karara and, in the Independent Directors' opinion, Karara is unlikely to deliver dividends or a positive financial return to Gindalbie Shareholders in the foreseeable future. Gindalbie's carrying value of its interest in Karara remains nil, and Gindalbie Shareholders should also note that Karara is subject to restrictions on its ability to pay dividends under its project finance facility.

(b) Availability of funding

Gindalbie has a declining cash balance, and there can be no guarantee that Gindalbie will be able to obtain future debt or equity financing to sustain its operations.

Furthermore, as at the date of this Acquisition Scheme Booklet, the Independent Directors consider that Gindalbie cannot secure significant debt funding due to its significant contingent liability exposure to Karara, and any additional equity financing may be dilutive to existing Gindalbie Shareholders.

(c) Indirect exposure to Coda risks

Coda is currently a wholly-owned subsidiary of Gindalbie, which means Gindalbie is currently exposed to the risks that relate to Coda and an investment in it. Those risks are described further in Section 6 of the Demerger Scheme Booklet sent to you at the same time as this Acquisition Scheme Booklet.

The Requisite Majorities of Gindalbie Shareholders approving the Acquisition Scheme is a condition of the Demerger Scheme and the Acquisition Scheme. Accordingly, if the Requisite Majorities of Gindalbie Shareholders do not approve the Acquisition Scheme, then neither the Acquisition Scheme nor the Demerger Scheme (and hence the Demerger) will be implemented.

In the above circumstance, Gindalbie will retain its exposure to the risks that relate to Coda and an investment in it, and you will retain an indirect exposure to those risks as a result of being a Gindalbie Shareholder. If both the Acquisition Scheme and the Demerger Scheme are implemented, Gindalbie Shareholders will no longer be indirectly exposed to the risks of an investment in Coda, but those Gindalbie Shareholders who are transferred Coda Shares in accordance with the Demerger Scheme will be directly exposed to those risks.

(d) Major shareholder risk

Ansteel is a major shareholder in Gindalbie. There is a risk that Ansteel, or another substantial shareholder (now or in the future), may sell their shares at a future date. This could cause the price of Gindalbie Shares to decline.

(e) **Litigation**

Gindalbie is exposed to possible litigation risks, including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, Gindalbie may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on Gindalbie's operations, financial performance and financial position. As at the date of this Acquisition Scheme Booklet, there are no material legal proceedings affecting Gindalbie and the Independent Directors are not aware of any legal proceedings pending or threatened against or affecting Gindalbie.

(f) **Competition**

Like many industries, the resources industry is subject to domestic and global competition. While Gindalbie undertakes all reasonable due diligence in its business decisions and operations, Gindalbie has no influence or control over the activities or actions of its competitors and these activities or actions may positively or negatively affect the operating and financial performance of Gindalbie.

Some of these companies have greater financial and other resources than Gindalbie and, as a result, may be in a better position to compete for future business opportunities. Many of Gindalbie's competitors not only explore for and produce minerals, but also carry out refining operations and produce other products on a worldwide basis. There can be no assurance that Gindalbie can compete effectively with these companies.

6.3 Risks that relate to the Acquisition Scheme

(a) **Conditions**

The implementation of the Acquisition Scheme is subject to a number of Conditions, which are summarised in Annexure A and set out in full in clause 3.1 of the Acquisition Scheme Implementation Agreement. The Acquisition Scheme will not proceed to the Second Court Hearing unless all Conditions are satisfied or waived (if applicable) (other than the Conditions relating to approval by the Court).

If the Conditions are not satisfied or waived (as applicable) by the End Date, the Acquisition Scheme Implementation Agreement may be terminated, which will mean the Acquisition Scheme will not be implemented.

One of the Conditions is the Requisite Majorities of Gindalbie Shareholders approving the Demerger Scheme. There is a risk that the Requisite Majorities of Gindalbie Shareholders do not approve the Demerger Scheme and therefore a risk that the Acquisition Scheme will not be implemented on that basis.

Annexure A contains a summary of the status of the Conditions as at the date of this Acquisition Scheme Booklet. A failure to satisfy any of the Conditions, or a delay in satisfying the Conditions and implementing the Acquisition Scheme, may adversely affect the trading price of Gindalbie Shares.

(b) **Court approval or delays**

There is a risk that the Court may not approve the Acquisition Scheme or that the approval of the Court may be delayed.

In particular, if there is a material change in circumstances between the Acquisition Scheme Meeting and the Second Court Hearing, the Court will take the change into account in deciding whether it should approve the Acquisition Scheme. If there is a material change of sufficient importance so as to materially alter the Acquisition Scheme, there is a risk that the Court may not approve the Acquisition Scheme at the Second Court Hearing.

Implementation of the Acquisition Scheme

07

7. Implementation of the Acquisition Scheme

All dates referred to in this Section 7 are indicative only. The actual dates on which events referred to in this Section 7 will occur will depend upon the time at which the Conditions to the Acquisition Scheme are satisfied or waived (if applicable). The Conditions are summarised in Annexure A and set out in full in clause 3.1 of the Acquisition Scheme Implementation Agreement. Gindalbie has the right to vary all dates subject to all necessary approvals. Any variation to the dates referred to in this Section 7 will be announced to the ASX and published on Gindalbie's website.

7.1 Key steps to implement the Acquisition Scheme

(a) Acquisition Scheme Meeting

In accordance with an order of the Court on 24 May 2019, Gindalbie Shareholders will be asked to approve the Acquisition Scheme at the Acquisition Scheme Meeting to be held at 9.30 am (Perth time) on 3 July 2019 at the Perth Convention and Exhibition Centre, Meeting Room 8. The Notice of Acquisition Scheme Meeting is set out in Annexure E.

At the Acquisition Scheme Meeting, Gindalbie Shareholders will be asked to consider and, if thought fit, to pass a resolution approving the Acquisition Scheme. For the Acquisition Scheme to be approved by Gindalbie Shareholders, votes in favour of the Acquisition Scheme Resolution must be received from:

- a majority in number (more than 50%) of Gindalbie Shareholders present and voting at the Acquisition Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Gindalbie Shareholders, by a duly appointed corporate representative) (the **Headcount Test**); and
- at least 75% of the total number of votes cast on the Acquisition Scheme Resolution by Gindalbie Shareholders at the Acquisition Scheme Meeting.

If the Acquisition Scheme is not approved by Gindalbie Shareholders at the Acquisition Scheme Meeting by reason only of the non-satisfaction of the Headcount Test, Gindalbie may apply to the Court for the Court to exercise its discretion to disregard the Headcount Test and make orders approving the Acquisition Scheme.

(b) Second Court Date

If the Acquisition Scheme is approved by the Requisite Majorities of Gindalbie Shareholders at the Acquisition Scheme Meeting, the Demerger Scheme is approved by the Requisite Majorities of Gindalbie Shareholders at the Demerger Scheme Meeting and the Capital Reduction is approved by Gindalbie Shareholders at the General Meeting, Gindalbie will apply to the Court for orders approving the Acquisition Scheme following the Acquisition Scheme Meeting. The date on which the Court hears Gindalbie's application in relation to the Acquisition Scheme is the Second Court Date. The Second Court Date is expected to be on or around 8 July 2019 and the Second Court Hearing is open to all Gindalbie Shareholders.

If the Acquisition Scheme is not approved by the Requisite Majorities of Gindalbie Shareholders at the Acquisition Scheme Meeting, the Demerger Scheme is not approved by the Requisite Majorities of Gindalbie Shareholders at the Demerger Scheme Meeting or the Capital Reduction is not approved by a majority of Gindalbie Shareholders at the General Meeting, the Acquisition Scheme will not be implemented and Gindalbie will not apply to the Court for any orders in connection with the Acquisition Scheme.

The Court has discretion whether or not to approve the Acquisition Scheme under section 411(4)(b) of the Corporations Act and may refuse to approve the Acquisition Scheme even if the Acquisition Scheme is approved by the Requisite Majorities of Gindalbie Shareholders.

The Corporations Act and the relevant Court rules provide a procedure for Gindalbie Shareholders to oppose the approval by the Court of the Acquisition Scheme. Any Gindalbie Shareholder who wishes to oppose the approval of the Acquisition Scheme at the Second Court Hearing may do so by filing with the Court and serving on Gindalbie a notice of appearance in the prescribed form together with any affidavit on which the Gindalbie Shareholder will seek to rely at the Second Court Hearing. The notice of appearance and any affidavit must be served on Gindalbie at least one day before the Second Court Date (the Second Court Date is expected to be 8 July 2019). Any change to the Second Court Date will be announced to the ASX and published on Gindalbie's website at www.gindalbie.com.au.

ASIC will be asked to issue a written statement that it has no objection to the Acquisition Scheme. ASIC would not be expected to issue such a statement until shortly before the Second Court Date. If ASIC does not produce a written statement that it has no objection to the Acquisition Scheme, the Court may still approve the Acquisition Scheme provided it is satisfied that section 411(17)(a) of the Corporations Act is satisfied.

(c) Effective Date

If the Court approves the Acquisition Scheme, Gindalbie will lodge with ASIC an office copy of the Court order approving the Acquisition Scheme. Gindalbie intends to lodge this with ASIC on the Business Day following receipt of the orders, which is expected to be 9 July 2019. The Acquisition Scheme comes into effect on the date on which Gindalbie lodges the Court order approving the Acquisition Scheme with ASIC. This date is referred to in this Acquisition Scheme Booklet as the Effective Date.

If the Conditions are not satisfied or waived (as applicable) by the End Date, the Acquisition Scheme Implementation Agreement may be terminated, which will mean the Acquisition Scheme will not be implemented.

(d) Implementation of the Acquisition Scheme

Acquisition Scheme Shareholders will be entitled to receive the Acquisition Scheme Consideration for each Acquisition Scheme Share held by them on the Acquisition Scheme Record Date. The Acquisition Scheme Record Date is currently expected to be 5.00 pm (Perth time) on 16 July 2019.

For the purposes of determining who is an Acquisition Scheme Shareholder, dealings in Gindalbie Shares or other alterations to the Gindalbie Share Register will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Gindalbie Share Register as the holder of the relevant Gindalbie Shares by the Acquisition Scheme Record Date; and
- in all other cases, registrable transfer or transmission applications in respect of those dealings are received at or before the Acquisition Scheme Record Date at the place where the Gindalbie Share Register is kept.

Gindalbie will not accept for registration, nor recognise for any purpose (except a transfer to Ansteel under the Acquisition Scheme and any subsequent transfer by Ansteel or its successors in title), any transmission application or transfer in respect of Gindalbie Shares received on or after the Acquisition Scheme Record Date, or received prior to the Acquisition Scheme Record Date but not in registrable or actionable form.

Gindalbie must maintain the Gindalbie Share Register until the Acquisition Scheme Consideration has been paid to the Acquisition Scheme Shareholders and Ansteel has been entered in the Gindalbie Share Register as the holder of all Acquisition Scheme Shares. The Gindalbie Share Register in this form and the terms of the Acquisition Scheme will solely determine entitlements to the Acquisition Scheme Consideration.

From the Acquisition Scheme Record Date (and other than for Ansteel following the Implementation Date), all share certificates and holding statements for the Acquisition Scheme Shares will cease to have effect as documents of title, and each entry in the Gindalbie Share Register at that date will cease to have any effect other than as evidence of entitlement to the Acquisition Scheme Consideration.

7.2 Transfer of Gindalbie Shares

On the Implementation Date, subject to the provision of the Acquisition Scheme Consideration, all Acquisition Scheme Shares held by Acquisition Scheme Shareholders (together with all rights and entitlements attaching to them) will be transferred to Ansteel without any further action required by Acquisition Scheme Shareholders and at no cost to them. Gindalbie will enter the name of Ansteel into the Gindalbie Share Register in respect of the Acquisition Scheme Shares. Gindalbie will then become a subsidiary of Ansteel.

7.3 Warranty by Acquisition Scheme Shareholders about their Gindalbie Shares

Under the Acquisition Scheme, each Acquisition Scheme Shareholder is deemed to have warranted to Ansteel, and to the extent enforceable, appointed and authorised Gindalbie as its agent to warrant to Ansteel, that:

- all its Acquisition Scheme Shares (including any rights and entitlements attaching to those Acquisition Scheme Shares) will, at the date of the transfer of them to Ansteel, be fully paid and free from all security interests (including mortgages, charges, liens, encumbrances, pledges, Security Interests and interests of third parties of any kind, whether legal or otherwise) and from any restrictions on transfer of any kind; and
- it has full power and capacity to sell and to transfer those Acquisition Scheme Shares together with any rights and entitlements attaching to such shares to Ansteel under the Acquisition Scheme.

7.4 Tax direction

As set out in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet, Gindalbie may need to withhold an amount of tax as a result of the Demerger Scheme. It is not practicable to withhold tax from the Demerger Scheme Consideration to be transferred under the Demerger Scheme, given that the Demerger Scheme Consideration comprises Coda Shares and does not contain a cash component.

To address this, under the Demerger Scheme, each “Demerger Scheme Shareholder” (as defined in the Demerger Scheme):

- directs Gindalbie to pay any withholding required or compelled by law to the relevant regulatory authority on behalf of that “Demerger Scheme Shareholder”;
- agrees that the amount of the withholding is to be treated as a loan from Gindalbie to that “Demerger Scheme Shareholder”; and
- agrees to repay that loan to Gindalbie in cash upon implementation of the Acquisition Scheme.

The terms of the Acquisition Scheme permit Gindalbie to apply a portion of the Acquisition Scheme Consideration payable to an Acquisition Scheme Shareholder as is necessary to repay the loan mentioned above. The record dates for the Demerger Scheme and the Acquisition Scheme are the same, which means that no Gindalbie Shareholder (other than Ansteel and its Related Bodies Corporate) will need to contribute additional funds to repay the loan mentioned above.

7.5 Suspension of trading in Gindalbie Shares

It is expected that suspension of trading in Gindalbie Shares on the ASX will occur from the close of trading on the Effective Date. This is expected to occur on 9 July 2019.

Gindalbie will apply for termination of the official quotation of Gindalbie Shares on the ASX and to have itself removed from the official list of the ASX with effect from the close of business on the Business Day following the Implementation Date.

7.6 Relationship between the Acquisition Scheme and the Demerger

The Demerger and Acquisition Scheme are separate but inter-conditional transactions. This means that each of the Demerger (via the Demerger Scheme) and the Acquisition Scheme contain conditions precedent that relate to Gindalbie Shareholders and the Court approving the other. Effectively, neither the Demerger nor the Acquisition Scheme will be implemented unless the other is implemented.

More information in relation to the Demerger can be found in the Demerger Scheme Booklet, which was sent to you at the same time as this Acquisition Scheme Booklet.

08

Implications if the Acquisition Scheme is not implemented

8. Implications if the Acquisition Scheme is not implemented

If the Acquisition Scheme is not approved by the Requisite Majorities at the Acquisition Scheme Meeting, or not approved by the Court, or any of the other Conditions are not satisfied or waived (if applicable):

- no Gindalbie Shareholders will receive the Acquisition Scheme Consideration;
- the Demerger will not proceed, which means no Gindalbie Shareholders will receive any Coda Shares;
- Gindalbie Shares will not be transferred to Ansteel (and will be retained by Gindalbie Shareholders);
- Gindalbie will continue to operate as a stand-alone entity, and remain listed on the ASX;
- Gindalbie Shareholders will continue to be exposed to the benefits and risks associated with an investment in Gindalbie on a stand-alone basis (please refer to Section 6 for further details about the risks);
- the amount which Gindalbie Shareholders will be able to realise for their investment in Gindalbie may be uncertain; and
- in the absence of a Superior Proposal, the Independent Directors believe that it is likely that the price of Gindalbie Shares will fall from current levels.

In addition, some circumstances which cause the Acquisition Scheme not to proceed may result in the payment of a reimbursement fee by Gindalbie to Ansteel, or a reimbursement fee by Ansteel to Gindalbie. If Gindalbie Shareholders do not approve the Acquisition Scheme by the Requisite Majorities, this will not trigger payment of a reimbursement fee by Gindalbie.

The reimbursement fees (including the circumstances in which they may be payable by either Gindalbie or Ansteel) are summarised in Annexure A and set out in full in clause 10 of the Acquisition Scheme Implementation Agreement.

If the Acquisition Scheme is not implemented, the Gindalbie Directors will determine the future strategy for Gindalbie. Gindalbie will continue with its publicly stated strategy in relation to Mt Gunson.

09

Tax implications of the Acquisition Scheme



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Private and confidential

The Directors
Gindalbie Metals Ltd
6 Altona Street
West Perth WA 6005

Our ref 36586577_3

24 May 2019

Dear Directors

Tax implications of the Acquisition Scheme

This letter has been prepared at the request of Gindalbie for inclusion in the Acquisition Scheme Booklet.

All capitalised terms contained in this letter that are not otherwise defined take on the meaning given to them in the Acquisition Scheme Booklet.

1 Purpose of this letter

Under the Acquisition Scheme, Acquisition Scheme Shareholders will receive the Acquisition Scheme Consideration of \$0.026 for each Gindalbie Share held by them at the Acquisition Scheme Record Date.

The purpose of this letter is to provide a general overview of the expected Australian income tax, GST and stamp duty consequences of the Acquisition Scheme for Acquisition Scheme Shareholders who:

- Hold their Gindalbie Shares on capital account (and not on revenue account or as trading stock);
- Are not subject to the Taxation of Financial Arrangements (TOFA) rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (ITAA 1997); and
- Did not acquire their Gindalbie Shares as a result of participation in an employee share scheme.

All references to “Gindalbie Shareholders” in this section refer to the class of shareholders above.

Our tax comments have been prepared for Acquisition Scheme Shareholders who are residents of Australia for tax purposes. Where relevant, comments have been made for Acquisition Scheme Shareholders who are not Australian residents and who do not hold their Gindalbie Shares at or through a permanent establishment in Australia.

However, we have not addressed the tax implications that may arise for non-resident Acquisition Scheme Shareholders under the laws of other jurisdictions.

Our tax comments have been prepared on the basis that Gindalbie Shares are post-CGT (i.e. after 19 September 1985) assets.

This letter has been prepared for inclusion in this Acquisition Scheme Booklet and should be read in conjunction with the remainder of this Acquisition Scheme Booklet. In providing our views, we have relied upon facts as set out in the Acquisition Scheme Booklet that have not been independently verified by KPMG.

The following summary is based upon the legislation and established interpretation of legislation as at the date of this Acquisition Scheme Booklet, but is not intended to be an authoritative or complete statement of the law relevant to the circumstances of each Gindalbie Shareholder. Gindalbie Shareholders should seek independent professional advice in relation to their own particular circumstances.

The information contained in this summary is of a general nature and is not intended to address the circumstances of any particular individual or entity. No one should act on such information without appropriate professional advice after a thorough examination of their particular situation. As KPMG does not undertake to update this advice for any changes in the Australian tax law after the date of this letter, it is the responsibility of the Gindalbie Shareholders to take further advice, if they are to rely on our advice at a later date.

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

2 CGT implications

The disposal of Gindalbie Shares to Ansteel under the Acquisition Scheme will give rise to Capital Gains Tax (CGT) event A1 for Acquisition Scheme Shareholders. The CGT event will happen at the time the Acquisition Scheme Shareholders transfer their Gindalbie Shares to Ansteel under the Acquisition Scheme (i.e. at the Implementation Date).

2.1 Capital gain or loss calculation

A capital gain will arise to the extent that capital proceeds received by the Acquisition Scheme Shareholders from the disposal of their Gindalbie Shares exceeds the cost base of those shares.

A capital loss will be incurred to the extent that the capital proceeds received by the Acquisition Scheme Shareholders are less than the reduced cost base of those shares.

The capital proceeds will be the Acquisition Scheme Consideration of \$0.026 for each Gindalbie Share. Any withholding taxes required to be deducted from the capital proceeds are disregarded for the purposes of calculating the capital gain or loss on disposal of the Gindalbie Shares by Acquisition Scheme Shareholders. Withholding taxes include foreign resident CGT withholding (refer below) and TFN withholding (refer Frequently asked questions in Section 2).

The cost base or reduced cost base of the Gindalbie Shares will generally be the original amount paid to acquire the Gindalbie Shares plus any incidental costs and any non-capital costs not claimed as an income tax deduction.

The cost base (or reduced cost base) of the Gindalbie Shares will be impacted by the Demerger Scheme. Further detail in relation to this is contained in the Demerger Scheme Booklet.

2.2 Indexation or CGT Discount

Acquisition Scheme Shareholders may be entitled to reduce any capital gain on the disposal of their Gindalbie Shares by either indexing their cost base or applying the CGT discount.

Certain shareholders, such as individuals and trustees of trusts, may be entitled to the 50% CGT discount in relation to the amount of any capital gain (after taking into account current year or carry forward capital losses) if the disposal of their Gindalbie Shares occurs 12 months after the date they acquired (or are deemed to have acquired) them.

Complying superannuation entities may be eligible for a 33 $\frac{1}{3}$ % discount if the disposal of their Gindalbie Shares occurs 12 months after the date they acquired (or are deemed to have acquired) them.

The CGT discount is not available to certain Acquisition Scheme Shareholders including those who are companies or for Acquisition Scheme Shareholders who have chosen to apply the indexation method to the cost base of their Gindalbie Shares.

2.3 Capital loss

A capital loss may be used to offset any other capital gains derived by the Acquisition Scheme Shareholders for the relevant year of income or may be carried forward to offset capital gains in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in certain circumstances. Acquisition Scheme Shareholders should seek their own tax advice in relation to the operation of these rules.

2.4 Non-resident Acquisition Scheme Shareholders

The above CGT implications would arise for non-resident Acquisition Scheme Shareholders whose Gindalbie Shares would constitute Taxable Australian Property (TAP). Gindalbie Shares would constitute TAP if they constitute an "indirect Australian real property interest". The Gindalbie Shares will constitute an "indirect Australian real property interest" if:

- The non-resident Acquisition Scheme Shareholder and its Tax Associates (see below for further detail) hold an interest of 10% or more at the time of the disposal (i.e. Implementation Date) or throughout a 12 month period during the 2 years preceding the disposal; and
- More than 50% of the market value of Gindalbie's assets is attributable directly or indirectly to Australian real property (i.e. land and mining, quarrying or prospecting rights) at the time of the disposal (i.e. Implementation Date) (Indirect Australian Real Property Interest).

Tax Associates are "associates" as defined for Australian income tax purposes. The definition of Tax Associates is complex and depends on whether the non-resident Acquisition Scheme Shareholder is an individual, a company, a trustee or a partnership. Generally, Tax Associates include relatives, partners, trustees and beneficiaries, and related companies.

No CGT implications should arise for non-resident Acquisition Scheme Shareholders who together with the Tax Associates hold less than a 10% interest in Gindalbie including throughout a 12 month period during the 2 years preceding the disposal.

3 Foreign resident CGT withholding

Ansteel will be required to withhold and pay to the ATO, a foreign resident CGT withholding amount of 12.5% of the Acquisition Scheme Consideration (or some lesser ATO approved varied amount) paid to certain Relevant Foreign Resident Acquisition Scheme Shareholders unless a signed and completed Relevant Foreign Resident Declaration Form (as referred to below) is provided to Ansteel by such Relevant Foreign Resident Acquisition Scheme Shareholders.

3.1 Foreign resident Acquisition Scheme Shareholders

An Acquisition Scheme Shareholder will be a Relevant Foreign Resident for foreign resident CGT withholding purposes where:

- Ansteel knows the Acquisition Scheme Shareholder is a foreign resident for Australian tax purposes;
- Ansteel reasonably believes that the Acquisition Scheme Shareholder is a foreign resident for Australian tax purposes;

- Ansteel does not reasonably believe that the Acquisition Scheme Shareholder is a an Australian resident for Australian tax purposes and either the Acquisition Scheme Shareholder has an address outside Australia (according to any record that is in Ansteel's possession or is kept or maintained on Ansteel's behalf about the disposal of Gindalbie Shares under the Acquisition Scheme) or Ansteel is authorised to provide a related financial benefit to a place outside Australia (whether to the Acquisition Scheme Shareholder or to anyone else); or
- The Acquisition Scheme Shareholder has a connection outside Australia of a kind specified in the relevant tax regulations.

3.2 Relevant Foreign Resident Declaration Form

Each Acquisition Scheme Shareholder who Ansteel considers or reasonably believes is a Relevant Foreign Resident, has been sent a Relevant Foreign Resident Declaration Form at the same time as this Acquisition Scheme Booklet. If for whatever reason, an Acquisition Scheme Shareholder believes they are a Relevant Foreign Resident but have not received a Relevant Foreign Resident Declaration Form, they should contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday to request a Relevant Foreign Resident Declaration Form.

The Relevant Foreign Resident Declaration Form contains the following declarations from the Relevant Foreign Resident which cover the "relevant period" (i.e. the period from and including the Acquisition Scheme Record Date until and including the Implementation Date) and which the Relevant Foreign Resident will need to complete and sign as applicable:

- That the registered holder is an Australian tax resident (residency declaration); or
- That the registered holder, together with its Tax Associates, has not held an interest of 10% or more in Gindalbie as at the Implementation Date or throughout a 12 month period during the 2 years preceding the Implementation Date (indirect Australian real property interest declaration).

Where an Acquisition Scheme Shareholder who is a Relevant Foreign Resident has provided a signed and completed Relevant Foreign Resident Declaration Form to Ansteel by the Acquisition Scheme Record Date, Ansteel should not be required to withhold the foreign resident CGT withholding amount. However, Ansteel will be required to withhold the foreign resident CGT withholding amount of 12.5% (or lesser ATO approved varied amount) if it does not receive a signed and completed Relevant Foreign Resident Declaration Form from an Acquisition Scheme Shareholder who is a Relevant Foreign Resident" by the Acquisition Scheme Record Date.

The foreign resident CGT withholding is not a final withholding tax. Accordingly, Acquisition Scheme Shareholders may be able to claim a credit for any foreign resident CGT withholding amount in their Australian tax return for the relevant year (as applicable).

4 Stamp Duty

No stamp duty should be payable by Acquisition Scheme Shareholders in relation to the disposal of their Gindalbie Shares to Ansteel under the Acquisition Scheme.

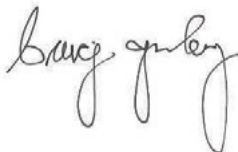
5 GST

No GST should be payable by Acquisition Scheme Shareholders in relation to the disposal of their Gindalbie Shares to Ansteel under the Acquisition Scheme.

However GST may be charged to Acquisition Scheme Shareholders in adviser fees and other costs relating to their participation in the Acquisition Scheme. The eligibility for Acquisition Scheme Shareholders to claim full or partial input tax credits in relation to this GST payable will depend on the individual circumstances of each shareholder. Acquisition Scheme Shareholders should seek their own independent tax advice in relation to this.

* * * * *

Yours faithfully



Craig Yaxley
Partner

Additional
information

10

10. Additional information

10.1 Interests of Gindalbie Directors in Gindalbie Shares and Gindalbie Options

Other than as listed below, no Gindalbie Shares or Gindalbie Options are held or controlled by the Gindalbie Directors and no such persons are otherwise entitled to such securities as at the date of this Acquisition Scheme Booklet.

(a) **Gindalbie Directors' interests in Gindalbie Shares**

As at the date of this Acquisition Scheme Booklet, each Gindalbie Director has a Relevant Interest in the following number of Gindalbie Shares:

Gindalbie Director	Number of Gindalbie Shares	Percentage of outstanding Gindalbie Shares, calculated on a non-diluted basis
Keith Jones	300,000	0.02%
Andrew (Robin) Marshall	200,000	0.01%
Paul Hallam	100,000	0.01%
Ge Li	0	0%
An Lin Shao	0	0%
Total	600,000	0.04%

Each Independent Director intends to cause any Gindalbie Shares in which he has a Relevant Interest to be voted in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.

Other than as disclosed in this Acquisition Scheme Booklet, the Independent Directors will not receive any direct or indirect benefits from voting in favour of the Acquisition Scheme Resolution other than the Acquisition Scheme Consideration to which they are entitled.

(b) **Independent Directors' interests in Gindalbie Options**

As at the date of this Demerger Scheme Booklet, no Gindalbie Options are held by or on behalf of a Gindalbie Director.

Please refer to Section 1.12 for details regarding the treatment of Gindalbie Options if the Acquisition Scheme proceeds.

10.2 Gindalbie Directors' dealings in Gindalbie securities

No Gindalbie Director acquired or disposed of a Relevant Interest in any Gindalbie Shares or Gindalbie Options in the four month period ending on the date immediately before the date of this Acquisition Scheme Booklet.

10.3 Interests and dealings of Gindalbie Directors in securities in Ansteel Group entities

(a) **Gindalbie Directors' interests in securities in Ansteel Group entities**

No Gindalbie Director has a Relevant Interest in any securities of Ansteel or any other member of the Ansteel Group.

(b) **Gindalbie Directors' dealings in securities in Ansteel Group entities**

No Gindalbie Director has acquired or disposed of a Relevant Interest in any securities of Ansteel or any other member of the Ansteel Group in the four month period ending on the date immediately before the date of this Acquisition Scheme Booklet.

10.4 Benefits and agreements

(a) **Agreements or arrangements with Gindalbie Directors**

Other than as disclosed in this Acquisition Scheme Booklet, there are no agreements or arrangements made between any Gindalbie Director and any other person, including Ansteel, or any other member of the Ansteel Group, in connection with, or conditional upon, the outcome of the Acquisition Scheme.

(b) **Payments or other benefits to Gindalbie Directors and Gindalbie executive officers**

Other than as disclosed in this Acquisition Scheme Booklet, it is not proposed that any payment or other benefit will be made or given to any Gindalbie Director, secretary or executive officer of Gindalbie, or any body corporate related to Gindalbie, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office as a Gindalbie Director, secretary or executive officer of Gindalbie, or a body corporate connected with Gindalbie, as a result of the Acquisition Scheme, other than in his or her capacity as a Gindalbie Shareholder or holder of Gindalbie Options.

If an executive's employment is terminated following the change of control, or following the Demerger, the relevant executive will have such entitlements (including in respect of compensation for loss of office) as are contemplated by their employment contract.

Please refer to Section 1.12 for details regarding the treatment of Gindalbie Options if the Acquisition Scheme proceeds and Section 4.8 for information regarding the future of Gindalbie executives' employment.

(c) **Interests of Gindalbie Directors in contracts entered into by members of the Ansteel Group and benefits from members of the Ansteel Group**

Other than as disclosed in this Acquisition Scheme Booklet, no Gindalbie Director has any interest in a contract entered into by Ansteel or any other member of the Ansteel Group and none of the Gindalbie Directors has agreed to receive, or is entitled to receive, any benefit from Ansteel or any other member of the Ansteel Group, which is conditional on, or is related to, the Acquisition Scheme.

10.5 Regulatory conditions and relief

Paragraph 8302(h) of part three of schedule eight of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of the Gindalbie Directors, the financial position of Gindalbie has materially changed since the date of the last balance sheet laid before Gindalbie in general meeting or sent to Gindalbie Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2018, and, if so, full particulars of any change. ASIC has granted Gindalbie relief from this requirement so that this Acquisition Scheme Booklet only needs to set out whether, within the knowledge of the Gindalbie Directors, the financial position of Gindalbie has materially changed since 31 December 2018 (being the last date of the period to which the financial statements for the half-year ended 31 December 2018 relate).

10.6 Consents and disclaimers

Each person named in this Section 10.6 as having given its consent to the inclusion of a statement or being named in this Acquisition Scheme Booklet:

- has not authorised or caused the issue of this Acquisition Scheme Booklet;
- does not make, or purport to make, any statement in this Acquisition Scheme Booklet or any statement on which a statement in this Acquisition Scheme Booklet is based other than those statements which have been included in this Acquisition Scheme Booklet with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Acquisition Scheme Booklet, other than a reference to their name and any statements (including any report) which have been included in this Acquisition Scheme Booklet with the consent of that person.

Independent Expert

BDO has given, and has not withdrawn before the date of this Acquisition Scheme Booklet, its written consent to:

- be named as the Independent Expert in the form and context in which it is named;
- the inclusion of the Independent Expert's Report as Annexure B; and
- the inclusion in this Acquisition Scheme Booklet of statements made by BDO or the Independent Expert, or said to be based on the Independent Expert's Report, and to all references to those statements, in the form and context in which they are respectively included.

Independent Technical Expert

SRK has given, and has not withdrawn before the date of this Acquisition Scheme Booklet, its written consent to:

- be named in the form and context in which it is named;
- the inclusion of the Independent Technical Report as an annexure to the Independent Expert's Report; and
- the inclusion in this Acquisition Scheme Booklet of any statements made by SRK, or said to be based on the Independent Technical Report, and to all references to those statements, in the form and context in which they are respectively included.

Ansteel

Ansteel has given, and has not withdrawn before the date of this Acquisition Scheme Booklet, its written consent to:

- be named in this Acquisition Scheme Booklet in the form and context in which it is named; and
- the inclusion in this Acquisition Scheme Booklet of the Ansteel Information in the form and context in which it appears.

Other persons

KPMG has given, and has not withdrawn before the date of this Acquisition Scheme Booklet, its written consent to:

- be named in this Acquisition Scheme Booklet as Gindalbie’s auditor in the form and context in which it is named; and
- the inclusion in this Acquisition Scheme Booklet of its letter to the Gindalbie Directors advising of the tax implications of the Acquisition Scheme in Section 9 and all references in this Acquisition Scheme Booklet to that letter, in each case in the form and context in which they appear.

Clayton Utz has given, and has not withdrawn before the date of this Acquisition Scheme Booklet, its written consent to be named in this Acquisition Scheme Booklet as Gindalbie’s legal adviser in the form and context in which it is named.

Link Market Services Limited has given, and has not withdrawn before the date of this Acquisition Scheme Booklet, its written consent to be named as the Share Registry in the form and context in which it is named.

10.7 Litigation

As at the date of this Acquisition Scheme Booklet, Gindalbie is not aware of any material contractual disputes or litigation matters in respect of Gindalbie, including with its customers or other third parties.

10.8 No unacceptable circumstances

The Independent Directors believe that the Acquisition Scheme does not involve any circumstances in relation to the affairs of Gindalbie that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

10.9 Other information material to the making of a decision in relation to the Acquisition Scheme

Except as set out in this Acquisition Scheme Booklet, there is no other information material to the making of a decision by a Gindalbie Shareholder on whether or not to vote in favour of the Acquisition Scheme Resolution, being information that is within the knowledge of any Gindalbie Director, or any director of any Related Body Corporate of Gindalbie, which has not previously been disclosed to Gindalbie Shareholders.

10.10 Supplementary information

Gindalbie will issue a supplementary document to this Acquisition Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Acquisition Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Acquisition Scheme Booklet is false or misleading;
- a material omission from this Acquisition Scheme Booklet;
- a significant change affecting a matter included in this Acquisition Scheme Booklet; and/or
- a significant new matter has arisen and it would have been required to be included in this Acquisition Scheme Booklet if it had arisen before the date of lodgement of this Acquisition Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Gindalbie may circulate and publish any supplementary document including by:

- approaching the Court for a direction as to what is appropriate in the circumstances;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Gindalbie's website and the ASX; and
- making a public announcement by way of press release.

ASIC will be provided with an opportunity to review and comment on any supplementary documents prior to their issue by Gindalbie.

Glossary 11

11. Glossary

In this Acquisition Scheme Booklet:

ABN means Australian Business Number.

Acquisition Deed Poll means a deed poll executed by Ansteel in favour of the Acquisition Scheme Shareholders, as set out in Annexure D.

Acquisition Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Gindalbie and the Acquisition Scheme Shareholders in the form set out in Annexure C, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Gindalbie and Ansteel.

Acquisition Scheme Booklet means this booklet, including the Annexures.

Acquisition Scheme Consideration means the amount of cash which an Acquisition Scheme Shareholder is entitled to receive under the Acquisition Scheme, being \$0.026 for each Acquisition Scheme Share.

Acquisition Scheme Implementation Agreement means the Scheme Implementation Agreement dated 11 March 2019 between Gindalbie and Ansteel. A summary is set out in Annexure A and a full copy of the original is attached to Gindalbie's ASX announcement on 11 March 2019, which is available the ASX's website at www.asx.com.au or Gindalbie's website at www.gindalbie.com.au/.

Acquisition Scheme Meeting means the meeting of Gindalbie Shareholders to be convened pursuant to section 411(1) of the Corporations Act to consider and, if thought fit, approve the Acquisition Scheme.

Acquisition Scheme Record Date means 5.00 pm on the date that is five Business Days after the Effective Date or such other time and date agreed in writing between Ansteel and Gindalbie.

Acquisition Scheme Resolution means the resolution put to Gindalbie Shareholders at the Acquisition Scheme Meeting to approve the Acquisition Scheme.

Acquisition Scheme Share means a Gindalbie Share on issue on the Acquisition Scheme Record Date other than any Gindalbie Shares held by Ansteel or its Related Bodies Corporate (other than any Gindalbie Shares held by such entities on behalf of one or more third parties or otherwise in a fiduciary capacity).

Acquisition Scheme Shareholders means each person registered in the Gindalbie Share Register as a holder of one or more Acquisition Scheme Shares on the Acquisition Scheme Record Date.

Announcement Date means 11 March 2019.

Ansteel means:

- (a) Angang Group Hong Kong (Holdings) Limited (a company incorporated in Hong Kong); or
- (b) where the reference is in relation to Karara, Angang Group Investment (Australia) Pty Ltd ACN 118 934 277.

Ansteel Group means Ansteel Parent and its subsidiaries.

Ansteel Parent means Ansteel Group Co, Ltd.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

ASX Listing Rules means the official listing rules of the ASX.

ATO means the Australian Taxation Office.

Australian Accounting Standards means the standards that fully comply with the International Finance Reporting Standards.

BDO means BDO Corporate Finance (WA) Pty Ltd.

BIF means banded iron-formation.

Business Day means a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Perth, Western Australia, Hong Kong and Beijing.

Capital Reduction means the capital reduction to be undertaken as part of the implementation of the Demerger pursuant to section 256C of the Corporations Act, as described further in the Demerger Scheme Booklet.

Capital Reduction Resolution means the resolution to approve the Capital Reduction, to be put to Gindalbie Shareholders at the General Meeting.

Coda means Coda Minerals Limited ACN 625 763 957.

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

Competent Person has the meaning given in the JORC Code.

Competing Proposal has the meaning given in the Acquisition Scheme Implementation Agreement.

Conditions means the conditions precedent to the implementation of the Acquisition Scheme, which are set out in clause 3.1 of the Acquisition Scheme Implementation Agreement.

Corporations Act means the Corporations Act 2001 (Commonwealth of Australia).

Corporations Regulations means the Corporations Regulations 2001 (Commonwealth of Australia).

Court means the Federal Court of Australia.

Demerger means the demerger of Coda from Gindalbie by way of the Demerger Scheme and the Capital Reduction.

Demerger Deed means the Demerger Deed dated 11 March 2019 between Gindalbie and Coda, as described further in the Demerger Scheme Booklet.

Demerger Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Gindalbie and the “Demerger Scheme Shareholders”, as described further in the Demerger Scheme Booklet.

Demerger Scheme Booklet means the “Demerger Scheme Booklet” dated 24 May 2019 that was sent to Gindalbie Shareholders at the same time as this Acquisition Scheme Booklet.

Demerger Scheme Consideration means one Coda Share for every 45 “Demerger Scheme Shares” (as defined in the Demerger Scheme).

Demerger Scheme Meeting means the meeting of Gindalbie Shareholders to be convened pursuant to section 411(1) of the Corporations Act to consider and, if thought fit, approve the Demerger Scheme.

Demerger Scheme Record Date means 5.00 pm on the date that is five Business Days after the date the Demerger Scheme becomes Effective or such other time and date agreed in writing between Gindalbie and Coda.

Demerger Scheme Resolution means the resolution put to Gindalbie Shareholders at the Demerger Scheme Meeting to approve the Demerger Scheme.

Effective means when used in relation to a Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act), of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to that Scheme.

Effective Date means the date on which the Demerger Scheme becomes Effective.

Eligible Gindalbie Shareholders means each “Demerger Scheme Shareholder” other than each “Ineligible Foreign Shareholder”, as those terms are used in the Demerger Scheme Booklet.

End Date means 31 December 2019.

Equity Capital Raising means the first equity capital raising by Coda by way of an issue of Coda Shares or other equity securities (which may include a combination of contemporaneous or sequential offer structures).

FIRB means the Australian Foreign Investment Review Board.

General Meeting means the general meeting of Gindalbie Shareholders to be convened to consider the Capital Reduction Resolution.

Gindalbie means Gindalbie Metals Limited ACN 060 857 614.

Gindalbie Board means the board of directors of Gindalbie.

Gindalbie Director means a director of Gindalbie.

Gindalbie ESOP means the employee share option plan operated by Gindalbie from time to time.

Gindalbie Option means an option to acquire a Gindalbie Share.

Gindalbie Share means a fully paid ordinary share in the capital of Gindalbie and, as the context requires, means an Acquisition Scheme Share.

Gindalbie Shareholder means a person who is registered in the Gindalbie Share Register as a holder of one or more Gindalbie Shares.

Gindalbie Share Register means the register of members of Gindalbie maintained by or on behalf of Gindalbie in accordance with section 168(1) of the Corporations Act.

Implementation Date means the date that is five Business Days after the Acquisition Scheme Record Date or such other time and date agreed in writing between Gindalbie and Ansteel.

Independent Directors means Keith Jones, Andrew (Robin) Marshall and Paul Hallam, being the Gindalbie Directors other than Ge Li and An Lin Shao (as those Gindalbie Directors are not considered independent directors of Gindalbie, given they are nominees of Ansteel, and do not consider it appropriate to make a recommendation in relation to the Acquisition Scheme).

Independent Expert means BDO.

Independent Expert’s Report means the report from the Independent Expert in respect of the Acquisition Scheme set out in Annexure B.

Independent Technical Report means the report from SRK, which is attached to the Independent Expert’s Report set out in Annexure B.

Indirect Australian Real Property Interest has the meaning given in Section 9 (Tax Implications of the Acquisition Scheme) of this Acquisition Scheme Booklet.

JORC means the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

JORC Code means the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) prepared by JORC.

Karara means Karara Mining Limited ACN 070 871 831 and, as the context requires, the Karara Iron Ore Project it operates.

KPMG means KPMG ABN 51 194 660 183.

Last Practicable Date means 22 May 2019, being the last practicable trading day prior to the date of this Acquisition Scheme Booklet.

Lodestone means the iron ore resource located on retention licence R 59/2.

Material Adverse Change has the meaning given in the Acquisition Scheme Implementation Agreement.

Mt Gunson means the Mt Gunson Copper-Cobalt Project in South Australia the subject of the Mt Gunson Farm-in Agreement, which comprises three exploration tenements (EL 6141, EL 5636 and EL 6265) and, as the context requires, the beneficial interests in that project held by Coda as a result of the Mt Gunson Farm-in Agreement.

Mt Gunson Farm-in Agreement means the Mount Gunson Farm-in and Joint Venture Agreement dated 17 March 2017 between Gindalbie and Terrace Mining, as novated to Coda by the Novation Deed dated 21 May 2018 between Gindalbie, Terrace Mining and Coda.

Proxy Form means the proxy form for the Acquisition Scheme Meeting accompanying this Acquisition Scheme Booklet.

Registered Address means, in relation to a Gindalbie Shareholder, the address shown in the Gindalbie Share Register on the Acquisition Scheme Record Date.

Related Body Corporate of a corporation means a related body corporate of that corporation within the meaning of section 50 of the Corporations Act.

Relevant Foreign Resident has the meaning given in Section 9 (Tax Implications of the Acquisition Scheme) of this Acquisition Scheme Booklet.

Relevant Foreign Resident Declaration Form means the form to be sent with this Acquisition Scheme Booklet to each Gindalbie Shareholder which Ansteel reasonably believes is a Relevant Foreign Resident.

Relevant Interest has the meaning given to that term in the Corporations Act.

Requisite Majorities means approval of the Acquisition Scheme Resolution (or the Demerger Scheme Resolution) by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Gindalbie Shareholders present and voting at the Acquisition Scheme Meeting (or the Demerger Scheme Meeting) (either in person, by proxy or attorney or in the case of corporate Gindalbie Shareholders, by duly appointed corporate representative); and
- (b) at least 75% of the total number of votes cast on the Acquisition Scheme Resolution (or the Demerger Scheme Resolution) by Gindalbie Shareholders at the Acquisition Scheme Meeting (or the Demerger Scheme Resolution).

Scheme means the Acquisition Scheme or the Demerger Scheme, as the context requires.

Second Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Acquisition Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Second Court Hearing means the hearing of the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Acquisition Scheme.

Section means a section of this Acquisition Scheme Booklet.

Security Interest has the meaning given in section 12 of the Personal Properties Securities Act 2009 (Commonwealth of Australia).

Share Registry means Link Market Services Limited ACN 083 214 537.

SRK means SRK Consulting (Australasia) Pty Ltd.

Superior Proposal has the meaning given in the Acquisition Scheme Implementation Agreement.

Tax Associate has the meaning given to the term “Associate” in section 995-1 of the Income Tax Assessment Act 1997 (Commonwealth of Australia).

Terrace Mining means Terrace Mining Pty Ltd ACN 161 377 340.

Transaction means the Demerger Scheme, the Acquisition Scheme and the Capital Reduction.

Transaction Resolutions means the Acquisition Scheme Resolution, the Demerger Scheme Resolution and the Capital Reduction Resolution, together.

VWAP means volume-weighted average price.

Annexure
Summary of
the Acquisition
Scheme
Implementation
Agreement



Annexure A Summary of the Acquisition Scheme Implementation Agreement

Gindalbie and Ansteel entered into the Acquisition Scheme Implementation Agreement on 11 March 2019. The Acquisition Scheme Implementation Agreement sets out the obligations of Gindalbie and Ansteel in connection with the implementation of the Acquisition Scheme.

A full copy of the Acquisition Scheme Implementation Agreement is attached to Gindalbie's ASX announcement on 11 March 2019, which is also available the ASX's website at www.asx.com.au or Gindalbie's website at www.gindalbie.com.au.

The following is a summary only and is qualified in its entirety by the full text of the Acquisition Scheme Implementation Agreement. All capitalised terms used in this Annexure have the meaning given to them in Section 11, unless otherwise indicated.

Conditions

The implementation of the Acquisition Scheme is subject to the satisfaction or waiver (as applicable) of the following Conditions:

- (a) **Acquisition Scheme shareholder approval:** Gindalbie Shareholders approve the Acquisition Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (b) **Demerger Scheme shareholder approval:** Gindalbie Shareholders approve the Demerger Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (c) **Capital Reduction shareholder approval:** Gindalbie Shareholders approve the Capital Reduction.
- (d) **Court approval of Acquisition Scheme:** the Court approves the Acquisition Scheme in accordance with section 411(4)(b) of the Corporations Act.
- (e) **Court approval of Demerger Scheme:** the Court approves the Demerger Scheme in accordance with section 411(4)(b) of the Corporations Act.
- (f) **FIRB approval:** before the Acquisition Scheme Meeting the Treasurer has either:
 - (i) provided written notice that there is no objection under the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth of Australia) to the proposed acquisition by Ansteel of the Acquisition Scheme Shares and Coda Shares under the Transaction, with the notice of no objection being either unconditional or subject to only the "Taxation Conditions" and/or other conditions which are reasonably acceptable to Ansteel; or
 - (ii) become precluded from exercising any power to make an order under the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth of Australia) in relation to the Acquisition Scheme or the Demerger Scheme.
- (g) **Chinese regulatory approvals:** before the Acquisition Scheme Meeting, Ansteel receives all regulatory approvals required in connection with the Transaction from (or, where only a filing is required, the appropriate filing is accepted by and the necessary time frames have expired such that the relevant regulatory authority has been deemed to have accepted the proposal) the following People's Republic of China regulatory authorities:
 - (i) National Development and Reform Commission;
 - (ii) Ministry of Commerce; and

(iii) State Administration of Foreign Exchange,

and the terms of authorisation given by such regulatory authorities are acceptable to Ansteel.

- (h) **Other regulatory approvals:** on or before 8.00 am (Perth time) on the Second Court Date all regulatory consents, waivers and approvals that Gindalbie and Ansteel (acting reasonably) agree are necessary or desirable to implement the Acquisition Scheme (other than FIRB or any Chinese regulatory approvals noted above) are granted or obtained and are not withdrawn, cancelled or revoked.
- (i) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other temporary, preliminary or final order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any regulatory authority or any other legal restraint preventing any of the transactions contemplated by the Acquisition Scheme Implementation Agreement is in effect at 8.00 am (Perth time) on the Second Court Date.
- (j) **Independent Expert's Report:** the Independent Expert does not change or publically withdraw its conclusion that the Acquisition Scheme is in the best interests of Gindalbie Shareholders prior to 8.00 am (Perth time) on the Second Court Date.
- (k) **Material Adverse Change:** no Material Adverse Change occurs or becomes known to Ansteel between the date of the Acquisition Scheme Implementation Agreement and 8.00 am (Perth time) on the Second Court Date.
- (l) **Prescribed Occurrence:** no "Target Prescribed Occurrence" occurs or becomes known to Ansteel between the date of the Acquisition Scheme Implementation Agreement and 8.00 am (Perth time) on the Second Court Date.
- (m) **Gindalbie warranties:** the representations and warranties made by Gindalbie and set out in Schedule 2 of the Acquisition Scheme Implementation Agreement are true and correct in all material respects as at the time they are given or made.
- (n) **Ansteel warranties:** the representations and warranties made by Ansteel and set out in Schedule 1 of the Acquisition Scheme Implementation Agreement are true and correct in all material respects as at the time they are given or made.
- (o) **Third Party Consent:** Ansteel has received a written copy of the consent required under the "Specified Contract" to the change of control of Gindalbie as a result of the Transaction, which is unconditional or subject only to conditions reasonably acceptable to Ansteel by 8.00 am on the Second Court Date.

Gindalbie announced the satisfaction of the "FIRB approval" Condition to the ASX on 24 April 2019 and the "Third Party Consent" Condition has been satisfied.

The Conditions in paragraphs (a) to (f) above cannot be waived.

As far as Gindalbie is aware, immediately before the date of this Acquisition Scheme Booklet no circumstances have occurred which will cause any of the Conditions not to be satisfied or to become incapable of satisfaction. These matters will continue to be assessed until the latest time each Condition is to be satisfied, which for many of the Conditions is 8.00 am (Perth time) on the Second Court Date.

If the Conditions are not met

If:

- (a) there is a breach or non-fulfilment of a Condition which is not waived in accordance with the Acquisition Scheme Implementation Agreement;
- (b) there is an act, failure to act, event or occurrence which will, or which either party becomes aware will, prevent a Condition being satisfied by the time or date specified in the Acquisition Scheme

Implementation Agreement for the satisfaction of the Condition (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with the Acquisition Scheme Implementation Agreement); or

- (c) the Acquisition Scheme has not become Effective by the End Date,

then the parties must consult, acting reasonably and in good faith, with a view to determining whether the Acquisition Scheme may proceed by way of alternative means or methods, to extend the relevant time for satisfaction of the Condition or to adjourn or change the date of an application to the Court or to extend the End Date.

Acquisition Scheme Consideration

Subject to the Acquisition Scheme being approved by Gindalbie Shareholders, Ansteel must, by no later than the Business Day before the Second Court Date, deposit an amount equal to the total Acquisition Scheme Consideration into a trust account operated by Gindalbie as trustee for the Acquisition Scheme Shareholders.

Subject to the Acquisition Scheme becoming Effective, Gindalbie must ensure that the Acquisition Scheme Consideration is paid to Acquisition Scheme Shareholders from that trust account, in accordance with the terms of the Acquisition Scheme.

Conduct of business

Subject to certain exceptions, up to and including the Implementation Date, Gindalbie must, and must procure that each other member of the Gindalbie group:

- (a) conducts its business and operations in the ordinary and usual course and substantially consistent (subject to any applicable laws, regulations and licence conditions) with the manner in which its business and operations were conducted prior to the date of the Acquisition Scheme Implementation Agreement including using reasonable endeavours to preserve its current business organisation, the services of its current officers and its current relationship with third parties; and
- (b) conducts its business and operations in accordance with all material applicable laws and regulations.

Transaction Expenditure Budget

Gindalbie must use reasonable endeavours to ensure that no member of the Gindalbie group makes any payment or incurs any expenditure, or agrees to make any payment or to incur any expenditure, which results in the total aggregate amount spent or agreed to be spent on "Transaction Expenditure" by the Gindalbie group exceeding the total aggregate amount set out in the "Transaction Expenditure Budget" by more than 10%.

Access to Information

From the date of the Acquisition Scheme Implementation Agreement up to the Implementation Date, Gindalbie must (subject to confidentiality obligations owed to third parties):

- (a) provide Ansteel with information reasonably requested by Ansteel about Gindalbie's business to assist Ansteel prepare for its transition to ownership of Gindalbie;
- (b) promptly notify Ansteel of anything of which it becomes aware that makes any information publicly filed by Gindalbie or any of its subsidiaries to be incomplete, untrue or misleading in any material respect;
- (c) keep Ansteel reasonably informed as to the progress of the Transaction.

Gindalbie Options

As at 8.00 am (Perth time) on the Second Court Date, Gindalbie must put in place arrangements so that all Gindalbie Options outstanding as at the date of the Acquisition Scheme Implementation Agreement will vest (resulting in the issue of Gindalbie Shares) before the Acquisition Scheme Record Date.

Exclusivity

No solicitation, no talk and no due diligence

Until the End Date, Gindalbie must not, and must ensure that each of its representatives does not, except with the prior written consent of Ansteel:

- (a) **No solicitation:** directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any enquiries, negotiations, or discussions with any person in relation to, or that could reasonably be expected to lead to a Competing Proposal;
- (b) **No talk:** negotiate, accept or enter into, approve or recommend, participate in negotiations or discussions, or enter into any agreement, arrangement or understanding with any person in relation to, or that could reasonably be expected to lead to, a Competing Proposal, even if:
 - (i) the Competing Proposal was not directly or indirectly solicited, initiated, or encouraged by a Relevant Person; or
 - (ii) the Competing Proposal has been publically announced; or
- (c) **No due diligence:** make available to any person or permit any such person to receive any non-public information relating to Gindalbie or its subsidiaries in connection with a Competing Proposal or the formulation, development, assessment or finalisation of a Competing Proposal.

Notification to Ansteel

Until the End Date, Gindalbie must promptly notify Ansteel if it is approached by any person to engage in any activity that would breach certain exclusivity provisions of the Acquisition Scheme Implementation Agreement. The notification must be accompanied by relevant details of the relevant event, including the identity of the relevant person who has made the approach and the terms and conditions of any Competing Proposal or any proposed Competing Proposal (to the extent known).

Fiduciary exception

The “No talk and no due diligence” exclusivity provision and the notification obligation do not apply to the extent they would require Gindalbie, the Gindalbie Board or any relevant person to do or refrain from doing any thing with respect to a Competing Proposal or which may prejudice a Competing Proposal where:

- (a) the Gindalbie Board determines that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal; and
- (b) the Gindalbie Board, acting in good faith and after having taken advice from external Australian lawyers who regularly provide advice in this area, determines that to take or not take the relevant action would be likely to involve a breach of the fiduciary or statutory duties owed by any Gindalbie Director or would otherwise be unlawful.

Ansteel matching right

If Gindalbie receives a Competing Proposal, Gindalbie must:

- (a) not enter into an agreement in relation to that Competing Proposal; and

- (b) procure that none of the Gindalbie Directors change their recommendation or voting intention or publicly recommend a Competing Proposal,

unless Gindalbie gives Ansteel not less than five Business Days' notice in writing of its intention to do so accompanied by all relevant details of the Competing Proposal.

If Gindalbie gives Ansteel notice in writing as outlined above, Ansteel will have the right, but not the obligation, at any time during the period of five Business Days following the receipt of the relevant notice, to seek to amend the terms of the Transaction, including but not limited to increasing the amount of consideration offered under the Acquisition Scheme and, if Ansteel does so, then the Gindalbie Board must review the counter proposal provided by Ansteel in good faith. If the Gindalbie Board determine that the counter proposal would be equivalent to or more favourable Gindalbie Shareholders than the Competing Proposal (having regard to all aspects of the counter proposal and the Competing Proposal), then Gindalbie must not enter into any agreement in relation to the Competing Proposal and Gindalbie and Ansteel must use their best endeavours to:

- (a) negotiate and, if mutually acceptable terms can be agreed, agree such amendments to the Acquisition Scheme Implementation Agreement that are reasonably necessary to reflect the counter proposal, including a requirement that the Independent Directors reaffirm their recommendation in respect of the counter proposal;
- (b) enter into a deed of amendment in respect of the Acquisition Scheme Implementation Agreement to give effect to any amendments; and
- (c) implement the counter proposal.

Each successive material modification in relation to a Competing Proposal will constitute a new Competing Proposal, in respect Gindalbie must comply with its obligations as set out above.

Representation and warranties

The Acquisition Scheme Implementation Agreement contains customary and other representations and warranties by each of Gindalbie and Ansteel.

Reimbursement Fees

Ansteel cost reimbursement amount

Ansteel must pay Gindalbie a cost reimbursement amount capped at a maximum of \$500,000 without deduction, set-off or withholding and within 30 calendar days after receipt of a valid demand from Gindalbie if:

- (a) Gindalbie or Ansteel validly terminate the Acquisition Scheme Implementation Agreement due to Conditions relating to Chinese regulatory approvals and restraints being breached or becoming incapable of being satisfied; or
- (b) if the Condition relating to Chinese regulatory approvals is waived by Ansteel and a regulatory consent, waiver or approval required under the laws of the People's Republic of China is necessary to be obtained and prevents the Acquisition Scheme from being implemented; or
- (c) Gindalbie validly terminated the Acquisition Scheme Implementation Agreement under a provision relating to a material breach of the Acquisition Scheme Implementation Agreement by Ansteel.

Gindalbie reimbursement fee

Gindalbie must pay Ansteel a reimbursement fee capped at a maximum of \$500,000 without deduction, set-off or withholding and within 30 calendar days after receipt of a valid demand from Ansteel if:

- (a) a Competing Proposal is announced by a third party and, within 12 months after the date of the Competing Proposal is announced the third party or any associate of the third party completes any kind of Competing Proposal; or

- (b) a Gindalbie Director does not provide, withdraws, changes or modifies their recommendation or voting intention in relation to the Acquisition Scheme or Demerger Scheme; or recommends that Gindalbie Shareholders accept or vote in favour of an actual or proposed Competing Proposal (other than in certain circumstances); or
- (c) Ansteel validly terminates the Acquisition Scheme Implementation Agreement under certain provisions relating to a breach of the Acquisition Scheme Implementation Agreement by Gindalbie.

Termination

The Acquisition Scheme Implementation Agreement may only be terminated by Ansteel or Gindalbie in the circumstances contemplated below, or if the parties agree in writing to terminate the Acquisition Scheme Implementation Agreement.

Termination by Gindalbie

Gindalbie may terminate the Acquisition Scheme Implementation Agreement at any time before 8.00 am (Perth time) on the Second Court Date:

- (a) where a Condition is for the benefit of Gindalbie and is not satisfied or waived (after the parties, having consulted, acting reasonably and in good faith, cannot reach an agreement to enable the Acquisition Scheme to proceed by way of alternative means or methods, to extend the time for satisfaction of the relevant Condition, to adjourn or change the date of an application to the Court or to extend the End Date) or otherwise in accordance with clause 3.7 of the Acquisition Scheme Implementation Agreement; or
- (b) by notice in writing to Ansteel if:
 - (i) Ansteel is in material breach of any clause of the Acquisition Scheme Implementation Agreement (including if any of the warranties given by Ansteel are not true and correct in all material respects) and has not remedied that breach within five Business Days of being given notice (or any shorter period ending at 6.00 pm on the Business Day immediately before the Second Court Date);
 - (ii) a majority of Gindalbie Directors publicly withdraw or adversely change their recommendation or voting intention or publicly recommend a Competing Proposal that is a Superior Proposal, provided that Gindalbie is not in breach of a clause relating to recommendations and voting intentions; or
 - (iii) the Independent Expert concludes in the Independent Expert's Report (either in its initial report or a subsequent update of its report) that the Acquisition Scheme is not in the best interests of Gindalbie Shareholders.

Gindalbie may also terminate the Acquisition Scheme Implementation Agreement if the Court refuses to make orders approving the Acquisition Scheme or the Demerger Scheme and either the parties agree in writing that Gindalbie should not appeal that decision or an independent senior counsel of the Western Australian bar advises that, in their opinion, an appeal would have no reasonable prospect of success.

Termination by Ansteel

Ansteel may terminate the Acquisition Scheme Implementation Agreement at any time before 8.00 am (Perth time) on the Second Court Date:

- (a) where a Condition is for the benefit of Ansteel and is not satisfied or waived (after the parties, having consulted, acting reasonably and in good faith, cannot reach an agreement to enable the Acquisition Scheme to proceed by way of alternative means or methods, to extend the time for satisfaction of the relevant Condition, to adjourn or change the date of an application to the Court or to extend the End Date) or otherwise in accordance with clause 3.7 of the Acquisition Scheme Implementation Agreement; or

- (b) by notice in writing to Gindalbie if:
- (i) Gindalbie is in material breach of any clause of the Acquisition Scheme Implementation Agreement (including if any of the warranties given by Gindalbie are not true and correct in all material respects or as a result of a “Prescribed Occurrence”) (but excluding a breach of certain clauses relating to recommendations and voting intentions) and has not remedied that breach within five Business Days of being given notice (or any shorter period ending at 6.00 pm on the Business Day immediately before the Second Court Date);
 - (ii) Gindalbie is in breach of certain clauses relating to recommendations and voting Intentions;
or
 - (iii) any Independent Director publicly withdraws or adversely changes their recommendation or voting intention or publicly recommends a Competing Proposal, for any reason, whether or not permitted to do so under the Acquisition Scheme Implementation Agreement.

Ansteel may also terminate the Acquisition Scheme Implementation Agreement if the Court refuses to make orders approving the Acquisition Scheme or the Demerger Scheme and either the parties agree in writing that Gindalbie should not appeal that decision or an independent senior counsel of the Western Australian bar advises that, in their opinion, an appeal would have no reasonable prospect of success.

Obligations on termination


On termination of the Acquisition Scheme Implementation Agreement, all provisions cease to have effect and the parties will have no further obligations (except in respect of certain clauses which are expressed to survive termination).

Other clauses

The Acquisition Scheme Implementation Agreement contains other clauses. These include some clauses which are customary for an agreement of this nature. A full copy of the Acquisition Scheme Implementation Agreement is attached to Gindalbie’s ASX announcement on 11 March 2019, which is available on Gindalbie’s website at www.gindalbie.com.au and on the ASX’s website at www.asx.com.au.

Annexure
Independent
Expert's
Report

B



GINDALBIE METALS LIMITED
Independent Expert's Report

Acquisition Scheme

24 May 2019



Financial Services Guide

24 May 2019

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Gindalbie Metals Limited ('Gindalbie') to provide independent expert's reports on the proposed acquisition of all the issued shares of Gindalbie by Angang Group Hong Kong (Holdings) Limited ('Ansteel') through an acquisition scheme, for cash consideration of \$0.026 per share, and the demerger of Gindalbie's wholly owned subsidiary, Coda Minerals Limited ('Coda') which holds the rights to a portfolio of tenements in South Australia, via a demerger scheme. You are being provided with a copy of our report because you are a shareholder of Gindalbie and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the scheme by Gindalbie prepared in relation to the Acquisition Scheme in order to assist the Shareholders in their decision whether to approve the Acquisition Scheme ('Acquisition Scheme Booklet').

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$50,000 (excluding GST and out-of-pocket expenses). This fee covers both our independent expert's report for the Demerger Scheme and our independent expert's report for the Acquisition Scheme.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of our reports and our directors do not hold any shares in Gindalbie.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Gindalbie for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.

TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	2
3.	Scope of the Report	5
4.	Outline of the Proposed Transaction	7
5.	Profile of Gindalbie Metals Limited	8
6.	Profile of Angang Group Hong Kong (Holdings) Limited	14
7.	Economic analysis	16
8.	Industry analysis	18
9.	Valuation approach adopted	25
10.	Valuation of Gindalbie (excluding Coda and the cash allocated to Coda under the Demerger Scheme) prior to the Proposed Transaction	27
11.	Valuation of the Consideration	50
12.	Is the Acquisition Scheme fair?	51
13.	Is the Acquisition Scheme reasonable?	52
14.	Conclusion	56
15.	Sources of information	56
16.	Independence	56
17.	Qualifications	57
18.	Disclaimers and consents	57

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Technical Assessment and Valuation Report prepared by SRK Consulting (Australasia) Pty Ltd

Appendix 4 - Discount rates

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24 May 2019

The Directors
Gindalbie Metals Limited
6 Altona Street
West Perth WA 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 11 March 2019, Gindalbie Metals Limited (**'Gindalbie'** or **'the Company'**) announced that:

- it had entered into a Scheme Implementation Agreement under which Angang Group Hong Kong (Holdings) Limited (**'Ansteel'**) had agreed to acquire all the remaining issued capital of Gindalbie it does not already own by way of a scheme of arrangement (**'the Acquisition Scheme'**); and
- it also proposed to undertake a demerger of its wholly owned subsidiary Coda Minerals Ltd (**'Coda'**) which holds an interest in exploration assets located in South Australia via a capital reduction (**'Demerger'**) with the Demerger also to be implemented by way of a scheme of arrangement (**'the Demerger Scheme'**).

(Together the Acquisition Scheme and the Demerger Scheme as announced to be referred to as **'the Proposed Transaction'**.)

Under the Demerger Scheme, if approved by the shareholders of Gindalbie (**'Shareholders'**) and implemented, each eligible Gindalbie shareholder will receive a pro-rata distribution of Coda shares at a ratio of one Coda share for every 45 Gindalbie shares they hold. Certain foreign shareholders that meet the conditions of an Ineligible Foreign Shareholder as defined in the Demerger Scheme Booklet (**'Ineligible Foreign Shareholders'**), will instead have their shares in Gindalbie transferred to an appropriately licensed person nominated by Gindalbie (the **'Nominee'**) and sold, with the proceeds (net of expenses) remitted to them.

Under the Acquisition Scheme, if approved by Shareholders and implemented, each Gindalbie shareholder holding fully paid ordinary shares in Gindalbie will receive a cash consideration of \$0.026 for each share held (**'Consideration'**). Ansteel will not receive Consideration for the shares in Gindalbie it already owns.

Following the completion of the Acquisition Scheme and the Demerger Scheme, Coda intends to apply for listing on the Australian Securities Exchange (**'ASX'**). Shares in Coda will not be listed until such time as the requirements for listing on the ASX can be met (if at all). Listing is at the ASX's discretion, and there is a risk that Coda may not meet the requirements for admission to the official list of the ASX and achieve quotation of Coda shares. This means that until they list, shareholders of Coda will hold shares in a public unlisted company.

Unless otherwise noted, all figures in \$ or AUD within this report refer to Australian Dollars, while figures in US\$ or USD are in United States Dollars.

2. Summary and Opinion

2.1 Requirement for the report

The directors of Gindalbie have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether or not the Acquisition Scheme is in the best interests of the Shareholders.

BDO has prepared a separate independent expert's report to express an opinion as to whether or not the Demerger Scheme is in the best interests of Shareholders. Accordingly, BDO does not express an opinion on the Demerger Scheme in this report.

The Acquisition Scheme and Demerger Scheme are separate transactions. However, as the Acquisition Scheme and the Demerger Scheme are inter-conditional, we have analysed the financial effects of the Acquisition Scheme incorporating the effect of the distribution of assets pursuant to the Demerger Scheme (**'Acquisition Scheme including the Demerger Scheme assets distribution'**) for the purpose of providing an opinion as to whether or not the Acquisition Scheme is in the best interests of Shareholders.

Our Report is prepared pursuant to section 411 of the Corporations Act 2001 Cth (**'Corporations Act'** or **'the Act'**) and is to be included in a scheme booklet by Gindalbie prepared in relation to the Acquisition Scheme (**'Acquisition Scheme Booklet'**) in order to assist the Shareholders in their decision whether to approve the Acquisition Scheme.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (**'ASIC'**) Regulatory Guide 60 'Schemes of Arrangements' (**'RG 60'**), Regulatory Guide 111 'Content of Expert's Reports' (**'RG 111'**) and Regulatory Guide 112 'Independence of Experts' (**'RG 112'**).

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- How the value of a Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme) prior to the Proposed Transaction on a controlling basis, compares to the value of the Consideration.
- The likelihood of an alternative offer being made to Gindalbie;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Acquisition Scheme; and
- The position of Shareholders should the Acquisition Scheme not proceed.

2.3 Opinion

We have considered the terms of the Acquisition Scheme as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Acquisition Scheme is fair and reasonable and therefore, in the best interests of Shareholders.

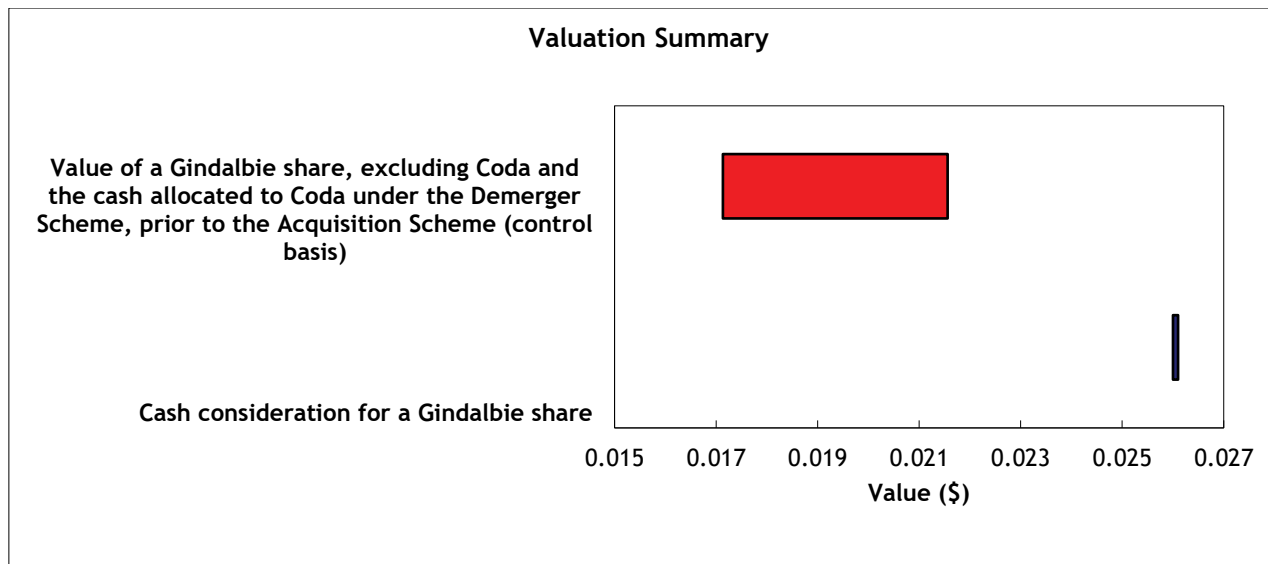
2.4 Fairness

In Section 12 we determined how the value of the holdings resulting from the Acquisition Scheme including Demerger Scheme assets distribution compares to the value of one Gindalbie share on a control basis prior to the Proposed Transaction, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of one Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme) held prior to the Proposed Transaction on a control basis	10.1	0.017	0.018	0.022
Value of the Consideration	11	0.026	0.026	0.026

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternative offer, the Acquisition Scheme is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both

- advantages and disadvantages of the Acquisition Scheme; and
- other considerations, including the position of Shareholders if the Acquisition Scheme does not proceed and the consequences of not approving the Acquisition Scheme.

In our opinion, the position of Shareholders if the Acquisition Scheme is approved is more advantageous than the position if the Acquisition Scheme is not approved. Accordingly, in the absence of any other

relevant information and/or an alternative proposal we believe that the Acquisition Scheme is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised in the table below. We have divided these advantages and disadvantages between those that apply to the Acquisition Scheme in isolation and those that apply to the Acquisition Scheme including the Demerger Scheme assets distribution.

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
The Acquisition Scheme			
13.1.1	The Acquisition Scheme is fair	13.2.1	Shareholders will no longer have exposure to iron-ore projects
13.1.2	Provides Shareholders with the certainty and opportunity to realise part of the value of their investment for cash		
Acquisition Scheme including the Demerger Scheme assets distribution			
13.3.1	Provides Shareholders with an interest in a new entity unencumbered with significant contingent liabilities	13.4.1	Shareholders will have an interest in an entity with a less diverse portfolio of assets
13.3.2	Provides Shareholders with an interest in a new entity which will be able to progress the Mt Gunson Project	13.4.2	Ineligible Foreign Shareholders will not receive Coda shares

Other key matters we have considered include:

Section	Description
13.6.1	Likelihood of an alternative proposal
13.6.2	Post announcement pricing

3. Scope of the Report

3.1 Purpose of the Report

The Acquisition Scheme is to be implemented pursuant to section 411 of the Corporations Act. Part 3 of Schedule 8 to the Corporations Act Regulations 2001 (Cth) (**'Regulations'**) prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to section 411 of the Act (**'Section 411'**).

An independent expert's report must be obtained by a scheme company if:

- There is one or more common directors; or
- The other party to the scheme holds 30% or more of the voting shares in the scheme company.

The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interest of the members of the company the subject of the scheme and setting out his or her reasons for that opinion.

Ansteel currently has a relevant interest in 535,492,521 ordinary shares of Gindalbie, which represents 35.71% of Gindalbie's issued capital. Therefore, the directors of Gindalbie have requested that BDO prepare this report pursuant to section 411, and to provide an opinion as to whether the Acquisition Scheme is in the best interest of Shareholders.

3.2 Regulatory Guidance

Neither the Act nor the Regulations defines the term 'in the best interests of'. In determining whether the Acquisition Scheme is in the best interests of Shareholders, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover bid and is therefore representative of a change of 'control' transaction.

In the circumstance of a scheme that achieves the same outcome as a takeover bid, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover. Independent expert reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover bid is 'fair and reasonable'. While there is no definition of 'fair and reasonable', RG 111 provides some guidance as to how the terms should be interpreted in a range of circumstances.

RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to effect the transaction.

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, 'in the best interests' must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the scheme and form an overall view as to whether shareholders are likely to be better off if the scheme is implemented than if it is not. This assessment is the same as that required for a 'fair and reasonable' assessment in the

case of a takeover. If the expert would conclude that a proposal was ‘fair and reasonable’; if it was in the form of a takeover bid, the expert will also be able to conclude that the scheme is in the best interests of shareholders. An opinion of ‘in the best interests’ does not imply the best possible outcome for shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in three parts:

- A comparison between the value of a Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme) including a premium for control and (cash) Consideration received by Shareholders following the Acquisition Scheme (fairness - see Section 12 ‘Is the Acquisition Scheme Fair?’)
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Acquisition Scheme, after reference to the value derived above (reasonableness - see Section 13 ‘Is the Acquisition Scheme Reasonable?’); and
- A consideration of whether the Acquisition Scheme is in the best interests of Shareholders.

RG 111 states that if a transaction is fair and reasonable then the expert can conclude that the transaction is in the best interests of shareholders; if a transaction is not fair but reasonable an expert can still conclude that the transaction is in the best interests of shareholders; if a transaction is neither fair nor reasonable then the expert would conclude that the transaction is not in the best interests of shareholders.

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (**‘APES 225’**).

A Valuation Engagement is defined by APES 225 as follows:

‘an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

On 11 March 2019, Gindalbie announced the execution of a Scheme Implementation Agreement, under which Ansteel had agreed to acquire all the ordinary shares in Gindalbie that it does not currently own for cash consideration of \$0.026 per share. Ansteel currently has a relevant interest in 535,492,521 ordinary Gindalbie shares, representing 35.71% of Gindalbie's issued capital.

Gindalbie also announced that it had executed a Demerger Implementation Agreement with Coda, under which Gindalbie agreed to propose the Demerger Scheme and demerge Coda via a capital reduction. If implemented, Gindalbie shareholders will receive a pro-rata distribution of Coda shares for every Gindalbie share they hold on the record date for the Demerger Scheme.

The Demerger Scheme, the Acquisition Scheme and the capital reduction are conditional on each other.

The implementation of the Acquisition Scheme is conditional on the conditions set out in the Scheme Implementation Agreement, including but not limited to, the following:

- Gindalbie receiving shareholder approval for the Acquisition Scheme, the Demerger Scheme and the resolution for the capital reduction;
- Foreign Investment Review Board approval;
- Necessary Chinese regulatory approvals;
- There being no material adverse change or prescribed occurrence; and
- The Independent Expert's Report for the Acquisition Scheme concluding that the Acquisition Scheme is in the best interests of Shareholders.

Further disclosure of the conditions precedent to the Proposed Transaction are included in the Scheme Implementation Agreement and the Demerger Scheme Booklet.

5. Profile of Gindalbie Metals Limited

5.1 History

Gindalbie is a resources company based in West Perth, Australia. Gindalbie is primarily involved in copper and cobalt exploration at its Mt Gunson Project situated in South Australia, which it currently has a 25% interest in. It also has an interest in the Western Australia-based Karara Iron Ore Project ('**Karara Project**') which it holds through its 47.84% equity interest in Karara Mining Limited ('**KML**'), with Ansteel's ultimate parent company, Ansteel Group Mining Co., Ltd. owning the rest through a different subsidiary. Aside from these two projects, Gindalbie also owns a tenement package in the Mid West region outside of the Karara Project called the Lodestone Magnetite Project.

Gindalbie listed on the ASX on 12 April 1994 as Gindalbie Gold NL and was renamed as Gindalbie Metals Limited on 24 January 2005 to reflect the more diversified nature of its business activities. The current board of directors are:

- Mr Keith F Jones, Non-Executive Chairman;
- Mr Andrew (Robin) Marshall, Independent Non-Executive Director;
- Mr Paul D Hallam, Independent Non-Executive Director;
- Mr An Lin Shao, Non-Executive Director; and
- Mr Li Ge, Non-Executive Director.

5.2 Projects

5.2.1. Mt Gunson Project

The Mt Gunson Project is a copper-cobalt project located in the Olympic Dam Copper Province in South Australia. Gindalbie's interests in the Mt Gunson Project are held by its wholly owned subsidiary, Coda, as a result of the Mt Gunson Farm-in Agreement which was novated to Coda by a Novation Deed dated 21 May 2018.

The Mt Gunson Project and covers an area of approximately 739 square kilometres consisting of three tenements - EL 6141, EL 5636 and EL 6265.

The project mining centre lies 10 km off the sealed Stuart Highway and is accessed by unsealed roads. Alternatively, a serviceable airstrip for light aircraft is located on site. Electrical grid power and scheme water access is available in the area.

Gindalbie entered into a Farm-in and Joint Venture Agreement with Terrace Mining Pty Ltd in March 2017 to earn up to a 75% interest in the Mt Gunson Project and its surrounding tenement package. Currently in the pre-feasibility study phase, Coda has earned a 25% interest in the project to-date and has the ability to increase its ownership earned as outlined in the table below.

Farm-in Process	Status	Ownership earned
Stage 1 - Scoping Study	Completed August 2018	25% earned on expenditure of \$1.37 million
Stage 2 - Pre-Feasibility Study	Commenced 2019	51% earned on expenditure of \$2.5 million
Stage 3 - Feasibility Study	Pending stage 2	70% earned on expenditure of \$2.75 million
Other	Pending stage 3	75% earned on exercise of option for \$1.5 million

Source: Company's ASX announcement *Entry into Stage 2 of the Mt Gunson Copper Cobalt Project* 23 May 2018

5.2.2. Karara Project

Located 200km east of Geraldton in Western Australia, the Karara Project is managed by KML, a joint venture between Ansteel Group (52.16%) and Gindalbie (47.84%) initiated in 2007. The Karara Project comprises a magnetite concentrate operation, initially producing 8 million tonnes per annum ('Mtpa').

Although some of the Karara Project's infrastructure was built to complement the potential expansion of the Karara Project's operations to 16 million tonnes per annum, we understand from the Acquisition Scheme Booklet (Section 2 Frequently asked questions) that the Independent Directors do not currently consider it financially viable to expand production. It was noted in Section 2 of the Acquisition Scheme Booklet that the expansion of production would entail the construction of significant additional infrastructure and processing capacity. The increase in tonnage would not generate sufficient free cash flow to be able to support the capital cost of expansion based on current iron ore price forecasts.

The project has an expected life of over 30 years and currently produces a magnetite concentrate around 66-68% Fe. Infrastructure used by the Karara Project includes an 85km rail line, a dedicated 16Mtpa export facility in Geraldton Port, a 330kV power line and a 140km water pipeline.

During the Karara Project's commissioning phase, direct shipping ore was an important source of additional tonnage but the Karara Project now operates close to its stated capacity of 8 million dry tonnes per annum so there is no additional infrastructure capacity to support the export of direct shipping ore. However, per the Acquisition Scheme Booklet (Section 2 Frequently asked questions), the Independent Directors consider that at current and forecast iron ore prices, the Karara Project does not have any economic reserves of direct shipping ore.

Factors impacting the cost of production include the following:

- mining magnetite is comparably higher in cost than mining hematite due to the additional crushing and processing of low grade ores;
- the cost of rail transport is higher than for iron ore companies in the Pilbara; and
- the cost of shipping ore is significantly higher because the Karara Project ships its ore from Geraldton.

Gindalbie's interest in KML has been carried at nil value as the Company does not currently anticipate that the Karara Project will deliver a positive financial return to shareholders in the foreseeable future, primarily due to iron ore pricing and KML's very significant gearing levels. As at 31 December 2018, KML had outstanding bank loan balances of US\$3.19 billion, 170 million Chinese Yuan and \$100 million. Also at 31 December 2018, Gindalbie's contingent liabilities totalled \$231 million in relation to bank guarantees provided to suppliers of KML. On 27 November 2015, the independent shareholders of Gindalbie voted against the grant of a share mortgage to Ansteel with unlimited recourse over the assets of Gindalbie. The guarantee provided to Ansteel, which exceeded US\$3.1 billion as at 31 December 2018, remains limited to the shares held by Gindalbie in KML and any surplus received after the sale of Gindalbie's shares in KML.

Loan to KML

Gindalbie previously extended a shareholder loan to KML, principal of \$50 million. This loan is subordinated to KML's project finance facility, so KML's senior lenders have a right to be repaid first. As part of Gindalbie's decision to write down the carrying value of its interest in KML to nil in 2014, the loan referred to above was also impaired to nil on the basis that the directors consider that there is no reasonable basis to expect repayment.

5.2.3. Lodestone Magnetite Project

The Lodestone Magnetite Project is located approximately 250 kilometres from Geraldton and 25 kilometres from Karara. There is a JORC compliant inferred resource of 644 million tonnes of magnetite held through a retention licence. Per the Acquisition Scheme Booklet (Section 2 Frequently asked questions), the Independent Directors opine that the Lodestone Magnetite Project would unlikely ever be mined in preference to the superior ore from the Karara Project. Also in Section 2 of the Acquisition Scheme Booklet, it was noted that the holding value of Lodestone in Gindalbie's accounts is \$1.36 million.

5.3 Historical Financial Information

Statement of Financial Position	Reviewed as at 31-Dec-18 \$'000	Audited as at 30-Jun-18 \$'000	Audited as at 30-Jun-17 \$'000
CURRENT ASSETS			
Cash and cash equivalents	1,560	2,792	3,757
Term deposits	31,600	32,600	33,600
Other receivables	500	423	436
Prepayments	139	43	16
TOTAL CURRENT ASSETS	33,799	35,858	37,809
NON-CURRENT ASSETS			
Other receivables	50	25	50
Property, plant and equipment	60	68	64
Exploration and evaluation assets	3,930	2,605	1,441
Intangible asset	178	185	197
TOTAL NON-CURRENT ASSETS	4,218	2,883	1,752
TOTAL ASSETS	38,017	38,741	39,561
CURRENT LIABILITIES			
Trade and other payables	1,820	1,586	1,283
Employee benefits	22	145	15
TOTAL CURRENT LIABILITIES	1,842	1,731	1,299
NON-CURRENT LIABILITIES			
Employee benefits	59	57	35
TOTAL NON-CURRENT LIABILITIES	59	57	35
TOTAL LIABILITIES	1,901	1,788	1,334
NET ASSETS	36,116	36,953	38,227
EQUITY			
Issued capital	753,965	753,965	753,965
Reserves	9,520	9,500	9,408
Accumulated losses	(727,369)	(726,512)	(725,146)
TOTAL EQUITY	36,116	36,953	38,227

Source: Reviewed financial statements for the half year ended 31 December 2018. Audited financial statements for the years ended 30 June 2018 and 30 June 2017.

The auditor's reports on the reviewed financial statements for the half year ended 31 December 2018 and the audited financial statements for the year ended 30 June 2018 contained an emphasis of matter

relating to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

We note the following in relation to Gindalbie's Historical Statement of Financial Position:

- Cash and cash equivalents decreased to \$1.56 million as at 31 December 2018 from \$2.79 million as at 30 June 2018 primarily due to payments to suppliers and employees as well as exploration and evaluation expenses.
- Term deposits with maturities over 3 months continue to form the majority of total assets, amounting to \$31.60 million as at 31 December 2018, down slightly from \$32.60 million as at 30 June 2018.
- The current portion of the other receivables line item include trade receivables and interest receivable. The non-current portion relate to cash security for performance bonds.
- Property, plant and equipment comprise of land and buildings recorded at cost and subsequently fully depreciated, as well as plant and equipment also recorded at cost less accumulated depreciation.
- Exploration and evaluation assets increased from \$2.61 million as at 30 June 2018 to \$3.93 million as at 31 December 2018 due to additional expenditure of \$1.34 million over the six-month period, slightly offset by \$18,000 in expenditure written off.
- Intangible assets relate to two separate non-exclusive licence agreements for the use of certain mineral processing technology. These were acquired in 2017 with the first territory-specific to the Mt Gunson Project and the second a global licence (excluding China and Zimbabwe) for the use of the technology on primary gold, copper and zinc projects. These are recorded at cost less any accumulated amortisation.
- Trade and other payables balance increased from \$1.59 million as at 30 June 2018 to \$1.82 million as at 31 December 2018 and primarily comprise of other creditors and accruals.
- The current portion of employee benefits reduced from \$145,000 as at 30 June 2018 to \$22,000 as at 31 December 2018 following the payment of employee bonuses. The remaining employee benefits liability comprises annual leave, superannuation and long service leave provisions.

5.4 Historical Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income	Reviewed for the year ended 31-Dec-18 \$'000	Audited for the year ended 30-Jun-18 \$'000	Audited for the year ended 30-Jun-17 \$'000
Revenue			
Other income	7	7	-
Expenses			
Administration expenses	(1,268)	(2,229)	(2,047)
Other expenses	(33)	(30)	(155)
Results from operating activities	(1,294)	(2,252)	(2,202)
Finance income	437	886	958
Loss before income tax	(857)	(1,366)	(1,244)
Income tax expense	-	-	-
Loss for the period	(857)	(1,366)	(1,244)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	(857)	(1,366)	(1,244)

Source: Reviewed financial statements for the half year ended 31 December 2018. Audited financial statements for the years ended 30 June 2018 and 30 June 2017.

The auditor's reports in the reviewed financial statements for the half year ended 31 December 2018 as well as the audited financial statements for the year ended 30 June 2018 contained an emphasis of matter relating to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

We note the following in relation to Gindalbie's Historical Statement of Comprehensive Income:

- Administration expenses primarily comprise of director fees, employee salary and on costs expenses. The remaining costs in this category include corporate and consultant, office and marketing and other administration costs.
- Other expenses are made up primarily of depreciation charges on the Company's property, plant and equipment, as well as amortisation of intangible assets. Included in other expenses is impairment of exploration assets. These were \$18,000, \$1,000 and \$25,000 for the half year ended 31 December 2018, and for the financial years ended 30 June 2018 and 30 June 2017, respectively.
- Finance income consist entirely of interest income from cash and term deposits held by the Company. This was the main source of income for the Company over the half year ended 31 December 2018, and for the financial years ended 30 June 2018 and 30 June 2017.
- Due to the Company's lack of profits, Gindalbie had no income tax expenses for the periods above. However as at 30 June 2018, Gindalbie has estimated unrecouped tax losses of approximately \$123 million available to offset against future taxable income. This net deferred tax asset was not recognised on the basis that it is not probable that there will be future taxable income available against which the tax losses can be utilised.

5.5 Capital Structure

The share structure of Gindalbie as at 8 April 2019 is outlined below:

	Number
Total ordinary shares on issue	1,499,637,059
Top 20 shareholders	907,529,843
Top 20 shareholders - % of shares on issue	60.52%

Source: Company share registry. Data as at 8 April 2019.

The range of shares held in Gindalbie as at 8 April 2019 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	1,648	930,516	0.06%
1,001 - 5,000	3,442	10,285,648	0.69%
5,001 - 10,000	1,998	16,040,603	1.07%
10,001 - 100,000	4,018	139,025,302	9.27%
100,001 - and over	1,064	1,333,354,990	88.91%
TOTAL	12,170	1,499,637,059	100.00%

Source: Company share registry. Data as at 8 April 2019.

The ordinary shares held by the most significant shareholders as at 8 April 2019 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Angang Group Hong Kong (Holdings) Limited	535,492,521	35.71%
Ms Linlin Li	94,414,132	6.30%
Ms Aiping Zhang	48,300,000	3.22%
Citicorp Nominees Pty Limited	47,458,185	3.16%
Subtotal	725,664,838	48.39%
Others	773,972,221	51.61%
Total ordinary shares on Issue	1,499,637,059	100.00%

Source: Company share registry. Data as at 8 April 2019.

The most significant option holders of Gindalbie as at 8 April 2019 are outlined below:

Current Options on Issue	Number	Amounts raised if exercised
Options held by Chris Stevens expiring 26 September 2021 exercisable at \$nil	4,166,667	-
Options held by Rebecca Moylan expiring 26 September 2021 exercisable at \$nil	2,083,334	-
TOTAL	6,250,001	-

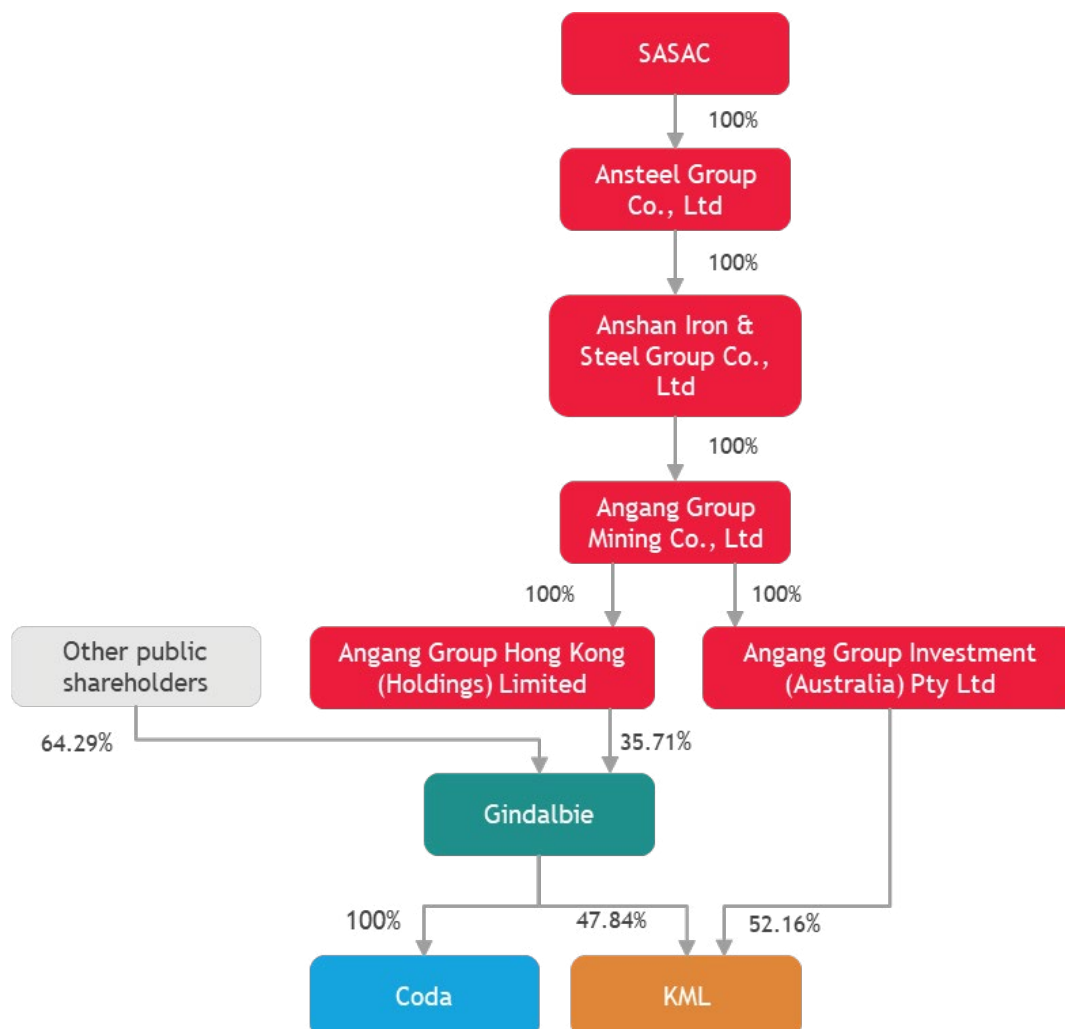
Source: Gindalbie management. Data as at 8 April 2019.

6. Profile of Angang Group Hong Kong (Holdings) Limited

6.1 History

Angang Group Hong Kong (Holdings) Limited is a private holding company which through its subsidiaries engages in importing iron ore, exporting of steel products, ocean shipment and bank business. Founded in 2002 and based in Wan Chai, Hong Kong, Ansteel is wholly-owned by Angang Group Mining Corporation, a Chinese state-owned steel maker based in Anshan, China.

The ultimate holding company of Ansteel and Angang Group Mining Corporation is Ansteel Group Co. Ltd ('Ansteel Group'), a state-owned enterprise that is owned by the Government of the People's Republic of China through the State Council. Ansteel Group is supervised by the State-Owned Assets Supervision and Administration Commission ('SASAC'). The following diagram sets out the relationship between Ansteel, its parent company, and Gindalbie:



Source: Draft Acquisition Scheme Booklet

Ansteel Group owns the Bayuquan steel mill located in the northeast Liaoning Province in China. It was built at a cost of approximately US\$5 billion with initial capacity to produce 6.5 Mtpa of steel. This mill uses KML iron products as the primary feed source. Ansteel Group currently provides financial support to KML in order for it to continually operate and remain solvent.

Ansteel Group has a right to subscribe for new equity in KML to provide KML with sufficient funds to repay bank debt and a concentrate presale agreement totalling US\$230 million. If exercised, Ansteel Group's stake would increase from 52.16% currently to approximately 62%, while Gindalbie's interest would be diluted from 47.84% currently to approximately 38%.

In addition to dilution to approximately 38%, any further equity contribution to KML from Ansteel Group would further dilute Gindalbie's ownership of KML, if Gindalbie would not or could not also participate.

Ansteel first acquired a 12.78% stake in Gindalbie in 2007 through a private placement worth \$39 million. Ansteel Group then became joint venture partners with Gindalbie in the Karara Project and over the subsequent years participated in three more private placements, the last of which completed in 2013. Ansteel's current ownership in Gindalbie, prior to the Proposed Transaction, is 35.71%.

The current directors of Ansteel are:

- Mr Xingkai Du;
- Mr Zhiqi Li; and
- Mr An Lin Shao.

Mr Shao is also a non-executive director of Gindalbie.

7. Economic analysis

In this section we have provided commentary on trends in the global and Australian economies we consider are relevant to Gindalbie.

7.1 Global

The global economy grew above trend in 2018, although it slowed in the second half of the year. While conditions in the global economy remain positive, the outlook has become more uncertain and downside risks have increased. This is partly due to the difficulty predicting how global trade policies will evolve, particularly between China and the US. Trade tensions between the two countries continue to linger, although recent trade talks had taken a somewhat more positive tone and China's imports from the US had recovered slightly over the first few months of 2019, following an earlier sharp decline. Further clouding the outlook for global economic growth is the political developments in Europe and ongoing uncertainty around Britain's exit from the European Union.

Chinese Gross Domestic Product ('GDP') growth for 2018 was recorded at 6.6%. China's GDP growth is expected to moderate in 2019, with the National People's Congress setting a target of 6 to 6.5% growth for 2019 at its March 2019 meeting. Recently targeted fiscal and monetary policies have partially offset negative effects arising from trade tensions. For example, growth in infrastructure investment, retail spending and residential construction activity have improved, although production and investment in the manufacturing sector (which is more exposed to external demand) had been subdued.

Financial market conditions in most advanced economies tightened in late-2018. This followed a lengthy period of accommodative market conditions. The tightening of conditions resulted in: rising corporate funding costs, easing of new debt issuances, lower equity prices and rises in volatility in financial markets. These risks have since been partially reversed, supported by an easing in financial conditions since the beginning of 2019, and it is worth noting that risk premiums historically remain low. Long term government bond yields have also declined in recent months, due to the scaling back of expectations over the frequency of central bank interest rate increases as well as a decline in inflation expectations. Monetary policy settings are expected to remain little unchanged globally for some time.

Emerging market currencies have somewhat appreciated in recent months, along with increases in equity prices. Despite these positive indications, some risks remain in emerging markets, specifically in East Asia, where growth has eased over the past year due to softer external demand. GDP growth in emerging Asian economies is just below 5%.

Meanwhile in the major advanced economies, domestic demand conditions remained positive as growth continued to be around, or even above, potential. Underlying inflation remained close to target in a number of advanced economies, but global headline inflation had declined since late 2018 because of the fall in oil prices. However, it should be noted that oil prices have risen since, although still 20% below their October 2018 peak. Australia's terms of trade are expected to increase further in the March 2019 quarter following a 6% increase over the December 2018 quarter. Falls in coal prices had been largely offset by an increase in iron ore and oil prices.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 5 March 2019 and 2 April 2019. Minutes of the Monetary Policy Meeting of the Reserve Bank Board 2 April 2019.

7.2 Australia

Domestic growth

The Australian economy grew by 2.3% over 2018 despite a markedly slower second half compared to the first half. The Reserve Bank of Australia ('RBA') is expecting GDP growth to be 3.0% in 2019, before slowing in 2020 as mining production stabilises. Business investment conditions remain positive. Non-residential building and private infrastructure projects led growth in non-mining business investment, with the pipeline of work yet to be done above recent year averages. Forecast GDP growth in 2019 is supported by rising business investment, higher levels of public infrastructure spending and increased employment. At the RBA's meeting on 2 April 2019, it was decided that the cash rate would remain unchanged at 1.50%.

In terms of concerns, the main uncertainty revolves around the strength of household consumption after recent statistics showed weak growth in household income and falling housing prices in some cities particularly Sydney and Melbourne. However, household income is expected to increase over the coming year concurrently with household consumption.

Unemployment

Conditions in the Australian labour market have continued to improve, with the unemployment rate at 4.9% as at 2 April 2019. This rate is expected to decline to 4.75% over the next couple of years. The vacancy rate is high and there are reports of skills shortages in some areas. Wage growth has picked up slightly, but remains low. While low wage growth is expected to continue, a stronger domestic economy should see a gradual lift in wage growth over time.

Inflation

Domestic inflation remains low, stable and in line with forecasts by the Consumer Price Index - increasing to 1.8% over the past year. Low wage growth, continued strong competition in the retail sector and the government's efforts to ease cost of living pressures mean that the likelihood for the need of an increase to the cash rate was low. At the RBA's meeting on 2 April 2019, a decrease in the cash rate was also discussed under the scenario where inflation did not move any higher and unemployment trended up.

Currency movements

On a trade-weighted basis, the Australian Dollar has depreciated marginally in recent months, but remains within the narrow range that it has been trading recently. Australian market interest rates have narrowed the gap on major economies' market interest rates since the end of 2018. This has tended to offset exchange rate appreciation stemming from higher commodity prices. Although the terms of trade have increased over the past couple of years, they are expected to decline over time.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 5 March 2019 and 2 April 2019. Minutes of the Monetary Policy Meeting of the Reserve Bank Board 2 April 2019.

8. Industry analysis

In this section we have provided an overview of the commodities relevant to Gindalbie.

8.1 Iron ore

Overview

Iron ores are rocks from which metallic iron can be economically extracted. The principal iron ores are hematite (Fe_2O_3) and magnetite (Fe_3O_4).

Hematite is a pure iron oxide mineral, with pure hematite mineral containing 69.9 % iron. Hematite ores dominate the world production of iron ores with approximately 96% of Australia’s iron ore exports being high grade hematite. High grade hematite ore involves a relatively simple crushing and screening process before being exported. Australia’s hematite averages from 56% to 62% iron.

Magnetite is an iron oxide mineral containing 72.4% iron. While the iron ore content is higher than hematite, the presences of impurities results in a lower ore grade, making it costlier to produce the concentrates.

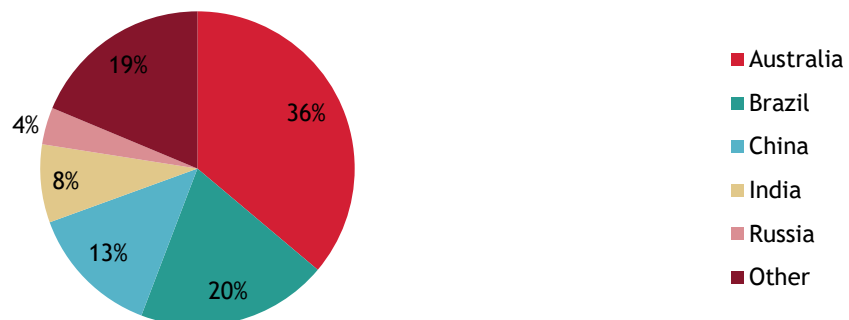
Iron is the world’s most used metal with approximately 98% of world iron ore production being used to make steel. It is primarily used in structural engineering, automobiles and other general industrial applications. Commercial development of iron ore deposits is largely constrained by the position of the iron ore relative to its market and the cost of establishing proper transportation infrastructure such as ports and railways.

There are three main categories of iron ore exports:

- **Fines:** fines are the smallest size category and typically have a granular size less than 9.50mm. They are the most heavily traded category of iron ore;
- **Lump Ore:** lump ore consists of golf ball sized pieces, and generally has a higher iron content than fines; and
- **Pellets:** particle sizes range from 9.50mm to 16.00mm. Pellets are made by agglomeration of finely ground and concentrated ore.

In 2018, an estimated 2.5 billion metric tonnes of iron ore were produced. The chart below shows the countries in which the majority of iron ore was produced in 2018:

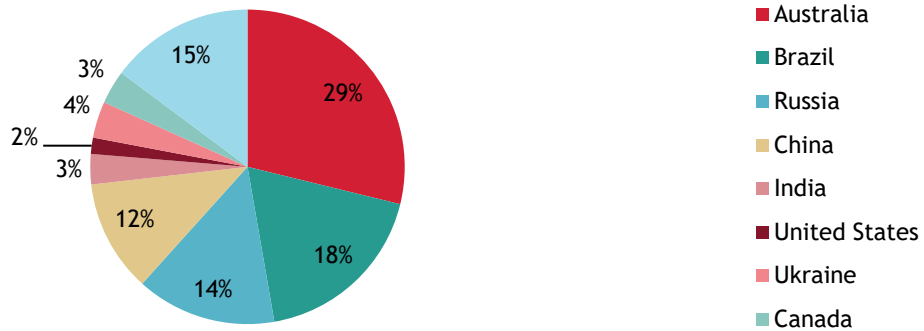
Global Iron Ore Production - 2018



Source: US Geological Survey

The chart below shows the location of the world’s iron ore reserves, with Australia and Brazil accounting for nearly half the world’s reserves.

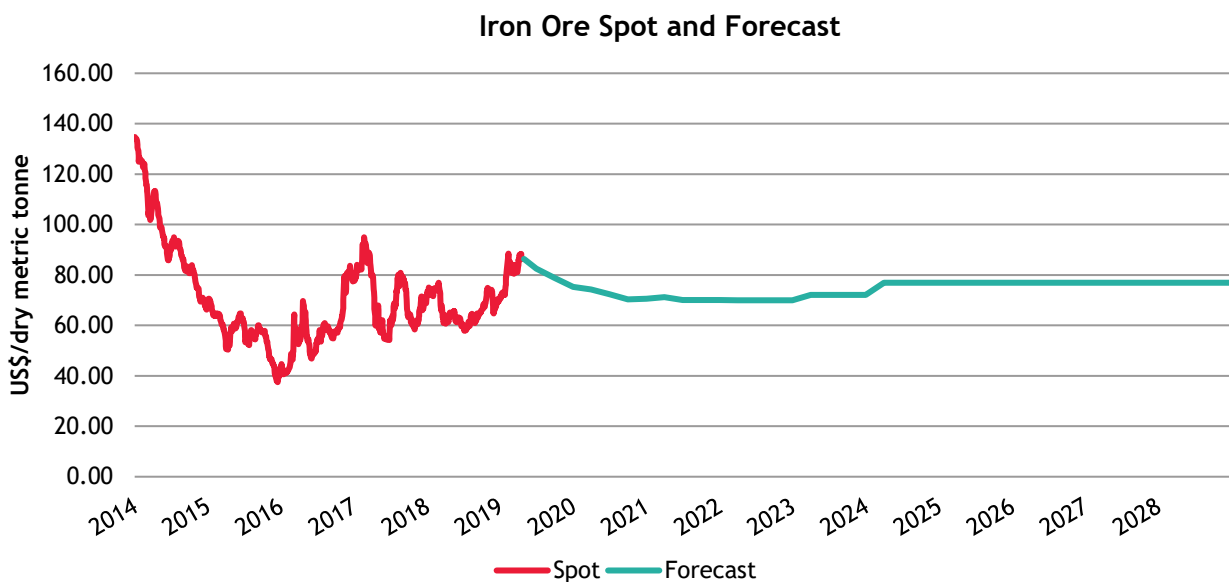
Global Iron Ore Reserves - 2018



Source: US Geological Survey

Price Trends

A summary of the historical iron ore spot price, based on the 62% Fe import dry metric tonne, fine iron ore Cost and Freight (‘CFR’) to China and forecasts to 2028 (in nominal terms) are illustrated in the chart below.



Source: Bloomberg, BDO Analysis and Consensus Economics

Historical prices

For more than a decade, strong economic growth in China and in particular, greater steel production, drove demand for iron ore and in turn led to higher prices. However, the price of iron ore began declining

in 2014 due to a global oversupply as more producers entered the market and existing producers increased production. Weaker prices forced many high-cost iron ore mining firms in China to close over the subsequent years, benefiting the Australian iron ore industry as global iron ore supply growth slowed.

Forecast prices

The iron ore price closed at US\$86.36 on 19 April 2019. Iron ore prices are forecast to trend downwards over the next two years before stabilising and recovering slightly to around US\$72 a dry metric tonne in 2023 and then moving higher to around US\$77 over the long-term (2024 and onwards). Global iron ore supply is anticipated to increase alongside industry demand as China’s economy expands at a moderate rate which will likely limit falls in the price of iron ore. Overall global production volumes are anticipated to increase despite the expectation that the high-cost mines in China will cease operations.

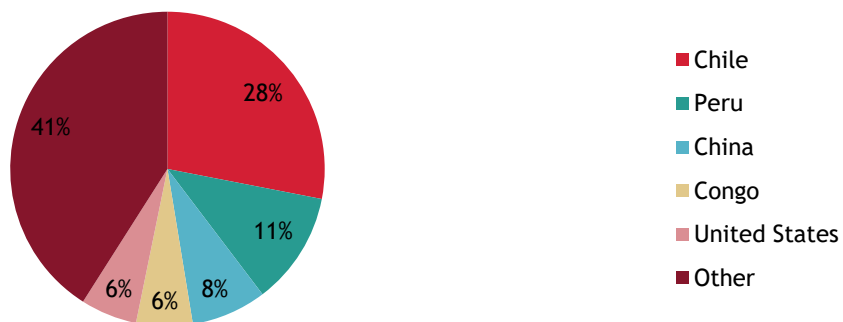
8.2 Copper

Overview

Copper is the third most used metal worldwide in terms of volume. Copper has a wide range of applications, as it is malleable, conducts heat and electricity well, and is resistant to corrosion. It is used extensively in electrical products, vehicle components, construction and infrastructure developments. Industry revenue is primarily driven by demand for copper tubes and wire that are commonly used in the building and construction sector.

In 2018, an estimated 21 million metric tonnes of copper were produced. The chart below shows the countries in which the majority of copper was produced in 2018, with Chile accounting for most of global copper production:

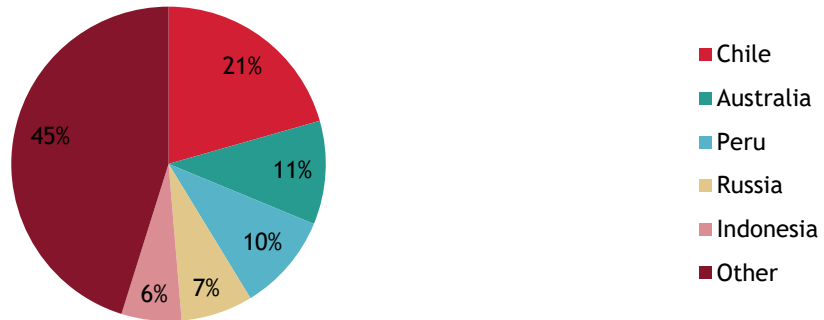
Global Copper Production - 2018



Source: US Geological Survey

The chart below shows the location of the world’s copper reserves, with Chile also accounting for most of the total global reserves.

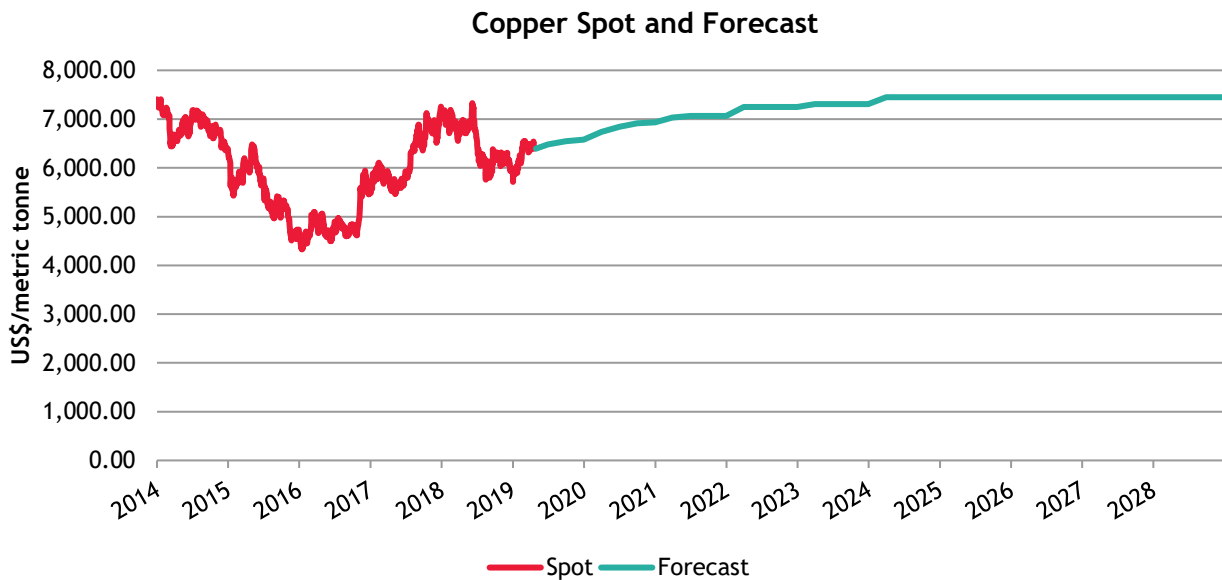
Global Copper Reserves - 2018



Source: US Geological Survey

Price Trends

A summary of the historical spot price of copper, based on the quoted price on the London Metal Exchange in US\$ per metric tonne, and forecasts to 2028 (in nominal terms, free on board) are illustrated in the chart below.



Source: Bloomberg, BDO Analysis and Consensus Economics

Historical prices

Although demand from China for copper has been strong over the past five years, greater product substitution and increased supply has put downward pressure on copper prices. For Australian copper

producers, the impact of falling copper prices has been somewhat offset by a weakening Australian dollar over the past five years.

Forecast prices

The price of copper is expected to grow over the next five years led by stronger global economic growth and demand from both developed and emerging countries. Developed market countries like Japan are projected to see an increase in demand for copper as construction and manufacturing activity increases. Emerging countries like China and India are forecast to import substantially more copper over the next five years as they continue to develop.

8.3 Cobalt

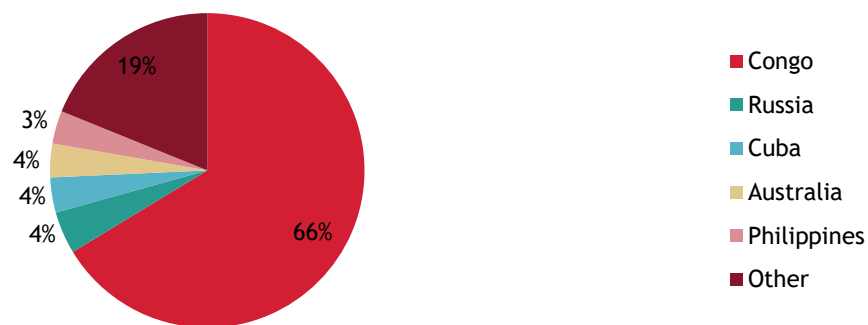
Overview

Almost all global cobalt production occurs as a by-product of mining other commodities, approximately 38% of which comes from nickel mining. Therefore, as nickel production increases, cobalt production can also rise. Cobalt is principally used as a super alloying agent due to its anti-corrosive properties.

Most cobalt is sourced from the Democratic Republic of Congo ('DRC'), however the country is politically unstable and mining operations there often use child labour. Consequently, demand for cobalt produced from Australian mines has also risen as battery manufacturers seek a more reliable and ethical source for the metal.

In 2018, an estimated 140,000 metric tonnes of cobalt were produced. The chart below shows the countries in which the majority of cobalt was produced in 2018, with the DRC the clear leader in global cobalt production:

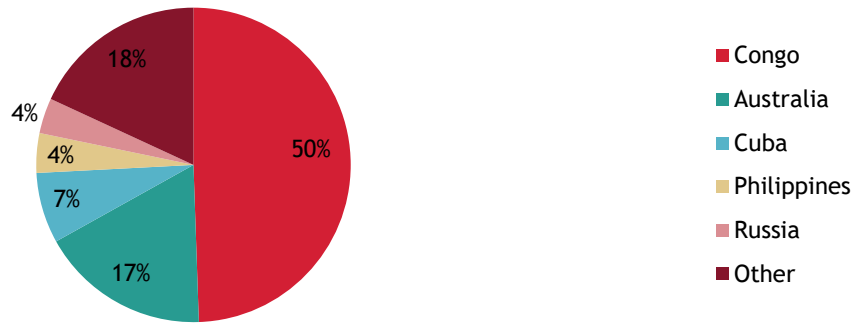
Global Cobalt Production - 2018



Source: US Geological Survey

The chart below shows the location of the world’s cobalt reserves, with Congo once again accounting for the most of the total global reserves.

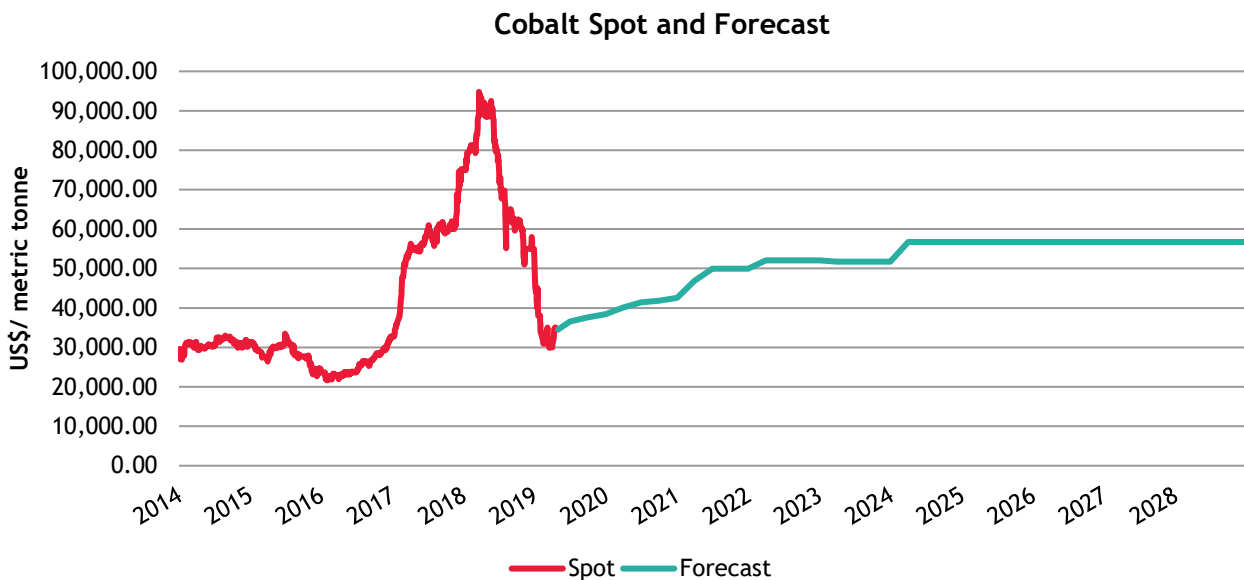
Global Cobalt Reserves - 2018



Source: US Geological Survey

Price Trends

A summary of the historical spot price of cobalt, based on the quoted price on the London Metal Exchange in US\$ per metric tonne, and forecasts to 2028 (in nominal terms, free on board) are illustrated in the chart below.



Source: Bloomberg, BDO Analysis and Consensus Economics

Historical prices

Over the past five years, demand for cobalt has been supported by an increasing demand from battery manufacturers who use the metal to prevent overheating and to extend the usable life of batteries. As

cobalt is almost entirely produced as a by-product of nickel and copper mining, growth in the price of cobalt does not necessarily translate to an increase in supply. The falling cobalt price over the past year has primarily been driven by increasing supply from the DRC.

Forecast prices

Global cobalt prices are expected to rise due to the lack of viable cobalt resources globally coinciding with higher global demand. One of the key customers of cobalt is the battery manufacturing industry. While most of the cobalt required by that industry is used in portable electronic devices, the advent of electric vehicles is expected to lead to a step change in demand. An average electric vehicle is expected to require nearly 1,000 times more cobalt than a cell phone.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

9.1 Valuation of Gindalbie (excluding Coda and cash allocated to Coda under the Demerger Scheme)

In our assessment of the value of Gindalbie shares (excluding Coda and cash allocated to Coda under the Demerger Scheme), we have chosen to employ the Sum-of-parts methodology, as our primary approach. This methodology estimates the market value of a company by separately valuing each asset and liability of the Company. The value of each asset may be determined using different methods.

The component parts of Gindalbie are valued using the DCF and NAV methods. We have also addressed the exclusion of Coda and the cash allocated to Coda under the Demerger Scheme.

We also considered the QMP approach but only as a sense check because the market price is inclusive of the market's implicit assessment of the value of Coda.

Sum-of-parts

We have employed the sum-of-parts method in estimating the fair market value of Gindalbie by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration for the following:

- value of Gindalbie's interest through KML in the Karara Project (applying the DCF methodology with an independent specialist opinion on the technical inputs to the financial model for the Karara Project);
- value of Gindalbie's interest in the Lodestone Magnetite Project;
- value of Gindalbie's interest in the other assets and liabilities of KML; and
- value of other assets and liabilities of Gindalbie (applying the NAV method), except for Coda.

Methodologies adopted

We have chosen these methodologies for the following reasons:

- we have adopted the sum-of-parts combined with the DCF and NAV approach as our primary valuation method because Gindalbie's major asset (excluding Coda) is its interest in the Karara Project which requires a separate valuation approach outside the NAV valuation methodology. For the Karara Project, there is a sufficiently reasonable basis to apply the DCF methodology;
- other assets and liabilities of Gindalbie (excluding Coda) are valued using the NAV method; and

- as Gindalbie's Karara Project is a mining project with a finite life, the FME approach is not appropriate.

Technical expert

In performing our valuation of Gindalbie's Karara Project using the DCF methodology, we have relied on the Independent Technical Assessment and Valuation Report ('ITAVR') prepared by SRK Consulting (Australasia) Pty Ltd ('SRK') which contains a technical assessment of the Karara Project based on SRK's review of the technical project assumptions contained in the cash flow models of the Karara Project.

SRK's ITAVR has been prepared in accordance with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities Experts Reports ('the Valmin Code') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC Code').

A copy of SRK's ITAVR is attached in Appendix 3.

In valuing Gindalbie's other mineral assets, excluding Coda and the Karara Project, comprising the Lodestone Magnetite Project we have relied on SRK's ITAVR prepared in accordance with the Valmin Code and the JORC Code. Specific valuation methodologies used by SRK are referred to in the respective sections of our Report.

We are satisfied with the valuation methodologies adopted by SRK which we believe are in accordance with industry practices and compliant with the requirements of the Valmin Code.

9.2 Valuation of Coda

We consider that a valuation of Coda is not relevant for the Acquisition Scheme.

10. Valuation of Gindalbie (excluding Coda and the cash allocated to Coda under the Demerger Scheme) prior to the Proposed Transaction

Our valuation of Gindalbie (excluding Coda and the cash allocated to Coda under the Demerger Scheme) involves the following:

- Sum-of-Parts method as our primary valuation methodology (Section 10.1); and
- Consideration of QMP of Gindalbie as a secondary valuation methodology (Section 10.2).

10.1 Sum-of-Parts Valuation of Gindalbie (excluding Coda and the cash allocated to Coda under the Demerger Scheme)

We have employed the Sum-of-Parts methodology in estimating the fair market value of a Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme) on a control basis prior to the Proposed Transaction, by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration of the following:

- Value of Gindalbie's interest in the Karara Project;
- Value of Gindalbie's interest in the Lodestone Magnetite Project;
- Value of Gindalbie's interest in KML's other assets and liabilities; and
- Value of Gindalbie's other assets and liabilities.

Our Sum-of-Parts valuation is set out in the table below:

Valuation of Gindalbie (excluding Coda and the cash allocated to Coda under the Demerger Scheme) prior to the Proposed Transaction	Ref	Low \$m	Preferred \$m	High \$m
Value of Gindalbie's interest in the Karara Project	10.1.1	Nil	Nil	Nil
Value of Gindalbie's interest in the Lodestone Magnetite Project	10.1.2	2.59	4.37	9.25
Value of Gindalbie's interest in KML's other assets and liabilities	10.1.3	Nil	Nil	Nil
Value of Gindalbie's other assets and liabilities	10.1.4	23.21	23.21	23.21
Total value of Gindalbie prior to the Proposed Transaction (control basis)		25.80	27.58	32.46
Number of shares outstanding	10.1.5	1,499,637,059		
Value per share (\$) (control)		\$0.0172	\$0.0184	\$0.0216
Fully diluted number of shares outstanding	10.1.5	1,505,887,060		
Value per share (\$) (control, fully diluted)		\$0.0171	\$0.0183	\$0.0216

The value of Gindalbie assets (excluding Coda and the cash allocated to Coda under the Demerger Scheme) on a going concern basis is reflected in our valuation below:

We have assessed the value of a Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme) prior to the implementation of the Proposed Transaction (on a control basis) to be in the range of \$0.0172 to \$0.0216, with a preferred value of \$0.0184.

Including the dilutionary impact of the options currently on issue, these values reduce slightly to \$0.0171 to \$0.0216, with a preferred value of \$0.0183.

10.1.1. DCF valuation of Gindalbie's interest in the Karara Project

The management of Gindalbie has prepared a detailed forecast cash flow model ('the KML Model') of the Company's interest in the Karara Project, as held through its 47.84% stake in KML. The KML Model estimates the future cash flows expected from the production of magnetite from the Karara Project, and has a forecast period up to December 2040. Cash flows from production beyond this date are calculated as a terminal value, however as discussed below, a nil value has been assigned to this in the Adjusted KML Model reflecting a finite life project. The KML Model also includes KML's forecast administration costs. The cash flows contemplated in the KML Model are in real terms.

We have assessed the reasonableness of the KML Model and the material assumptions that underpin it. We have made certain adjustments to the KML Model where it was considered appropriate, to arrive at an adjusted model ('Adjusted KML Model'). In particular, we have adjusted the KML Model to reflect any changes to technical assumptions as a result of SRK's review, in addition to any changes to the economic and other input assumptions that we consider appropriate as a result of our research.

The KML Model was prepared based on estimates of the Karara Project's production profile, operating costs and capital expenditure. The main assumptions underpinning the KML Model and Adjusted KML Model include:

- ore mined and magnetite volumes shipped;
- commodity prices;
- operating costs;
- exploration and sustaining capital expenditure;
- foreign exchange rates;
- administration costs;
- debt cash flows (assumed to be fully repaid at the end of the forecast period being 31 December 2040);
- royalties;
- corporate tax; and
- discount rate

We undertook the following analysis on the KML Model:

- analysed the KML Model to confirm its integrity and mathematical accuracy;
- appointed SRK as technical expert to review, and where required, provide changes to the technical assumptions underpinning the KML Model;
- conducted independent research on certain economic and other inputs such as commodity prices, exchange rates, inflation, and the discount rate applicable to the future cash flows of KML;
- held discussions with SRK to confirm the reasonableness of KML's forecast technical inputs;
- performed sensitivity analysis on the value of KML as a result of flexing key assumptions and inputs.

We have not undertaken a review of the cash flow forecast in accordance with the Standards on Assurance Engagement ASAE 3450 'Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information' and do not express an opinion on the achievability of the forecast. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Adjusted KML Model has been based have not been prepared on a reasonable basis.

Appointment of a technical expert

SRK was engaged to prepare a report providing technical assessment of the assumptions underlying the KML Model. SRK's assessment involved the review and provision of opinion on the reasonableness of the assumptions adopted in the KML Model, including but not limited to:

- mining physicals (including volume mined and grade);
- processing assumptions (including magnetite produced);
- operating costs (including mining, processing and administration costs);
- capital expenditure (development and sustaining capital required); and
- other relevant assumptions.

SRK's Independent Technical Assessment and Valuation Report is included in Appendix 3.

Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts included in the Adjusted KML Model, as it is often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

Economic assumptions

Inflation

Iron ore prices obtained from our research sources are quoted on a nominal basis. The KML Model then adjust these prices for inflation in order to convert them to a real basis. Therefore, we have applied the following inflation rate to the Adjusted KML Model in order to convert the commodity prices to real terms.

We have adopted an annual inflation rate of 2.2% which is based on the average forecast inflation rate as sourced from Bloomberg, whilst also giving consideration to historical inflation rates in Australia. Our assessment of forecast inflation is supported by the fact it lies within the RBA's inflation target of 2% to 3%.

Foreign Exchange

Metal prices obtained from our research are quoted in nominal USD terms. We have converted the metal prices from USD to AUD at the following forecast exchange rates and used them as inputs into the Adjusted KML Model (which has quarterly inputs):

Exchange Rates	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
USD:AUD	0.712	0.711	0.716	0.721	0.725

Exchange Rates	Rest of 2020	CY 2021	CY 2022	CY 2023 and beyond
USD:AUD	0.740	0.750	0.750	0.775

Source: Bloomberg and BDO analysis

*Q = Calendar Quarter; CY = Calendar Year

Iron Ore Prices

The magnetite product produced by the Karara Project attracts a premium to the benchmark price on which forecasts are typically prepared by industry analysts. As such, our assessment of forecast pricing is conducted in three parts.

The first part is to form a view on the forecast benchmark iron ore price for 62% Fe over the forecast period. In forming our view of the forecast iron ore prices, we have had regard to both historical iron ore prices from Bloomberg as well as consensus analyst views on forecast pricing, as published by Consensus Economics.

Based on our analysis, we have adopted the following forecast benchmark 62% Fe prices as inputs into the Adjusted KML Model (which has quarterly inputs). Prices below are stated in nominal terms:

CFR Iron Ore Prices China	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Iron ore fines (US\$/t)	79.0	82.5	78.8	75.2	74.2

CFR Iron Ore Prices China	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Rest of 2021
Iron ore fines (US\$/t)	72.3	70.4	70.5	71.2	70.1

CFR Iron Ore Prices China	CY 2022	CY 2023	CY 2024 and beyond
Iron ore fines (US\$/t)	70.0	72.1	76.9

Source: Consensus Economics and BDO analysis

*Q = Calendar Quarter; CY = Calendar Year

The second part of our assessment of the forecast prices is to calculate an adjustment to the 62% Fe price to account for KML producing iron ore with an average grade of approximately 65.6% as well as to account for impurities such as silica. To account for these factors, we have applied the average premium over the benchmark 62% Fe prices as received by KML, for their iron ore product. The benchmark this calculation was based on was the “Iron Ore Spot Price Index 62% Import Fine Ore CFR Qingdao” which has the Bloomberg ticker ISIX62IU Index.

The average premium received by KML over the prior 12 months to 31 December 2018 was approximately 40% which we have adopted in the Adjusted KML Model. We have also consulted SRK on the reasonableness of this assumption in the Adjusted KML Model.

Mining physicals

The Karara Project is currently producing magnetite at an average of approximately 7.5 Mtpa. It is expected to be able to continue producing at these levels for the next 30-50 years from ore mined at the Karara Project. The Adjusted KML Model has a forecast period of 22 years to December 2040, from the valuation date of 31 December 2018.

As the Karara Project has the ability to continue to produce ore beyond the December 2040 forecast period in the KML Model, the value of the Karara Project beyond the forecast period is included as a terminal value in the model. However, given that the total real cash flows are projected to continue to remain negative even after the end of the forecast period, a terminal value of \$nil has been adopted in the Adjusted KML Model as the terminal value. Even prior to the consideration of financing cash flows, the Karara Project is projected to continue to produce negative real cash flows beyond the forecast period.

Although no forecasts for ore mined are provided, the Adjusted KML Model assumes a constant annual magnetite production of 7.5 Mtpa over the forecast period. This is supported by historical production volumes, the availability of ore to support production at these levels for the next 30-50 years, as well as views from SRK on the reasonableness of these assumptions.

Operating costs

The operating costs assumed in the KML Model include mining, processing, rail, port, shipping, administration, royalties, wharfage, demurrage and maintenance. SRK has considered the reasonableness of the forecast operating cost assumptions having accounted for the costs incurred historically and by assessing the forecast per dry metric tonne operating costs in the context of their experience with mining projects in Australia.

SRK has recommended adopting a higher overall operating cost due to the uncertainty around forecast quantities of yellow ore feed to the processing facility. This is also supported by the higher operating costs recorded over the second half of 2018. These revised operating costs have been used as inputs into the Adjusted KML Model over the forecast period and are detailed below in real terms.

Operating costs (real \$/dry metric tonnes)	KML Model	SRK Recommendation
Royalties	2.53	2.62
Wharfage	0.53	0.55
Demurrage	0.53	0.41
Mining	19.0	25.67
Processing	17.0	17.55
Rail	26.0	28.45
Port	3.0	2.62
Shipping	20.0	22.94
Administration	7.0	5.13
Maintenance	17.0	16.75
Total	112.6	122.7

Source: ITAVR dated 1 May 2019

Capital expenditure

The capital expenditure included in the KML Model relate to exploration, project and studies as well as sustaining capital expenditure. The forecast capital expenditure (on a real basis), required for the Karara Project is approximately \$2 million per annum for exploration, projects and studies, and approximately \$78 million per annum for sustaining capital expenditure. SRK considers these amounts reasonable and we have left them unchanged in the Adjusted KML Model.

Taxation

Based on the unaudited management accounts for KML as at 31 December 2018, KML has no tax losses recorded on its balance sheet. The KML Model assumes a 30% tax rate over the forecast period. However, as KML is forecast to record a net loss before tax for the majority of the forecast period, it is not required to pay tax. Instead, KML is forecast to accumulate tax losses which can be offset against future taxable income for the majority of the period. Towards the end of the forecast period when depreciation and interest expenses are at their lowest, the KML Model forecasts minor amounts of taxable income, however the accumulated tax losses are then used to offset this taxable income. As a result, KML does not pay any tax throughout the forecast period and is unlikely to pay any tax beyond that, due to the large tax losses that it accumulates.

Debt repayment

As at 31 December 2018, KML had outstanding bank loan borrowings of USD3.19 billion, RMB170 million and \$100 million, totalling approximately \$4.66 billion in Australian Dollar terms. These loans relate to KML's project finance loans which rank ahead of shareholders' loans. The debt repayment schedule was adjusted in the Adjusted KML Model to reflect the terms of these project finance loans below.

Bank Loan Facility	Interest Rate	Payment frequency
USD1.22 billion Refinanced Senior Debt Facility - Syndication	6 month LIBOR + 3%	Half-yearly
USD130 million Bank of China Facility	3 month LIBOR + 2.1%	Quarterly
USD300 million China Merchants Bank Facility	3 month LIBOR + 0.8%	Quarterly
USD400 million China Development Bank & Bank of China Debt Facility - Syndication	6 month LIBOR + 2.5%	Half-yearly
USD300 million China Guangfa Bank Working Capital Facility	Fixed 6.5%	Quarterly
USD200 million SPDB Working Capital Facility	3 month LIBOR + 1.15%	Quarterly
USD100 million SPDB Singapore Working Capital Facility	3 month LIBOR + 1.55%	Quarterly
USD130 million SPDB Hong Kong Working Capital Facility	3 month LIBOR + 1.55%	Quarterly
USD200 million SPDB Singapore Working Capital Facility	3 month LIBOR + 1.7%	Quarterly
USD160 million SPDB Hong Kong Working Capital Facility A	3 month LIBOR + 1.7%	Quarterly
USD50 million SPDB Hong Kong Working Capital Facility B	3 month LIBOR + 1.7%	Quarterly
RMB170 million Ansteel Group Finance Company Loan	Fixed 6%	Quarterly
AUD100 million Ansteel Group Finance Company Loan	Fixed 6%	Quarterly

Source: KML management

To model the above project finance loans, a 3-month and 6-month LIBOR rate was adopted based on the interest rate as at 31 December 2018 (2.81% and 2.88%, respectively). We have flexed the interest rates to consider the impact of a lower or higher floating interest rate on the value of the Karara Project (see section on sensitivity analysis below), however, the value remained negative across the rates assessed. It was also assumed that the loans are completely repaid over the forecast period, with the caveat that KML will have to continually extend these loans for as long as it operates in order to stay solvent. Implicit in this assumption is that KML will be able to refinance these loans throughout the forecast period. Should KML not be able to achieve this, the Karara Project would no longer be able to operate.

In addition, KML held \$294 million in shareholders' loans as at 31 December 2018. Of this amount, \$50 million relates to loans from Gindalbie. The shareholders' loans are subordinated to KML's project finance loans discussed above, which means KML's senior lenders have a right to be repaid first. Of these loans, \$100 million worth are interest-free with the remainder attracting a fixed interest rate of 6% per annum. As part of Gindalbie's decision to write down the carrying value of its interest in KML to nil in 2014, Gindalbie's remaining portion of the loan, which at that time stood at \$50 million, was also impaired to nil on its balance sheet. In the KML Model, no repayments of shareholder loans are assumed over the forecast period. As the shareholders' loans are subordinate to KML's project finance facility, it is projected that there will not be funds available to repay these loans.

Corporate costs

Corporate costs are included under operating costs as administration costs. These are assumed to stay constant in real terms over the forecast period. As discussed above, we have adopted SRK's recommended administration cost over the entire forecast period.

Rehabilitation expenditure

As discussed in Section 10.1.3 later, the provision recorded on KML's balance sheet as at 31 December 2018 accounts for mine site rehabilitation costs up to that date. The KML Model does not account for future rehabilitation expenditure, however in our view, the amount that would be attributable to this is immaterial to our opinion.

Discount rate

In our assessment of the appropriate discount rate for KML, we consider the most appropriate discount rate to apply to the cash flows of the Karara Project is the peer group's cost of equity. The cost of equity is applied instead of the WACC because the cash flows contemplated by the KML Model account for financing cash flows such that the cash flows that are discounted relate to those available to equity holders only.

A peer group cost of equity is used because i) KML is not a listed entity and ii) because the return required by investors should reflect the return required on a similar project and be based on a capital structure that an investor would apply when investing in a similar project.

We have selected a real cost of equity in the range of 6.8% to 9.3% per annum to discount the real cash flows of the Adjusted KML Model to their present value. We have used a rounded midpoint discount rate of 8% in our base case. We have included the impact of a higher or lower discount rate on the valuation of the Karara Project under the section on sensitivity analysis below.

In selecting this range of discount rates, we have considered the following:

- the rate of return for comparable ASX listed iron ore producing companies; and
- the risk profile of KML as compared to the comparable companies identified.

A detailed consideration of how we arrived at our adopted discount rate range is shown in Appendix 4.

Sensitivity analysis

Our valuation of the KML is sensitive to changes in the forecast commodity prices, operating expenditure, capital expenditure and foreign exchange rates. We have therefore included a sensitivity analysis to consider the value of the Karara Project under various pricing scenarios and in applying:

- a change of +/- 8% to the iron ore price;
- a change of +/- 8% to operating costs;
- a change of +/- 8% to capital costs;
- a change of +/- 8% to the AUD/USD exchange rate;
- a change of +/- 2% to the floating interest rate on the project finance; and
- a real discount rate in the range of 6% to 10%.

The following sensitivities have been prepared to assist Shareholders in considering the potential effects to the value of the Karara Project if our base case assumptions change:

Sensitivity Analysis of the Value of the Karara Project less debt				
Percentage change	Iron ore price (US\$/t)	Operating costs	Exchange rate (AUD/USD)	Capital costs
-8%	(4,224)	(2,665)	(3,690)	(3,380)
-6%	(4,026)	(2,857)	(3,622)	(3,393)
-4%	(3,829)	(3,050)	(3,557)	(3,407)
-2%	(3,632)	(3,242)	(3,495)	(3,421)
0%	(3,435)	(3,435)	(3,435)	(3,435)
2%	(3,237)	(3,627)	(3,377)	(3,448)
4%	(3,040)	(3,819)	(3,321)	(3,462)
6%	(2,843)	(4,012)	(3,268)	(3,476)
8%	(2,645)	(4,204)	(3,217)	(3,489)

Source: Adjusted KML Model and BDO analysis

Sensitivity Analysis of Project Finance Floating Interest Rate					
Change in floating interest rate (%)	-2.0%	-1.0%	0%	+1.0%	+2.0%
Karara Project Value (\$m)	(2,983)	(3,203)	(3,435)	(3,677)	(3,929)

Source: Adjusted KML Model and BDO analysis

Sensitivity Analysis of Real Discount Rate					
Real discount rate (%)	6.0%	7.0%	8.0%	9.0%	10.0%
Karara Project value (\$m)	(4,024)	(3,711)	(3,435)	(3,190)	(2,972)

Source: Adjusted KML Model and BDO analysis

As shown above, none of the scenarios result in a positive value for the Karara Project.

In considering the above sensitivities, Shareholders should note the following:

- the variables described above may have compounding or offsetting effects and are unlikely to move in isolation;
- the variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions; and
- the sensitivities performed do not cover the full range of possible variances from the base case assumptions used (i.e. variances could be greater than the percentage increases or decreases set out in this analysis).

We also note that we have presented the above sensitivities to highlight the sensitivity of the value of KML to changes in pricing and other assumptions. If we were to use the above sensitivities to form the basis of our assessed value, then the range would be so wide such that it would not provide meaningful information for Shareholders.

Conclusion on value of the Karara Project

Effectively, the Adjusted KML Model projects that, given the economic assumptions discussed prior, the Karara Project will have negative EBITDA over the forecast period (in real terms). Even prior to the debt repayments and interest expense, the Karara Project is operating at a loss, particularly due to rail, mining, processing and maintenance costs. As a result, the real cash flows at the operational level are negative. Including the impact of interest payments and project debt facility repayments causes the real cash flows to become even more negative, such that the overall value of the Karara Project is a large negative amount. None of the scenarios analysed under the section on sensitivity analysis above resulted in a positive value for the Karara Project.

Based on the above analysis we consider the value of the Karara Project to be in the range of negative \$3.6 billion to nil with a preferred value of negative \$3.4 billion.

Gindalbie's 47.84% interest in KML implies that its share of the Karara Project is valued between negative \$1.7 billion to nil with a preferred value of negative \$1.6 billion. Given Gindalbie's interest in the Karara Project is held through its equity interest in KML, and with the project finance loans limited to the shares held by Gindalbie in KML as well as any surplus received after the sale of Gindalbie's shares in KML, the value of the Karara Project to Gindalbie is therefore nil.

10.1.2. Independent market valuation of Gindalbie's interest in the Lodestone Magnetite Project

The ITAVR by SRK addresses the valuation of Gindalbie's interest in the Lodestone Magnetite Project.

The Lodestone Magnetite Project was valued by SRK using the cost approach, specifically the geoscientific rating method, as its primary valuation methodology. SRK also considered the market approach which analyses comparable transactions of similar iron ore projects, however found only two transactions that were suitable. Further information on the valuation methodologies used can be found in SRK's ITAVR under Appendix 3 of our Report.

The range of values for Gindalbie's interest in the Lodestone Magnetite Project as assessed by SRK is set out below:

Lodestone Magnetite Project	Low Value	Preferred Value	High Value
	\$m	\$m	\$m
Advanced Exploration Tenure	2.59	4.37	9.25

Source: SRK ITAVR dated 1 May 2019

The table above indicates a range of values between \$2.59 million and \$9.25 million, with a preferred value of \$4.37 million.

10.1.3. Valuation of Gindalbie's interest in KML's other assets and liabilities

Other assets and liabilities of KML represent the non-operating assets and liabilities, the economic impact of which have not been captured in the Adjusted KML Model. From our discussions with Gindalbie and analysis of these other assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book value and their fair value unless an adjustment has been noted below.

Statement of Financial Position	Note	Unaudited as at 31-Dec-18 \$m	Adjusted value \$m
CURRENT ASSETS			
Cash and cash equivalents		171	171
Trade and other receivables	a	38	-
Prepayments	b	13	-
Inventory	c	15	-
Stores, spares and consumables	d	67	-
TOTAL CURRENT ASSETS		304	171
NON-CURRENT ASSETS			
Trade and other receivables	a	54	54
Prepayments	b	9	9
Property, plant and equipment	e	3,337	-
TOTAL NON-CURRENT ASSETS		3,400	63
TOTAL ASSETS		3,705	234
CURRENT LIABILITIES			
Trade and other payables	f	189	-
Employee benefits		4	4
Borrowings	g	2,522	-
TOTAL CURRENT LIABILITIES		2,715	4
NON-CURRENT LIABILITIES			
Employee benefits		3	3
Provisions	h	33	36

Statement of Financial Position	Note	Unaudited as at 31-Dec-18 \$m	Adjusted value \$m
Borrowings	g	2,135	-
Derivatives	i	(4)	-
Shareholders loan		294	294
TOTAL NON-CURRENT LIABILITIES		2,460	333
TOTAL LIABILITIES		5,175	337
NET ASSETS		(1,470)	(103)

Source: Unaudited KML management accounts for the month ended 31 December 2018 and BDO analysis

We have not undertaken a review of KML's unaudited management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We note the following in relation to the above valuation of KML's other assets and liabilities:

Note a) Trade and other receivables

For the purpose of our valuation we have adjusted the current portion of the trade and other receivable balance of \$37.69 million as at 31 December 2018 to nil. These are included in the Adjusted KML Model and therefore reflected in the value of the Karara Project. The non-current portion of trade and other receivables of \$53.71 million is not accounted for in the Adjusted KML Model and hence needs to be valued separately.

Note b) Prepayments

For the purpose of our valuation, the current portion of prepayments of \$12.84 million as at 31 December 2018 is adjusted to nil as these are accounted for in the Adjusted KML Model. The non-current portion of prepayments amounting to \$9.46 million is not accounted for in the Adjusted KML Model and is included here instead.

Note c) Inventory

For the purpose of our valuation we have adjusted the inventory balance of \$15.33 million as at 31 December 2018 to nil as these are accounted for in the Adjusted KML Model and therefore reflected in the value of the Karara Project.

Note d) Stores, spares and consumables

For the purpose of our valuation we have adjusted the stores, spares and consumables balance of \$67.34 million as at 31 December 2018 to nil as these are accounted for in the Adjusted KML Model and therefore reflected in the value of the Karara Project.

Note e) Property, plant and equipment

We have adjusted the property, plant and equipment ('PPE') balance of \$3.34 billion as at 31 December 2018 to nil as these are fully depreciated over the forecast period in the Adjusted KML Model and therefore already reflected in the value of the Karara Project.

Note f) Trade and other payables

For the purpose of our valuation we have adjusted the trade and other payables balance of \$189.69 million as at 31 December 2018 to nil as these are accounted for in the Adjusted KML Model and therefore reflected in the value of the Karara Project.

Note g) Borrowings

We have adjusted the current and non-current portion of borrowings of \$2.52 billion and \$2.14 billion, respectively, as at 31 December 2018 to nil. These relate to the senior project finance loans which are modelled to be repaid (including interest) over the forecast period in the Adjusted KML Model. Hence the economic impact of these loans are already accounted for in the Adjusted KML Model.

Note h) Provisions

The non-current provision balance of \$32.66 million relates to mine site rehabilitation costs. KML advised that this value was subsequently adjusted post-audit to \$36.17 million, which we have reflected here.

Note i) Derivatives

The derivatives balance of negative \$4 million as at 31 December 2018 is adjusted to nil as it is already accounted for in the Adjusted KML Model.

Based on the above analysis, the value of KML's other assets and liabilities is negative \$103 million. Gindalbie's 47.84% share of KML's other assets and liabilities is therefore negative \$49 million. Of the \$294 million in shareholders' loans liability recorded on KML's balance sheet, \$50 million of this relates to an interest-free loan from Gindalbie. As the shareholders' loans are subordinate to KML's project finance loans, this amount may never be recovered by Gindalbie. This \$50 million loan from Gindalbie to KML has been written down to nil on Gindalbie's balance sheet.

As with the valuation of the Karara Project, the value of KML's other assets and liabilities to Gindalbie can also be considered to be nil.

10.1.4. Valuation of Gindalbie's other assets and liabilities

Gindalbie Statement of Financial Position	Ref	Reviewed as at	Adjustments	Adjusted
		31-Dec-18		\$'000
		\$'000	\$'000	\$'000
CURRENT ASSETS				
Cash and cash equivalents		1,560	-	1,560
Term deposits	ia	31,600	(8,863)	22,737
Other receivables	ib	500	(13)	487
Prepayments		139	-	139
TOTAL CURRENT ASSETS		33,799	(8,876)	24,923
NON-CURRENT ASSETS				
Other receivables		50	-	50
Property, plant and equipment	ia	60	(60)	-
Exploration and evaluation assets	ii	3,930	(3,930)	-
Intangible asset	ic	178	(178)	-
TOTAL NON-CURRENT ASSETS		4,218	(4,168)	50
TOTAL ASSETS		38,017	(13,044)	24,973

Gindalbie Statement of Financial Position	Ref	Reviewed as at	Adjustments	Adjusted
		31-Dec-18		value
		\$'000	\$'000	\$'000
CURRENT LIABILITIES				
Trade and other payables	id	1,820	(143)	1,677
Employee benefits		22	-	22
TOTAL CURRENT LIABILITIES		1,842	(143)	1,699
NON-CURRENT LIABILITIES				
Employee benefits		59	-	59
TOTAL NON-CURRENT LIABILITIES		59	-	59
TOTAL LIABILITIES		1,901	(143)	1,758
NET ASSETS		36,116	(12,902)	23,214

Source: BDO analysis

We have considered Gindalbie's management accounts as at 28 February 2019 and note that the variances to the balance sheet as at 31 December 2018 are not material to our opinion.

The following adjustments were made to the net assets of Gindalbie as at 31 December 2018 in arriving at our valuation.

Adjustment ia) cash and property, plant and equipment allocated to Coda

The demerger of Coda under the Demerger Scheme involves the separation of Coda, a 100% owned subsidiary of Gindalbie. This separation comprised the elimination of Coda from the consolidated financial statements of Gindalbie.

Set out in the table below are the net assets of Coda prior to any adjustments associated with the Demerger.

	Statutory as at 28-Feb-19 \$
Current Assets	
Cash and cash equivalents	90,834
Sundry debtors	12,861
Total Current Assets	103,695
Non-Current Assets	
Property plant and equipment	-
Mine properties	1,416,359
Intangible asset - Glycine licence	175,663
Total Non-Current Assets	1,592,022
Total Assets	1,695,717
Current Liabilities	
Trade and other payables	142,513
Total Current Liabilities	142,513
Total Liabilities	142,513
Net Assets	1,553,204

	Statutory as at 28-Feb-19 \$
Equity	
Contributed equity	3,077,098
Earnings	(1,523,894)
Total Equity	1,553,204

Source: Gindalbie management

The following adjustments are made in respect of the Demerger:

- Cash and trade and other payables adjustment
- Property plant and equipment adjustment

	Statutory as at 28-Feb-19 \$	Adjustment a \$	Adjustment b \$	Adjusted Balance sheet \$
Current Assets				
Cash and cash equivalents	90,834	8,832,638	(60,289)	8,863,183
Sundry debtors	12,861	-	-	12,861
Total Current Assets	103,695			8,876,044
Non-Current Assets				
Property plant and equipment	-	-	60,289	60,289
Mine properties	1,416,359	-	-	1,416,359
Intangible asset - Glycine licence	175,663	-	-	175,663
Total Non-Current Assets	1,592,022			1,652,311
Total Assets	1,695,717			10,528,355
Current Liabilities				
Trade and other payables	142,513	(142,513)	-	-
Total Current Liabilities	142,513			-
Total Liabilities	142,513			-
Net Assets	1,553,204			10,528,355
Equity				
Contributed equity	3,077,098	-	-	3,077,098
Earnings	(1,523,894)	8,975,151	-	7,451,257
Total Equity	1,553,204			10,528,355

Adjustment a)

The Demerger Scheme provides for Coda to be demerged taking with it principally the interest in the Mt Gunson Project and an agreed cash balance. The cash balance is based on an amount of \$10,640,000 reduced by expenditure since 14 June 2018 in respect of the Mt Gunson Project. The adjustment is as summarised below. We note that the expenditure in respect of the trade and other

payables balance was included in the spend to 28 February 2019. However, the expenditure with respect to the Mt Gunson Project subsequent to 28 February 2019 and other Coda general corporate and administrative expenditure budgeted from 28 February 2019 through to the projected Demerger Implementation Date of 28 July 2019, is not included in this adjustment. These costs are estimated at \$1.59 million and \$0.10 million, respectively.

	\$
Agreed cash at 30 June 2018 (per Demerger Scheme)	10,640,000
Add back expenditure pre 14 June 2018	1,214,947
Less: Mt Gunson spend over life to 28 February 2019	(2,931,475)
Less: opening cash balance	(90,834)
Pro forma adjustment	<u>8,832,638</u>

Source: Gindalbie and BDO analysis

Adjustment b)

Property plant and equipment. We understand that property plant and equipment at a value of \$60,829 will also be allocated to Coda.

After the adjustments above, the adjusted balance sheet of Coda represents the assets to be demerged from Gindalbie which includes the cash amount of approximately \$8.86 million and property, plant and equipment of \$60,289.

Coda's other assets and liabilities have been eliminated from the balance sheet of Gindalbie in determining the value of Gindalbie's other assets and liabilities. These are detailed below.

Adjustment ib) other receivables allocated to Coda

Of Gindalbie's other receivables as at 31 December 2018, \$12,861 relates to sundry debtors of Coda's which will be allocated to Coda as part of the demerger.

Adjustment ic) intangible assets allocated to Coda

The entire remaining balance of Gindalbie's intangible assets will be demerged to Coda.

Adjustment id) trade and other payables allocated to Coda

\$142,513 of the trade payables on Gindalbie's balance sheet relate to Coda and consequently will be allocated to Coda as part of the demerger.

Adjustment ii) valuation of Gindalbie's mineral assets

The valuation of Gindalbie's mine properties - the Karara Project, the Lodestone Magnetite Project and the Mt Gunson Project - has been reduced to \$nil in the following way:

- the Karara Project - value separately assessed (refer Section 10.1.1 above);
- the Lodestone Magnetite Project (refer section 10.1.2 above); and
- the Mt Gunson Project - eliminated through demerger of Coda.

10.1.5. Number of Gindalbie shares outstanding

As at 8 April 2019, there were 1,499,637,059 fully paid ordinary shares in Gindalbie.

There were also a total 6,250,001 options with nil exercise price held by two employees of Gindalbie. These options will vest as part of the Acquisition Scheme and the resultant shares issued will increase the number of fully paid ordinary shares to 1,505,887,060.

10.2 Quoted Market Prices for Gindalbie Securities

To provide a comparison to the valuation of Gindalbie in Section 10.1, we have also assessed the quoted market price for a Gindalbie share.

We note that this comparison should be treated with caution as the quoted market price includes the market's implicit valuation of the assets of Coda which means it is not directly comparable with the assets and liabilities of Gindalbie which are to be acquired under the Acquisition Scheme.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of a control transaction, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

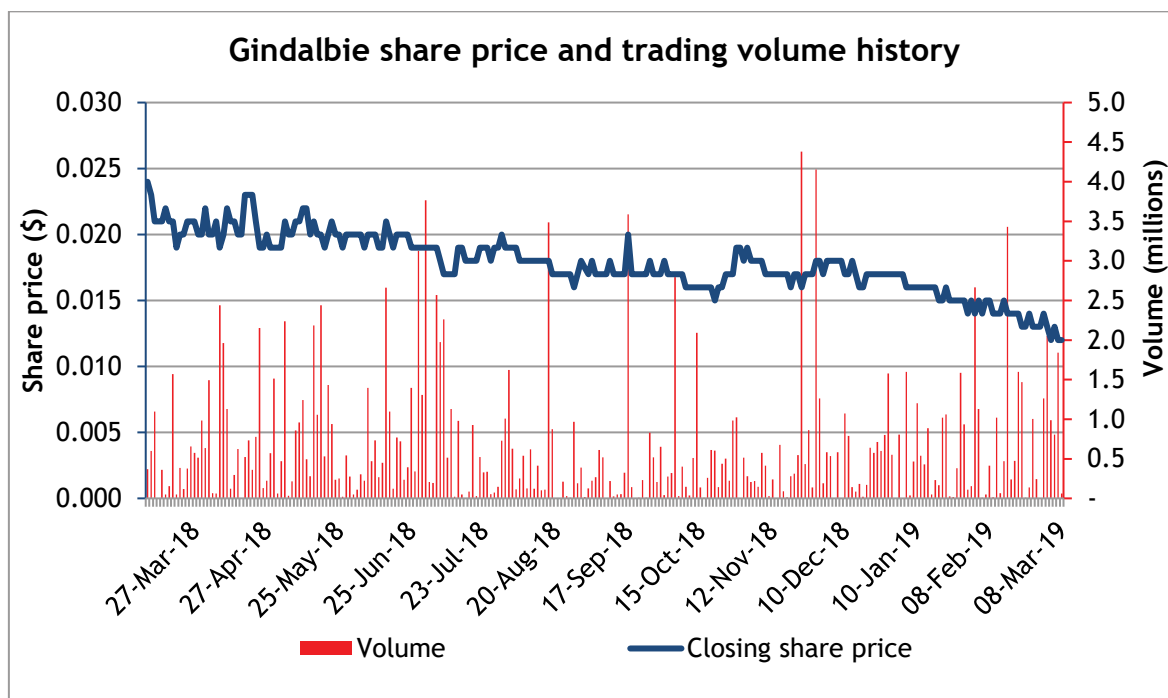
RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Gindalbie share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Gindalbie share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of a Gindalbie share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, we have considered the value of a Gindalbie share following the announcement when we have considered reasonableness in Section 13.

Information on Acquisition Scheme was announced to the market on 11 March 2019. Therefore, the following chart provides a summary of the share price movement over the 12 months to 8 March 2019 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of a Gindalbie share from 8 March 2018 to 8 March 2019 has ranged from a low of \$0.012 on 8 March 2019 to a high of \$0.024 on 8 March 2018. Effectively, the price of a Gindalbie share has been on a steady, downward trend over the prior 12 months to the date of the announcement of the Proposed Transaction, ending up 50% lower than where it had begun. Throughout this period, the decline has been punctuated by brief periods of recovery, most notably in late October 2018 when the share price recovered slightly from \$0.015 to \$0.019 in early November 2018. However, this was short-lived and the share price then continued its decline to \$0.012 as at 8 March 2019.

By contrast, the price of 62% iron ore fines (including cost and freight to China), as quoted on the New York Mercantile Exchange, was between the US\$60/tonne to US\$70/tonne range during the first half of this 12-month period. The price of iron ore then rose from US\$63/tonne as of 2 December 2018 to finish at US\$82/tonne as of 8 March 2019. This suggests that over the 12-month period prior to the announcement of the Proposed Transaction, the price of a Gindalbie share was driven by company-specific news rather than industry-wide trends.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)		\$ (movement)	
30/01/2019	Quarterly Cashflow & Quarterly Activities Reports	0.015	▶ 0.0%	0.014	▼ 6.7%
29/10/2018	Quarterly Cashflow & Quarterly Activities Reports	0.019	▲ 11.8%	0.019	▶ 0.0%
22/08/2018	Mt Gunson Copper-Cobalt Project Farm-in Stage 1	0.017	▶ 0.0%	0.016	▼ 5.9%

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)		\$ (movement)	
27/07/2018	Quarterly Cashflow & Quarterly Activities Reports	0.019	▶ 0.0%	0.019	▶ 0.0%
23/05/2018	Entry into Stage 2 of the Mt Gunson Copper Cobalt Project	0.021	▲ 5.0%	0.019	▼ 9.5%
27/04/2018	Mining Tenements Declaration	0.020	▲ 5.3%	0.019	▼ 5.0%
27/04/2018	Quarterly Cashflow & Quarterly Activities Reports	0.020	▲ 5.3%	0.019	▼ 5.0%
28/03/2018	Contingent Liability Update	0.020	▼ 4.8%	0.020	▶ 0.0%

Source: Bloomberg

On 28 March 2018, Gindalbie announced that KML had entered into a new US\$300 million foreign currency loan contract with China Guangfa Bank which was due for repayment 12 months from the date of first utilisation, anticipated to be on or around 27 March 2018. If required, Gindalbie will provide a limited recourse guarantee to Ansteel, limited to the extent of Gindalbie's shareholding in KML. The bank guarantees provided to suppliers of KML at the time was a maximum of \$219 million (subject to exchange rate fluctuations) which will reduce over time with utilisation and reduction schedules as per each related contract. The price of a Gindalbie share decreased by 4.8% on the day of this announcement to \$0.020 where it remained at over the next three trading days.

On 27 April 2018, the Company released its quarterly cashflow and quarterly activities reports for the quarter ended 31 March 2018. The Company had \$1.04 million in cash as at the end of the quarter, with cash outflows during the period of \$265,000 primarily relating to exploration expenditure, employee expenses and corporate costs. The Company also held \$34.9 million in term deposits with maturity greater than three months. Gindalbie also provided an update on the Company's scoping study on its Mt Gunson Project which was nearing completion as scheduled and within budget. The Company's Karara Project, which was valued at nil due to its high gearing, produced 1,903 million dry metric tonnes ('DMT') of magnetite concentrate during the quarter at an average grade of 65.8% Fe. An average sales price of \$118.08 per DMT was achieved on the concentrate sold. Finally, the Company also disclosed its mining tenements held as at 31 March 2018, which were unchanged from the quarter before. On the day of these announcements, the share price of Gindalbie increased 5.3% to \$0.020. However over the subsequent three trading days, the share price declined by 5.0% to \$0.019.

On 23 May 2018, the Company provided an update of its preliminary mine scoping study on its Mt Gunson Project, of which it had rights to acquire up to 75% of by way of a farm-in structure. The Company announced it was ready to progress the Mt Gunson Project to a pre-feasibility study level of confidence. Although the share price reacted favourably on the day of the announcement, rising 5.0% to \$0.021, it subsequently fell by 9.5% to \$0.019 over the next three trading days.

On 27 July 2018, the Company released its quarterly cashflow and quarterly activities reports for the quarter ended 30 June 2018. Cash levels increased by approximately \$1.76 million from the quarter before to end the June 2018 quarter at \$2.79 million, driven primarily by interests earned from term deposits. The Company also had \$32.6 million in term deposits with maturities over three months. In terms of activities over the quarter, the Company entered into the pre-feasibility study stage for its Mt Gunson Project. The value of the Karara Project continued to be held at nil. During the June 2018 quarter, the

Karara Project produced 1,951 DMT of magnetite concentrate averaging 65.6% Fe while the realised sale price averaged approximately \$116.55 per DMT (down from \$118.08 per DMT in the quarter prior). The price of a Gindalbie share closed unchanged at \$0.019 on the day of the announcements and remained at that level over the subsequent three trading days.

On 22 August 2018, the Company provided an update on its Mt Gunson Project. The Company, via its wholly owned subsidiary Coda Ltd, had reached its expenditure commitment of \$1.37 million on the Mt Gunson Project and as a result, will receive a 25% interest in it. The Company also disclosed it was expected to spend a further \$2.5 million during the first half of 2019 advancing the project. The share price of Gindalbie closed unchanged at \$0.017 on the day of the announcement but declined 5.9% to \$0.016 over the next three trading days.

On 29 October 2018, Gindalbie released its quarterly cashflow and quarterly activities reports for the quarter ended 30 September 2018. Cash levels declined by \$917,000 over the quarter to \$1.88 million primarily due to exploration expenditure, employee expenses and corporate costs. Unlike the previous quarter, there was no interest paid out from the Company's term deposits during the September 2018 quarter. Term deposits with a maturity over three months amounted to \$32.6 million as at 30 September 2018. During the quarter, the Company continued its pre-feasibility study and targeted drilling programme at the Mt Gunson Project. Meanwhile, its Karara Project produced 1,806 DMT of magnetite concentrate over the September 2018 quarter at an average grade of 65.4% Fe. The average realised sales price for the quarter was \$130.33 per DMT compared to \$116.55 per DMT in the previous quarter. On the day of the announcements, the price of a Gindalbie share reacted favourably, rising 11.8% to \$0.019 where it remained over the next three trading days.

On 30 January 2019, the Company released its quarterly cashflow and quarterly activities reports for the quarter ended 31 December 2018. Net operating cash outflows of \$1.35 million (mainly exploration costs) were offset by \$1.04 million in cash inflows from investing activities (primarily interest from term deposits), leaving the cash slightly lower than the quarter prior, at \$1.56 million. The Company's term deposits exceeding three months in maturity amounted to \$31.6 million as at 31 December 2018. During the quarter, the Company's operations on its Mt Gunson Project focused on drilling at the MG14 and Windabout deposits as well as the Emmie Bluff prospect. Production at the Karara Project was 1,851 DMT for the December 2018 quarter at an average grade of 65.6% Fe. The average realised sales price for the quarter was \$128.61 per DMT versus \$130.33 per DMT in the previous quarter. The price of a Gindalbie share closed unchanged at \$0.015 on the day of these announcements but declined 6.7% over the subsequent three trading days to close at \$0.014.

To provide further analysis of the market prices for a Gindalbie share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 8 March 2019.

Share Price per unit	08-Mar-19	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.012				
Volume weighted average price (VWAP)		\$0.013	\$0.014	\$0.015	\$0.015

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Proposed Transaction, to avoid the influence of any increase in price of Gindalbie shares that has occurred since the Proposed Transaction was announced.

An analysis of the volume of trading in Gindalbie shares for the twelve months to 8 March 2019 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.012	\$0.012	60,712	0.00%
10 Days	\$0.012	\$0.014	8,392,752	0.56%
30 Days	\$0.012	\$0.015	24,616,526	1.64%
60 Days	\$0.012	\$0.018	40,000,198	2.67%
90 Days	\$0.012	\$0.019	58,728,293	3.92%
180 Days	\$0.012	\$0.020	112,429,462	7.50%
1 Year	\$0.000	\$0.024	164,250,264	10.95%

Source: Bloomberg, BDO analysis

This table indicates that Gindalbie's shares display a low level of liquidity, with only approximately 11% of the Company's current issued capital being traded in a twelve month period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Gindalbie, given there were days where no trading in its shares occurred and given there has only been a cumulative trade over a one year period of 10.95% of the current issued capital, we do not consider there to be a sufficiently deep market for Gindalbie's shares to reflect a liquid and active market. Therefore, we have elected not to use QMP as the primary valuation method.

Our assessment is that a range of values for Gindalbie shares based on market pricing, after disregarding post announcement pricing, is between \$0.013 and \$0.015. As mentioned at the beginning of this section, the quoted market price includes the market's implicit valuation of the assets of Coda which means it is not directly comparable with the assets and liabilities of Gindalbie which are to be acquired under the Acquisition Scheme.

Control Premium

The quoted market price per share reflects the value to minority interest shareholders. In order to value a Gindalbie share on a control basis, we have added a control premium that is based on our analysis set out below.

We have reviewed control premiums on completed transactions, paid by acquirers of both general mining and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine

an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium).

We have summarised our findings below:

General mining companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2018	11	121.23	54.93
2017	5	25.66	30.79
2016	13	59.54	74.92
2015	9	340.82	57.86
2014	16	123.03	49.75
2013	17	117.99	63.99
2012	19	209.08	52.98
2011	22	779.79	36.95
2010	21	555.11	50.61
2009	19	127.36	51.75

Source: Bloomberg, BDO analysis

All ASX-listed companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2019	10	11,071.94	43.82
2018	38	1,268.24	41.39
2017	28	1,009.52	42.67
2016	42	718.51	49.58
2015	33	850.04	33.23
2014	45	518.59	40.00
2013	41	128.21	50.99
2012	52	472.10	51.68
2011	68	891.85	44.43
2010	54	575.28	44.05

Source: Bloomberg, BDO analysis

The mean and median of the entire data sets comprising control transactions over the 10 years to 26 March 2019 for general mining companies and all ASX listed companies, respectively, is set out below.

Entire Data Set Metrics	General mining companies		All ASX-listed companies	
	Deal Value (\$m)	Control Premium (%)	Deal Value (\$m)	Control Premium (%)
Mean	290.09	52.40	911.57	45.94
Median	43.46	43.75	100.61	35.95

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;

- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or more, post transaction in the target company.

The table above indicates that the long term average control premium paid by acquirers of general mining companies and all ASX listed companies is approximately 52.40% and 45.94%, respectively. However, in assessing the transactions included in the table, we noted transactions that appear to be outliers. These outliers included 17 general mining transactions and 37 ASX-listed company transactions in total, for which the announced premium was in excess of 100%. We consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. We note that, given the Acquisition Scheme is at a 116.7% premium to the previous closing price of a Gindalbie share prior to the announcement of the Proposed Transaction (or approximately 90% premium to the 30-day VWAP), it appears Ansteel is paying for special value in excess of the standard control premium. Pursuant to RG 111, we are unable to consider this special value and are not valuing Gindalbie under the control of a specific acquirer.

In a population with outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the last ten years was approximately 43.75% for general mining companies and 35.95% for all ASX-listed companies.

Based on the above analysis, we consider an appropriate premium for control to be applied is between 35% and 45%, with a midpoint of 40%.

Quoted market price including control premium

Applying a control premium to Gindalbie's quoted market share price results in the following quoted market price value including a premium for control:

	Low value \$	Midpoint value \$	High value \$
Quoted market price value	0.013	0.014	0.015
Control premium	35%	40%	45%
Quoted market price valuation including a premium for control	0.018	0.020	0.022

Source: BDO analysis

Therefore, our valuation of a Gindalbie share based on the quoted market price method and including a premium for control is between \$0.018 and \$0.022, with a midpoint value of \$0.020.

10.3 Assessment of the value of a Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme)

The results of the valuations performed are summarised in the table below:

	Low \$	Preferred \$	High \$
Sum-of-parts value (Section 10.1)	0.017	0.018	0.022
QMP methodology (Section 10.2)	0.018	0.020	0.022

Source: BDO analysis

We note that the value of a Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme) based on the sum-of-parts valuation, is broadly in line with the valuation of Gindalbie based on the QMP methodology. The quoted market price includes the market's implicit valuation of the assets of Coda which means it is not directly comparable with the assets and liabilities of Gindalbie which are to be acquired under the Acquisition Scheme. This suggests that the market may not be attributing any value to Mt Gunson, possibly because of the overhang of KML. However, it should also be noted that the QMP valuation was based on a market for Gindalbie shares that was not considered to be liquid and active. Therefore, we consider the sum-of-parts method to be the most appropriate method.

Based on the results above we consider the value of a Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme) to be between \$0.017 and \$0.022, with a preferred value of \$0.018.



11. Valuation of the Consideration

The valuation of the consideration is \$0.026 in cash per Gindalbie share.

12. Is the Acquisition Scheme fair?

The value of a share in Gindalbie (excluding Coda) prior to the Proposed Transaction and the value of the Consideration is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of one Gindalbie share (excluding Coda and the cash allocated to Coda under the Demerger Scheme) held prior to the Proposed Transaction on a control basis	10.1	0.017	0.018	0.022
Value of the Consideration	11	0.026	0.026	0.026

We note from the table above that the value of a Gindalbie share (excluding Coda) held prior to the Proposed Transaction is less than the value of the cash Consideration of \$0.026 per share. Therefore, we consider that, in the absence of any other relevant information and/or a superior proposal, the Acquisition Scheme is fair for Shareholders.

13. Is the Acquisition Scheme reasonable?

In considering the reasonableness of the Acquisition Scheme we have addressed the advantages and disadvantages in two categories:

- Advantages and disadvantages of the Acquisition Scheme in isolation; and
- Advantages and disadvantages of the Acquisition Scheme including the Demerger Scheme assets distribution.

The implementation of the Acquisition Scheme, as well as the Demerger Scheme, is expected to provide advantages (and some disadvantages) to Shareholders as set out in the following paragraphs.

13.1 Advantages of Approving the Acquisition Scheme

13.1.1. The Acquisition Scheme is fair

As set out in Section 12, the Acquisition Scheme is fair. RG 111.12 states that an offer is reasonable if it is fair.

13.1.2. Provides Shareholders with the certainty and opportunity to realise part of the value of their investment for cash

The Acquisition Scheme, in combination with the Demerger Scheme, provides Shareholders with the opportunity to realise cash for part of their existing investment in Gindalbie.

As a result of the Demerger Scheme, Shareholders will retain an interest in Coda, with Coda to also hold the agreed cash balance as at the Demerger Implementation Date.

13.2 Disadvantages of Approving the Acquisition Scheme

13.2.1. Shareholders will no longer have exposure to iron-ore projects

Currently a share in Gindalbie provides shareholders with an indirect interest in Gindalbie's assets including but not limited to the iron ore asset represented by the Karara Project, as well as the Lodestone Magnetite Project. Implementation of the Acquisition Scheme will remove that indirect interest to these iron ore assets. This may not be consistent with a particular shareholder's investment portfolio strategy.

13.3 Advantages of Approving the Acquisition Scheme including the Demerger Scheme assets distribution

13.3.1. Provides Shareholders with an interest in a new entity unencumbered with significant contingent liabilities

The Acquisition Scheme, in combination with the Demerger Scheme, provides Shareholders with an interest in Coda which will hold the investment in the Mt Gunson Project together with the agreed cash balance as at the Demerger Implementation Date.

For each Shareholder, this interest represents exactly the same percentage interest as they currently have in Gindalbie. We note that while eligible Gindalbie shareholders will receive Coda shares representing exactly the same percentage interest as they currently have in Gindalbie, Ineligible Foreign Shareholders

will have the Coda shares they would have received issued to the Nominee and sold in due course with the funds received paid to the ineligible shareholders (net of expenses).

Coda, the new entity, is unencumbered by the significant contingent liabilities which currently restrict the ability of Gindalbie to progress its projects.

13.3.2. Provides Shareholders with an interest in a new entity which will be able to progress the Mt Gunson Project

The Acquisition Scheme, in combination with the Demerger Scheme, provides Shareholders with an interest in Coda which will be unencumbered by the Karara Project contingencies, allowing it to progress what will be its major project, the Mt Gunson Project.

13.4 Disadvantages of Approving the Acquisition Scheme including the Demerger Scheme assets distribution

13.4.1. Shareholders will have an interest in an entity with a less diverse portfolio of assets

Implementation of the Acquisition Scheme including the Demerger Scheme assets distribution will reduce the diversity of assets represented by the shares held by Shareholders.

13.4.2. Ineligible Foreign Shareholders will not receive Coda shares

Ineligible Foreign Shareholders will not be issued with Coda shares but will have the Coda shares they would have received issued to the Nominee and will receive the sale proceeds from the sale of those shares (net of expenses) in due course, such that the Ineligible Foreign Shareholders will not continue to participate in Coda's Mt Gunson Project. Ineligible Foreign Shareholders do not have the ability to retain an interest in Coda.

13.5 Comment on the reasonableness of the wider implications of the Acquisition Scheme

We note that the Acquisition Scheme involves Ansteel Group gaining full control of the Karara Project for the payment of cash amounting to 2.6 cents per Gindalbie share representing a total payment of approximately \$25 million for the shares Ansteel does not already own. We consider that it is appropriate to provide some commentary on Shareholders receiving cash payments from Ansteel for an asset which we have valued at \$nil.

We do not consider that it is appropriate to comment on the strategic or other reasons which may underpin the Acquisition by Ansteel. However, in general terms we note the following:

- Iron ore prices are no longer at the peak of the market. The Karara Project may have been considered a more attractive asset when iron ore prices were much higher than currently.
- As an asset wholly owned by a single party (Ansteel Group) which is not in the public domain there may be less scrutiny and reduced corporate costs.
- An underperforming / loss-making asset may be supported by a different outlook as part of vertically integrated steel business.

- The assumption of sole responsibility for financing by a single party (Ansteel Group) should make it easier to secure more suitable / favourable funding structures for the Karara Project in future.

13.6 Other considerations

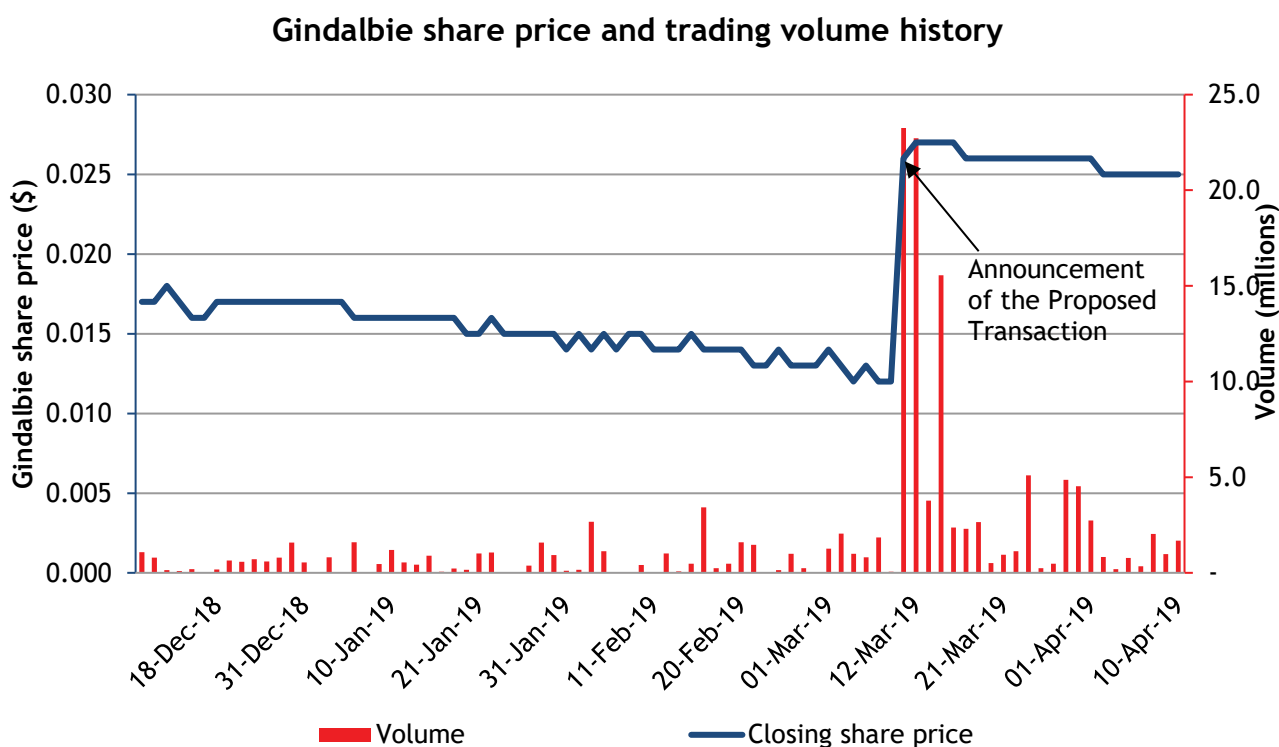
13.6.1. Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Gindalbie a premium over the value resulting from the Acquisition Scheme.

13.6.2. Post-announcement pricing

Potential decline in share price

We have analysed movements in Gindalbie’s share price since the announcement of the Proposed Transaction on 11 March 2019. A graph of Gindalbie’s share price since the announcement is set out below.



Source: Bloomberg

The closing share price of a Gindalbie share from 10 December 2018 to 10 April 2019 ranged from a low of \$0.012 on 8 March 2019 to a high of \$0.027 on 12 March 2019.

The Proposed Transaction was announced on 11 March 2019. On that date, the share price closed at \$0.026, more than doubling from the previous trading day’s closing price of \$0.012. On the day the Proposed Transaction was announced, approximately 23.26 million shares were traded representing 1.55% of Gindalbie’s current issued capital. Following the announcement of the Proposed Transaction, the share

price of Gindalbie increased slightly to a high of \$0.027 on 12 March 2019, where it remained at for the next three trading days, before declining slightly over the subsequent weeks to close at \$0.025 on 10 April 2019. We note that although the share price has declined slightly since the announcement of the Proposed Transaction, it remains materially higher compared to the share price over the preceding months. It also trades close to the cash consideration being offered by Ansteel of \$0.026 per Gindalbie share.

Given the above analysis, it is possible that if the Proposed Transaction is not approved then Gindalbie's share price may decline.

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Acquisition Scheme is fair and reasonable to and in the best interests of Shareholders.

15. Sources of information

This report has been based on the following information:

- Draft Acquisition Scheme Booklet on or about the date of this report;
- Audited financial statements of Gindalbie;
- Unaudited management accounts of KML;
- Independent Technical Assessment and Valuation Report on Gindalbie's mineral assets dated 1 May 2019 performed by SRK;
- Scheme implementation agreement between Gindalbie and Ansteel executed 11 March 2019;
- Share registry information;
- Bloomberg;
- S&P Capital IQ;
- Consensus Economics Forecasts;
- Information in the public domain; and
- Discussions with Directors and Management of Gindalbie.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$50,000 (excluding GST and reimbursement of out of pocket expenses) which covers this IER and our IER relating to the Demerger Scheme. Our fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Gindalbie Metals Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Gindalbie Metals Limited, including the non provision of material information, in relation to the preparation of this Report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Gindalbie Metals Limited and Angang Group Hong Kong (Holdings) Limited and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Gindalbie Metals Limited and Angang Group Hong Kong (Holdings) Limited and their respective associates.

Within the past two years, neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd have had any professional relationship with Gindalbie Metals Limited or their associates, other than in connection with the preparation of this Report,

A draft of this Report was provided to Gindalbie Metals Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

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BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International.

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers and Sherif Andrawes of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Natural Resources Leader for BDO and a former Chairman of BDO in Western Australia.

18. Disclaimers and consents

This report has been prepared at the request of Gindalbie for inclusion in the Acquisition Scheme Booklet which will be sent to all Gindalbie Shareholders. Gindalbie engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider Acquisition Scheme.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Acquisition Scheme Booklet. Apart from such use, neither the whole nor any part of this report, nor any reference

thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Acquisition Scheme Booklet other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Acquisition Scheme. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Gindalbie and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Acquisition Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Gindalbie, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent technical inputs for mineral assets held by Gindalbie.

The valuers engaged for the mineral asset valuation, SRK Consulting, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Adam Myers'.

Adam Myers

Director

A handwritten signature in black ink, appearing to read 'Sherif Andrawes'.

Sherif Andrawes

Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
The Adjusted KML Model	Detailed cash flow model for the Karara Project with BDO adjustments
Ansteel	Angang Group Hong Kong (Holdings) Limited
Ansteel Group	The ultimate holding company of Ansteel and a state-owned enterprise that is owned by the Government of the People's Republic of China through the State Council
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
Acquisition Scheme	Scheme of arrangement under which Ansteel has agreed to acquire all the remaining issued capital of Gindalbie it does not already own
Acquisition Scheme Booklet	Scheme booklet by Gindalbie prepared in relation to the Acquisition Scheme in order to assist the Shareholders in their decision whether to approve the Acquisition Scheme
Acquisition Scheme including the Demerger Scheme assets distribution	Acquisition Scheme incorporating the effect of the distribution of assets pursuant to the Demerger Scheme
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD or \$	Australian Dollars
BDO	BDO Corporate Finance (WA) Pty Ltd
CAPM	Capital Asset Pricing Model
CFR	Cost and freight
Champion Iron	Champion Iron Limited
Coda	Coda Minerals Limited
The Company	Gindalbie Metals Limited

Reference	Definition
Consideration	Cash consideration of \$0.026 for each share held in Gindalbie as part of the Acquisition Scheme
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
Demerger Scheme	Scheme of arrangement under which Gindalbie will demerge its wholly owned subsidiary Coda which holds exploration assets located in South Australia via a capital reduction
DMT	Dry metric tonne
DRC	The Democratic Republic of Congo
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Fortescue	Fortescue Metals Group Limited
FOS	Financial Ombudsman Service
GDP	Gross Domestic Product
Gindalbie	Gindalbie Metals Limited
Ineligible Foreign Shareholders	Certain Gindalbie shareholders with foreign registrations that meet the conditions of an Ineligible Foreign Shareholder as defined in the Demerger Scheme Booklet
ITAVR	Independent Technical Assessment and Valuation Report
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
KML	Karara Mining Limited
The KML Model	Detailed cash flow model for the Karara Project
Mtpa	Million tonnes per annum
NAV	Net Asset Value

Reference	Definition
The Nominee	An appropriately licensed person nominated by Gindalbie to sell or facilitate the transfer of the Coda shares attributed to Ineligible Foreign Shareholders under the Demerger Scheme
PPE	Property, plant and equipment
Proposed Transaction	The Acquisition Scheme and the Demerger Scheme as announced by Gindalbie on 11 March 2019
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 60	Schemes of arrangement (September 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
SASAC	State-Owned Assets Supervision and Administration Commission
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Gindalbie not associated with Ansteel
SRK	SRK Consulting (Australasia) Pty Ltd
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
US\$ or USD	United States Dollars
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

Reference	Definition
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

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The Directors

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Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 - Independent Technical Assessment and Valuation Report by SRK Consulting (Australasia) Pty Ltd

Independent Specialist Report – Karara Project and Lodestone Project, Western Australia

Report Prepared for

Gindalbie Metals Ltd and

BDO Corporate Finance (WA) Pty Ltd

Report Prepared by



SRK Consulting (Australasia) Pty Ltd

GIN003

May 2019

Independent Specialist Report – Karara Project and Lodestone Project, Western Australia

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May 2019

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Karen Lloyd, Leesa Collin, Rebecca Getty, Brett Muller

Executive Summary

Gindalbie Metals Limited (Gindalbie or Company) has a 47.84% equity interest in Karara Mining Ltd (Karara) which operates the large-scale Karara integrated mining and infrastructure project (Karara Project) and has an 100% equity interest in the Lodestone Project which both in the Mid-West of Western Australia. Gindalbie has entered into a Scheme Implementation Agreement with Angang Group Hong Kong (Holdings) Limited (Ansteel) under which it is proposed that Ansteel will acquire all the ordinary shares in Gindalbie that it does not currently own¹.

Gindalbie has appointed BDO Corporate Finance (WA) Pty Ltd (BDO) to provide an Independent Expert Report (IER) for inclusion with the Scheme booklet to assist the shareholders of Gindalbie. SRK Consulting (Australasia) Pty Ltd (SRK), as Technical Specialist, has been requested by BDO to provide an Independent Specialist Report (Report) in support of the IER and SRK understands that its Report is to be included as an appendix to BDO's IER.

The objective of this Report is to provide an independent assessment of the techno-economic assumptions that would likely be considered by the market as part of a potential investment or transaction process involving the Karara Project and a valuation of the Lodestone Project.

SRK has completed a review and assessment of the of recent technical work relating to the Karara Project and the Lodestone Project Karara to determine its reasonableness. The work program comprised the following:

- Discussion and enquiry with key personnel from Gindalbie, Karara and BDO
- A site inspection of the Karara Project
- A review and assessment of all material technical reports and supporting documentation prepared by and/ or on behalf of Gindalbie to determine its reasonableness for use
- Compilation and analysis of comparable sales and joint venture transactions
- Preparation of an independent opinion on the technical inputs underpinning the discounted cash flow model (DCF or Model) of the Project. Where warranted, SRK has modified production and capital and operating cost projections for use by BDO. These modifications are considered reasonable, based on the available technical data and SRK's experience.
- Preparation of a Market Valuation of the Lodestone Project.

This Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets – VALMIN Code (2015), which incorporates the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – JORC Code (2012).

SRK has not performed, nor does it accept the responsibilities of a Competent Person as defined by the JORC Code (2012) in respect of the Mineral Resources and Ore Reserve estimates presented in this Report.

SRK has recommended preferred values and valuation ranges for the Lodestone Project related tenure on the basis of its perceived potential. SRK has considered Market, Income and Cost based methods of assessment to arrive at a valuation range.

SRK's recommended valuation ranges and preferred values for the Lodestone Project are summarised in Table ES-1.

¹ Gindalbie, 2019. Gindalbie to demerge Coda Minerals and be acquired by Ansteel in a recommended transaction. ASX Release dated 11 March 2019.

All monetary figures used in this Report are expressed in Australian dollar (A\$) terms or United States dollar (US\$) terms. The final valuation is presented in Australian dollars. This Report has adopted an effective valuation date of 2 April 2019.

Table ES-1: Summary of SRK's valuation range for a 100% interest in the Lodestone Project

Lodestone Project	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Advanced Exploration Tenure	2.59	9.25	4.37

Note: Any discrepancies between values in the table are due to rounding.

Table of Contents

Executive Summary	ii
Disclaimer.....	vii
1 Introduction	1
1.1 Nature of the brief and summary of principal objectives.....	2
1.2 Reporting standard.....	2
1.3 Work program	3
1.3.1 Legal matters.....	3
1.4 Key data sources	3
1.5 Effective date	3
1.6 Project team	3
1.7 Limitations, reliance on information, declaration and consent.....	5
1.7.1 Limitations	5
1.7.2 Statement of SRK independence.....	5
1.7.3 Indemnities	5
1.7.4 Consent	6
1.7.5 Consulting fees.....	6
2 Karara and Lodestone Project Overview.....	7
2.1 Location, access and climate.....	7
2.2 Ownership and tenements	9
2.2.1 Karara Project	9
2.2.2 Royalties and Native Title.....	10
2.2.3 Lodestone Project	10
2.3 History.....	12
2.3.1 Karara Project	12
2.3.2 Lodestone Project	12
2.4 Geological setting.....	13
2.4.1 Karara Project Geology.....	14
2.5 Mineral Resource estimates	14
2.5.1 Karara – Magnetite.....	14
2.6 Ore Reserve.....	16
2.7 Mining and Processing.....	16
2.7.1 Mining.....	16
2.7.2 Mineral processing	17
2.8 Infrastructure.....	17
2.9 Environment.....	18
2.9.1 Approval status.....	18
2.9.2 Mine closure	18
2.9.3 Community investment.....	18

2.9.4 Conclusion.....	19
2.10 Site inspection.....	19
3 SRK Opinion	21
3.1 Technical Inputs to the discounted cashflow model	21
3.2 Secondary Valuation Method.....	23
4 Valuation of the Lodestone Project	25
4.1.1 Lodestone Project Geology	25
4.1.2 Lodestone Project Magnetite Resources	25
4.2 Valuation approach	27
4.2.1 Historical Valuations.....	29
4.3 Valuation basis.....	29
4.3.1 Market approach – comparable transactions	29
4.3.2 Cost approach – geoscientific rating	30
4.4 Valuation Summary.....	33

List of Tables

Table 2-1: Local weather (Paynes Find station) climate statistics	8
Table 2-2: Lodestone Project tenement schedule.....	11
Table 2-3: Karara magnetite Mineral Resources as at 30 June 2013 ⁸	15
Table 2-4: Karara Mining Limited Magnetite Ore Reserves as at 30 June 2013	16
Table 2-5: Production history	16
Table 3-1: Operating costs for the Karara Project.....	22
Table 3-2: Valuation range using comparable transactions (100% interest)	24
Table 4-1: Recoverable Mineral Resource estimate as at December 2016 reported above 20% Davis Tube weight recovery	25
Table 4-2: Snowden optimisation input criteria	26
Table 4-3: Suggested valuation approaches according to development status	28
Table 4-4: Valuation range using comparable transactions (100% interest)	30
Table 4-5: Base Area Cost input data – Retention Licence	31
Table 4-6: SRK-modified property rating criteria.....	32
Table 4-7: Geoscientific approach – modified Kilburn rating	32
Table 4-8: Valuation range using the geoscientific approach (100% interest).....	33
Table 4-9: Summary valuation ranges (100% interest).....	33
Table 4-10: Valuation of the Lodestone Project (100% interest)	33
Table 4-11: General guide regarding confidence for target and Mineral Resource/ Ore Reserve estimates.....	33

List of Figures

Figure 2-1:	Location of Karara and Lodestone projects	7
Table 2-2:	Karara Project tenement schedule.....	9
Figure 2-3:	Tenement overview.....	11
Figure 2-4:	Distribution of major crustal components in the Murchison Province	13
Figure 2-5:	Karara magnetite Ore Reserves, Mineral Resource and production history	15
Figure 2-6:	Karara process flowsheet and material value chain	17
Figure 2-7:	Site inspection photographs.....	20
Figure 3-1:	Iron ore consensus forecast to 2023.....	23
Figure 4-1:	Oblique view showing Snowden's pit optimisation of the Lodestone Project	27

Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Gindalbie Metals Limited (Gindalbie) and BDO Corporate Finance (WA) Pty Ltd (BDO). The opinions in this Report are provided in response to a specific request from BDO to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

1 Introduction

Gindalbie Metals Limited (Gindalbie or the Company) holds a 47.84% equity interest in Karara Mining Ltd (KML), which operates the large-scale Karara integrated iron ore mining and infrastructure project (Karara Project) and owns a 100% equity interest in the Lodestone Project, both of which are located in the Mid-West region of Western Australia. Gindalbie has entered into a Scheme Implementation Agreement (the Scheme) with Angang Group Hong Kong (Holdings) Limited (Ansteel) under which it is proposed that Ansteel will acquire all the ordinary shares in Gindalbie that it does not currently own².

BDO Corporate Finance (WA) Pty Ltd (BDO) has been appointed by Gindalbie to provide an Independent Expert Report (IER) for inclusion with the Scheme booklet to assist the shareholders of Gindalbie. SRK Consulting (Australasia) Pty Ltd (SRK), as Technical Specialist, has been requested by BDO to provide an Independent Specialist Report (Report) to inform the IER and SRK understands that its Report is to be included as an appendix to BDO's IER.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in relation to the exploration, development of and production from those tenures. This may include plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals relating to that tenure.

For this valuation, the Karara and Lodestone Projects were classified in accordance with the categories outlined in the VALMIN Code (2015), these being the following:

- **Early stage exploration projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced exploration projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- **Pre-development projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a pre-feasibility study (PFS).
- **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants that have been commissioned and are in production.

2 Gindalbie, 2019. Gindalbie to demerge Coda Minerals and be acquired by Ansteel in a recommended transaction. ASX Release dated 11 March 2019.

Based on its review of the available technical data relating to KML's mineral assets, SRK considers the Karara Project best represents a Production Project and the landholdings representing the Lodestone Project are classified as Advanced Exploration tenure as per the VALMIN Code (2015) definitions.

1.1 Nature of the brief and summary of principal objectives

This Report was initiated by BDO. SRK understands that this Report is to be included as an appendix to BDO's IER, which will provide an opinion on the fairness and reasonableness of the proposed Scheme.

SRK was engaged to review the assumptions contained in the Company's discounted cashflow (DCF) model (Model) relating to the Karara Project and provide BDO with a technical assessment and opinion on the reasonableness of the inputs into this DCF.

Key areas assessed by SRK include:

- Mineral Resources and Ore Reserves incorporated into the DCF
- The reasonableness of any timing assumptions incorporated into the DCF
- Mining physicals (including tonnes of ore mined, ore grade mined and waste material)
- Processing physicals
- Operating and closure costs
- Capital expenditure
- Any other material technical assumptions not specified above.

In addition, SRK was requested to provide an independent valuation of the Lodestone exploration tenure.

In doing so, SRK has selected the most appropriate valuation techniques based on the maturity of the Karara operation and the Lodestone tenure and the available information. This Report expresses an opinion regarding the technical aspects of the Karara operation and valuation of the mineral tenure at the Lodestone project as directed in SRK's mandate from BDO. This Report does not comment on the 'fairness and reasonableness' of any transaction between the owners of these mineral interests and any other parties.

1.2 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). The authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN Code and the JORC Code. For the avoidance of doubt, this Report has been prepared according to:

- The 2015 edition of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code)
- The 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

As per the VALMIN Code, a first draft of the report was supplied to BDO and Gindalbie to check for material error, factual accuracy and omissions before the final report was issued. SRK's scope of work was limited to the second draft of the Report after a round of edits by BDO and Gindalbie. The final report was issued following review of any comments by the project team.

For the purposes of this Report, value is defined as 'market value', being the amount of money (or the cash equivalent or some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.

1.3 Work program

This assignment commenced in March 2019, with a review of publicly available data and other information sourced by SRK from literature, as well as subscription databases such as S&P Market Intelligence (formerly SNL) database services. Company information was uploaded to an online data room and SRK consultants worked through the datasets, the Model and completed research on comparable market transactions to assist with the preparation of this Report.

In accordance with Section 11.1 of the VALMIN Code (2015), a site inspection to the Karara Project was undertaken by Ms Karen Lloyd of SRK's Perth office in March 2019.

1.3.1 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK has sighted documentation provided by Hetherington Exploration & Mining Title Services Pty Ltd (Hetherington), an independent tenement management firm. The document confirms the ownership and good standing of the tenements which are the subject of this report. SRK has made all reasonable enquiries into this status as at the date of this report.

1.4 Key data sources

Data and information relating to the assets as used by SRK during the preparation of this Report are referenced throughout the Report.

1.5 Effective date

The conclusions expressed in this report are appropriate as at 2 April 2019. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this assessment are expressed in Australian dollars (A\$), unless otherwise stated.

1.6 Project team

This Report has been prepared by a team of consultants from SRK's offices within Australia. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

Karen Lloyd, Associate Principal Consultant (Project Evaluation), BSc (Hons), MBA, FAusIMM

Karen has more than 20 years international resource industry experience gained with some of the major mining, consulting and investment houses globally. She specialises in independent reporting, mineral asset valuation, project due diligence, and corporate advisory services. Karen has worked in funds management and analysis for debt, mezzanine and equity financing and provides consulting

and advisory in support of project finance. She has been responsible for multi-disciplinary teams covering precious metals, base metals, industrial minerals and bulk commodities in Australia, Asia, Africa, the Americas and Europe.

Karen has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

James McKibben, Principal Consultant (Project Evaluation), BSc (Hons), MBA, MAusIMM(CP), MAIG, MRICS.

James is an experienced international mining professional having operated in a variety of roles including consultant, project manager, geologist and analyst over more than 25 years. He has a strong record in mineral asset valuation, project due diligence, independent technical review and deposit evaluation. As a consultant, he specialises in mineral asset valuations and Independent Technical Reports for equity transactions and in support of project finance. James has been responsible for multi-disciplinary teams covering precious metals, base metals, bulk commodities (ferrous and energy), industrial minerals and other minerals in Australia, Asia, Africa, North and South America and Europe. He has assisted numerous mineral companies, financial, accounting and legal institutions and has been actively involved in arbitration and litigation proceedings. James has experience in the geological evaluation and valuation of mineral projects worldwide.

James is an executive member of the VALMIN Code Review committee. He has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Leesa Collin, Senior Consultant (Resource Estimation), BSc AppSci (Geophys), GDip AppSci (Economic Geol), MAusIMM

Leesa is a geologist with 22 years' experience working on mineral exploration, resource development and project evaluation. She has experience across multiple commodities including battery minerals, precious metals, base metals and bulk commodities. Leesa has undertaken prospectus development for multiple listings and Independent Technical Expert reporting for merger and acquisition activity. She has specific expertise in assessing and articulating the risk profile of opportunities on behalf of mining, banking and investment houses for project financing and mergers and acquisitions.

Leesa has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Rebecca Getty, Consultant (Environment and Mine Closure), BSc (Hons) Geology, MAusIMM, MAIG

Rebecca is an environmental management professional with more than 10 years' experience in the mining industry. Her experience as an environmental advisor includes mine closure, environmental management plans, environmental approvals and due diligence. She commenced her career as an exploration geologist, responsible for supervising drill programs and preparing technical and statutory reports. She has designed, implemented and managed exploration programs for greenfields, mine definition and multi-stage projects in Australia and Canada. Rebecca's experience in technical reporting includes authoring and co-authoring of reports across scoping, pre-feasibility and feasibility study levels according to international reporting guidelines.

Rebecca has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Brett Muller, Associate Principal Consultant (Process Engineering), BEng (Minerals and Extr Met), BComm (Corporate Finance), MIEAust

Over the past 19 years, Brett has gained extensive operational and commissioning expertise encompassing a range of hydrometallurgical processes including copper, uranium, nickel, cobalt and gold. He has wide-ranging project management, design, metallurgical testwork, project financial analysis and due diligence experience for projects around the world.

Brett has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

1.7 Limitations, reliance on information, declaration and consent

1.7.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Gindalbie and BDO throughout the course of SRK's investigations as described in this Report, which in turn reflects various technical and economic conditions at the time of writing. Such information as provided by Gindalbie and BDO was taken in good faith by SRK. SRK has not independently verified Mineral Resource or Ore Reserve estimates by means of recalculation. As far as SRK has been able to ascertain, the information provided by Gindalbie and BDO was complete and not incorrect, misleading or irrelevant in any material aspect.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

Gindalbie has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by Gindalbie was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.7.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, has any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as capable of affecting their independence or that of SRK.

In the last three years SRK has no prior association with Gindalbie regarding the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment capable of affecting its independence.

1.7.3 Indemnities

As recommended by the VALMIN Code (2015), Gindalbie has provided SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by either Gindalbie and BDO or these parties not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.7.4 Consent

SRK consents to this Report being included, in full, in BDO's documents in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessment expressed in the Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete report.

1.7.5 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A\$48,000. The payment of this professional fee is not contingent upon the outcome of this Report.

2 Karara and Lodestone Project Overview

2.1 Location, access and climate

KML’s Karara Project is located 200 km southeast of Geraldton in the Shire of Perenjori, Western Australia. Access to the Project from Perth is via the Great Northern Highway to the town of Wubin and thereafter along the Mullewa-Wubin Road to the town of Morawa and via gravel roads including the Mungada haul road.

The Lodestone Project is located 46 km northeast of the Karara Project and is accessible from the Great Northern Highway and local station tracks (Figure 2-1).

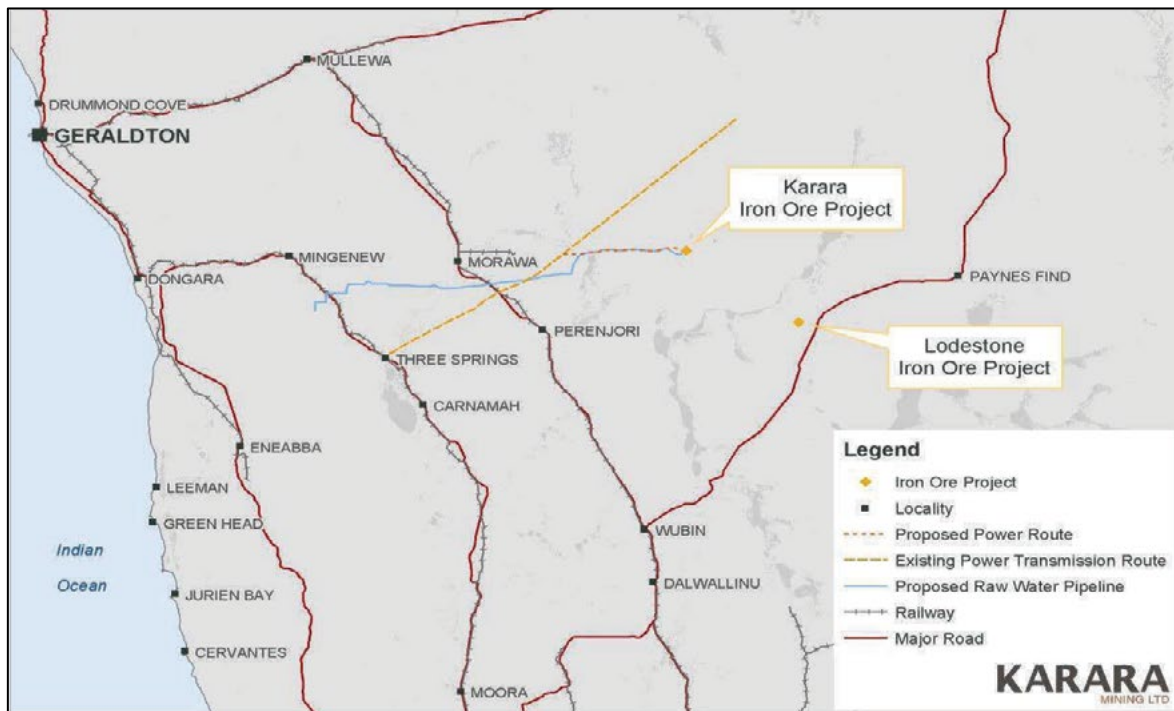


Figure 2-1: Location of Karara and Lodestone projects³

The Mid-West region of Western Australia experiences an arid climate with hot, dry summers and cool, mostly dry winters. The hottest months are in January and February, with average maximum temperatures often exceeding 37°C. On average, there are two days per month with rainfall totals greater than 1 mm, with the wettest months being June and July. Climate statistics are presented in Table 2-1.

Exploration and mining activities remain largely unimpeded year-round. Occasional lightning storms temporarily impede exploration and mining activities. Storm tracking is undertaken by KML personnel to allow immediate risk mitigation.

³ Edwards, 2011. C54/2009, 2010/11 Annual Technical Report for period 01/09/2010 to 31/08/2011, prepared by Gindalbie for West Australian Department of Industry and Resources.

Table 2-1: Local weather (Paynes Find station) climate statistics⁴

Statistics	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	Years
Temperature														
Mean maximum temperature (°C)	37.4	36.5	33	28.5	23.1	19.4	18.5	20.1	23.8	27.9	31.8	35	27.9	39 1975 2019
Mean minimum temperature (°C)	21	21.2	18.2	14.2	9.5	6.6	5.5	6	8.1	11.5	15.5	18.5	13	39 1975 2019
Rainfall														
Mean rainfall (mm)	20.9	23.4	25.1	25.2	36.2	40.1	35.1	27.4	14.2	10.5	11.5	12.4	289	52 1919 2019
Decile 5 (median) rainfall (mm)	8	11	11.2	16.4	23.2	31.2	32.2	23	14.2	6.2	6.3	6.8	287	58 1919 2019
Mean number of days of rain ≥ 1 mm	1.4	1.3	1.4	1.7	2.6	3.6	3.5	2.9	1.8	1.2	1.1	1.1	23.6	58 1919 2019
Other daily elements														
Mean daily sunshine (hours)														
Mean number of clear days	19.5	15.5	16.6	13.8	13.5	13	12.4	15.1	15.3	17.4	16.5	19.1	187.7	31 1975 2010
Mean number of cloudy days	2.4	4	3.7	5.4	6.5	6.3	6.2	5.5	3.9	3.4	3.7	2.8	53.8	31 1975 2010
9 am conditions														
Mean 9am temperature (°C)	28	26.9	24.1	20.4	15.7	12	11	12.5	16	19.6	23.3	25.8	19.6	31 1975 2010
Mean 9am relative humidity (%)	38	42	48	56	66	75	76	69	57	46	41	40	54	29 1980 2010
Mean 9am wind speed (km/h)	11.4	10.9	10.4	8.5	7.2	7	6.9	8	9.6	10.7	11.2	10.8	9.4	29 1975 2010
3 pm conditions														
Mean 3pm temperature (°C)	36.1	34.9	31.8	27.4	22.3	18.4	17.5	19	22.6	26.7	30.4	33.5	26.7	31 1975 2010
Mean 3pm relative humidity (%)	21	25	29	36	43	50	50	44	35	26	23	21	34	29 1980 2010
Mean 3pm wind speed (km/h)	9.4	9	8.9	8.1	8.9	9.4	9.4	9.9	11.1	10.5	10.5	9.7	9.6	28 1975 2010

⁴ Australian Government Bureau of Meteorology, 2019. Climate Statistics for Australian Locations, http://www.bom.gov.au/climate/averages/tables/cw_007139.shtml downloaded 26/03/2019

2.2 Ownership and tenements

2.2.1 Karara Project

The Karara Project comprises seven granted mining leases, three granted exploration licences, five granted general purpose licences and 36 granted miscellaneous licences (Table 2-2).

Table 2-2: Karara Project tenement schedule⁵

Tenement ID	Licence/ Lease type	Holder	Grant date	End date	Legal area (ha)
E 59/817-I	Exploration	Karara Mining Ltd	03/04/2001	02/04/2019*	39.00
E 59/1170-I	Exploration	Karara Mining Ltd	01/11/2005	31/10/2019	16.00
E 59/1690-I	Exploration	Karara Mining Ltd	16/02/2011	15/02/2021	7.00
G 59/37	General Purpose	Karara Mining Ltd	29/08/2008	28/08/2029	897.85
G 59/38	General Purpose	Karara Mining Ltd	29/08/2008	28/08/2029	3728.50
G 59/39	General Purpose	Karara Mining Ltd	10/03/2009	09/03/2030	1372.00
G 59/44	General Purpose	Karara Mining Ltd	10/01/2013	09/01/2034	98.88
G 59/46	General Purpose	Karara Mining Ltd	18/09/2013	17/09/2034	1297.00
L 59/74	Miscellaneous	Karara Mining Ltd	12/06/2009	11/06/2030	348.00
L 59/76	Miscellaneous	Karara Mining Ltd	16/12/2009	15/12/2030	1235.03
L 59/77	Miscellaneous	Karara Mining Ltd	04/10/2008	03/10/2029	151.00
L 59/78	Miscellaneous	Karara Mining Ltd	18/09/2009	17/09/2030	186.00
L 59/79	Miscellaneous	Karara Mining Ltd	18/09/2009	17/09/2030	388.00
L 59/80	Miscellaneous	Karara Mining Ltd	22/10/2010	21/10/2031	14317.00
L 59/81	Miscellaneous	Karara Mining Ltd	19/05/2011	18/05/2032	4992.00
L 59/82	Miscellaneous	Karara Mining Ltd	13/05/2009	12/05/2030	13197.00
L 59/83	Miscellaneous	Karara Mining Ltd	30/06/2011	29/06/2032	3173.00
L 59/84	Miscellaneous	Karara Mining Ltd	06/01/2011	05/01/2032	5078.00
L 59/85	Miscellaneous	Karara Mining Ltd	13/05/2009	12/05/2030	25504.00
L 59/86	Miscellaneous	Karara Mining Ltd	27/04/2011	26/04/2032	2323.15
L 59/90	Miscellaneous	Karara Mining Ltd	03/09/2009	02/09/2030	51.74
L 59/92	Miscellaneous	Karara Mining Ltd	28/08/2009	27/08/2030	11.91
L 59/93	Miscellaneous	Karara Mining Ltd	08/12/2010	07/12/2031	21.07
L 59/98	Miscellaneous	Karara Mining Ltd	09/08/2010	08/08/2031	54.00
L 59/99	Miscellaneous	Karara Mining Ltd	10/03/2010	09/03/2031	1244.00
L 59/101	Miscellaneous	Karara Mining Ltd	10/03/2010	09/03/2031	1874.00
L 59/103	Miscellaneous	Karara Mining Ltd	09/08/2010	08/08/2031	13.00
L 59/104	Miscellaneous	Karara Mining Ltd	09/08/2010	08/08/2031	15.00
L 59/107	Miscellaneous	Karara Mining Ltd	09/08/2010	08/08/2031	23.00
L 59/108	Miscellaneous	Karara Mining Ltd	09/08/2010	08/08/2031	81.00
L 59/109	Miscellaneous	Karara Mining Ltd	19/09/2010	18/09/2031	274.00

⁵ Department of Western Australia, Department of Mines, Industry Regulation and Safety (DMIRS), 2019. TENGGRAPH Web Public Database search by Hetherington

*Renewal lodged on 14 March 2019

Tenement ID	Licence/ Lease type	Holder	Grant date	End date	Legal area (ha)
L 59/110	Miscellaneous	Karara Mining Ltd	19/05/2011	18/05/2032	5.00
L 59/112	Miscellaneous	Karara Mining Ltd	05/10/2011	04/10/2032	35.00
L 59/113	Miscellaneous	Karara Mining Ltd	05/10/2011	04/10/2032	6.00
L 59/114	Miscellaneous	Karara Mining Ltd	05/10/2011	04/10/2032	47.00
L 59/115	Miscellaneous	Karara Mining Ltd	04/04/2012	03/04/2033	345.00
L 59/120	Miscellaneous	Karara Mining Ltd	25/02/2013	24/02/2034	76.30
L 59/128	Miscellaneous	Karara Mining Ltd	26/04/2013	25/04/2034	112.83
L 59/129	Miscellaneous	Karara Mining Ltd	26/04/2013	25/04/2034	301.96
L 59/136	Miscellaneous	Karara Mining Ltd	22/10/2013	21/10/2034	19996.77
L 70/112	Miscellaneous	Karara Mining Ltd	09/01/2009	08/01/2030	1836.00
L 70/116	Miscellaneous	Karara Mining Ltd	09/01/2009	08/01/2030	1351.00
L 70/126	Miscellaneous	Karara Mining Ltd	20/01/2011	19/01/2032	393.00
L 70/130	Miscellaneous	Karara Mining Ltd	11/03/2011	10/03/2032	87.00
M 59/644-I	Mining	Karara Mining Ltd	10/04/2006	09/04/2027	995.80
M 59/645-I	Mining	Karara Mining Ltd	10/04/2006	09/04/2027	659.95
M 59/721-I	Mining	Karara Mining Ltd	16/07/2008	15/07/2029	762.55
M 59/730	Mining	Karara Mining Ltd	12/10/2010	11/10/2031	496.60
M 59/735	Mining	Karara Mining Ltd	13/09/2010	12/09/2031	19.81
M 59/736	Mining	Karara Mining Ltd	13/09/2010	12/09/2031	19.25
M 59/748-I	Mining	Karara Mining Ltd	19/12/2013	18/12/2034	1126.00

SRK notes that the Karara monthly reports (2018) identify multiple tenures where KML is not meeting minimum expenditure commitments. Expenditure exemptions can be sought and KML states it has pursued this option on uneconomic grounds (operating losses on the current mining operation). The Department of Mines, Industry Regulation and Safety (DMIRS) intends that tenure shall not remain unexplored without good reason and should exemptions be refused by the DMIRS, the tenure will be forfeited.

2.2.2 Royalties and Native Title

Royalties from the Karara Project are distributed to the Western Australian government at a rate of 5.0 per cent of the royalty value of the magnetite concentrate. This rate is the ad valorem rate which applies to concentrate material as defined under the *Mining Regulations 1981* (Regulation 85). No other royalties are payable.

Native Title claims have been extinguished on tenements except E 59/817-I which is located within the Widi Mob Native Title Claim (NNTT3 WC 97/92).

2.2.3 Lodestone Project

The Lodestone Project comprises a single granted Retention Licence. The Retention Licence replaced Exploration Licence 59/1002, which expired in February 2019.⁶

⁶ Department of Western Australia, Department of Mines, Industry Regulation and Safety, 2019. Application for Retention Licence 59/2. Letter dated 11 February 2019.

Table 2-2: Lodestone Project tenement schedule

Tenement ID	Type	Holder	Grant date	End date	Legal Area (ha)
R 59/2	Retention Licence	Gindalbie Metals Ltd	11/02/2019	10/02/2022	5585.3901

A Retention Licence is a ‘holding’ title for a mineral resource that has been identified but is not currently economical viable, and hence is being held without being able to be further explored or mined. SRK understands that there is no requirement for a program of work to be carried out during the initial 3-year term of the Retention Licence

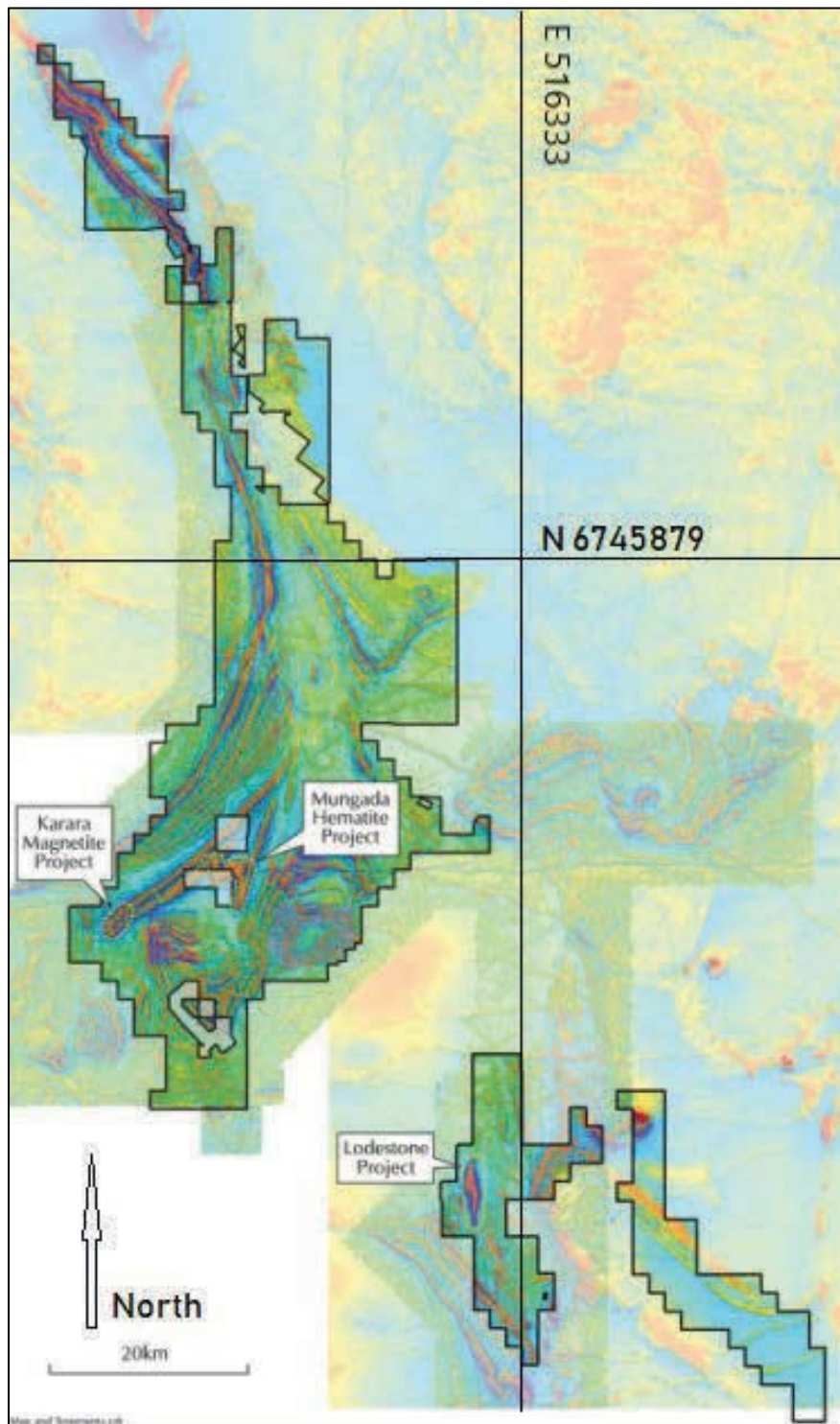


Figure 2-3: Tenement overview

2.3 History

2.3.1 Karara Project

The Karara Project was established in 2007 through a joint venture (JV) agreement between Ansteel and Gindalbie.

In September 2007, the JV completed a feasibility study based on a 20 Mtpa mining operation producing approximately 8 Mtpa of magnetite concentrate with an average grade of 68.2% Fe over a 25-year mine life and an associated short-term 3 Mtpa direct shipping ore (DSO) hematite operation.

In late October 2009, Gindalbie received final environmental approval for the development of the Karara Project and construction commenced in November 2009.

In December 2009, the Karara Project was awarded Major Project status by the West Australian Government.

In March 2011, the first shipment of hematite DSO was made and in January 2013, the first shipment of magnetite concentrate was completed.

In July 2013, the commissioning work was completed, and the Project achieved production status.

In July 2015, the nameplate production rate of 8 Mtpa of concentrate was achieved.

In November 2015, the DSO hematite operation was ceased as the hematite reserves had been depleted.

The Project currently produces between 7.5 Mtpa and 8 Mtpa of magnetite concentrate for export via the Port of Geraldton to Asian steel makers, principally based in China.

2.3.2 Lodestone Project

In August 2003, Gindalbie began exploration work on the Lodestone Project with a review of the available historical data.

Drilling at Lodestone was conducted by Gindalbie over two campaigns, with 19 holes drilled in 2007 and 27 holes in 2011. The drilling database comprises 41 reverse circulation (RC) drill holes and five diamond core (DD) drill holes with RC pre-collars, for a total of 8,168 m of RC and 1,122 m of diamond drilling. The drilling was completed along a set of east–west trending sections. The drill spacing is based on a 400 mN by 200 mE drilling grid.

In February 2012, Gindalbie announced a maiden Inferred Mineral Resource estimate at Lodestone of 1.5 Bt at an average grade of 27.15% Fe, 40.02% SiO₂ and 5.5% Al₂O₃ (ASX news release, 21 February 2012).

In March 2012, Gindalbie completed environmental and heritage survey work and prepared an application for a Mining Lease which was lodged with the relevant authorities. Following a departmental review of the project application documents, the Environmental Protection Authority (EPA) of Western Australia rejected the Mining Lease application and the Project was then placed on hold.

In January 2017, Snowden Mining Industry Consultants (Snowden) updated the Project's Mineral Resource estimate by applying a recoverable resource optimisation shell and reporting the resource in accordance with the JORC (2012) guidelines. The updated Mineral Resource estimate was reported as 644 Mt at 30.20% Fe, 43.80% SiO₂ and 3.89% Al₂O₃ and classified as Inferred (ASX annual report, 12 September 2017).

2.4 Geological setting

The Karara and Lodestone projects are located within the Luke Creek Group within the Yalgoo-Singleton greenstone belt in the Murchison Province of Western Australia. The Murchison Province is the westernmost of three granite-greenstone provinces that make up the Archaean Yilgarn Craton. The Murchison Province contains numerous greenstone belts separated by granite and granitic gneiss, one of these being the Yalgoo-Singleton belt.

The greenstones are a supracrustal sequence embedding an older crystalline basement complex of gneissic and granitoid rocks.

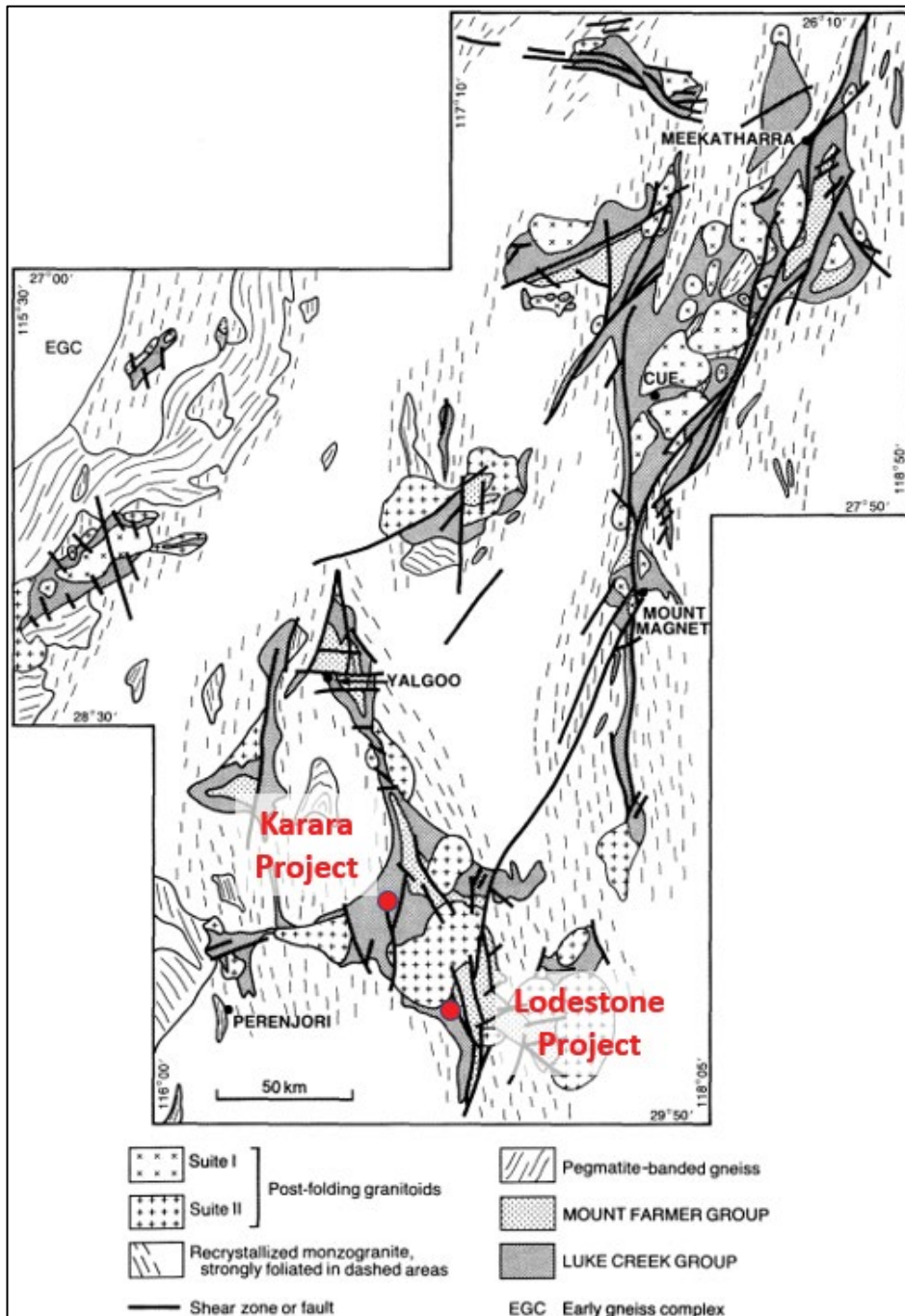


Figure 2-4: Distribution of major crustal components in the Murchison Province⁷

⁷ Watkins, KP, Hickman, AH, 1990. Geological evolution and mineralisation of the Murchison Province, Western Australia.

The Yalgoo-Singleton greenstone belt comprises several of the greenstone formations of the Luke Creek Group as defined by Watkins and Hickman (1990), namely:

- The Windaning Formation – succession of abundant jaspalitic banded iron formation (BIF) and chert units interlayered with felsic volcanics, volcanoclastic and volcanogenic rocks with minor basalts
- Gabanintha Formation – bi-modal succession of mafic and ultramafic rocks, felsic volcanic and volcanoclastic rocks and sedimentary rocks
- Golconda Formation – succession of quartz-hematite BIF, interlayered with mafic and ultramafic extrusive and intrusive rocks.

The iron occurrences in the region are hosted by the Windaning Formation.

Shear-parallel penetrative fabrics dominate the greenstone belts throughout the Murchison Province. These north–northeast trending structures represent a change in structural conditions from east–west transgression to east–west oriented compression, resulting in tight fold sets, right lateral strike, oblique-slip and ductile shears. Earlier deformation events such as regional antiform and synform fold structures, thrusts and recumbent folds and tight upright folds are also evident. Late-stage brittle-ductile shearing and faulting were accompanied by and/ or caused by granite intrusions.

2.4.1 Karara Project Geology

The Karara magnetite mineralisation is confined to a magnetite BIF unit that occurs within a tightly folded and structurally disrupted northeast trending syncline. The Mount Karara syncline is characterised by a thick western limb dipping steeply to the east and a thinner and more structurally complex eastern limb that dips less steeply to the west. The thick western limb hosts most of the known mineralisation. Where drilling has penetrated the base of the BIF, the syncline structure is interpreted to plunge steeply to the north. The drilling coverage has allowed the Karara deposit to be modelled over a strike length of approximately 3 km, with the main mineralised zone having an average width of approximately 500 m. The BIF is interpreted by Gindalbie to extend vertically to depths of >700 m below the surface.

2.5 Mineral Resource estimates

2.5.1 Karara – Magnetite

The magnetite Mineral Resource estimates for the Karara Project were first reported to the Australian Stock Exchange (ASX) in 2007 under the JORC Code (2004) reporting guidelines, with revisions on an annual basis reported until 2013. No further updates of the Mineral Resource estimates for the Karara Project have been reported to the ASX since 2013 (Figure 2-5). Table 2-3 presents the most recent estimate as reported to the ASX in Gindalbie's 2013 annual report. SRK is not aware of any updates or depletions to the Karara magnetite Mineral Resource estimate since 2013.

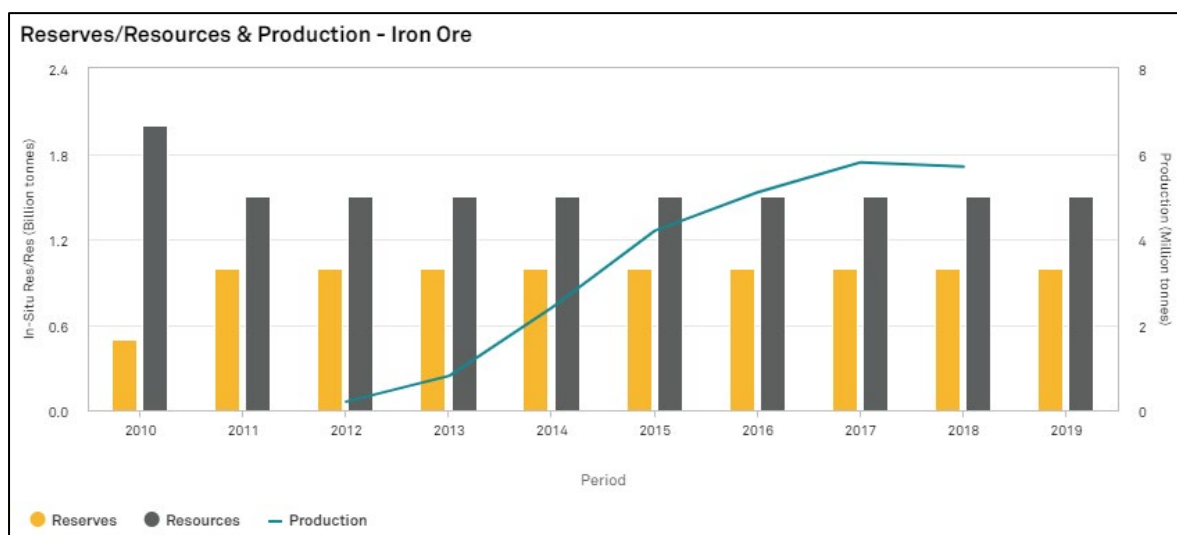


Figure 2-5: Karara magnetite Ore Reserves, Mineral Resource and production history⁸

Table 2-3: Karara magnetite Mineral Resources as at 30 June 2013⁸

Classification JORC Code (2004)	Oxidation State	Tonnage (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (% Fe)
Karara magnetite Mineral Resource (reported above 0% Fe cut-off grade)								
Indicated	Oxide	134	36.4	41.8	1.7	0.06	0.04	2.9
	Transitional	59	36.0	42.4	1.3	0.08	0.11	0.8
	Fresh	1,482	36.1	42.8	0.9	0.09	0.12	-0.8
	Total	1,676	36.1	42.7	1.0	0.09	0.11	-0.4
Inferred	Oxide	13	35.5	42.6	2.4	0.06	0.07	2.8
	Transitional	6	28.5	44.8	5.9	0.08	0.77	3.8
	Fresh	683	35.3	43.4	1.3	0.09	0.14	-0.8
	Total	702	35.3	43.4	1.3	0.09	0.14	-0.7
Total		2,378	35.8	42.9	1.1	0.09	0.12	-0.5
Karara magnetite Mineral Resource (reported above a 20% weight recovery cut-off grade) weight recovery as determined by Davis Tube recovery (DTR)								
	Indicated	1,450	36.1	42.8	1.0	0.09	0.12	-0.7
	Inferred	317	35.5	43.2	1.2	0.09	0.11	-0.8
	Total	1,768	36.0	42.9	1.0	0.09	0.12	-0.7
Blue Hills								
The extrapolated portion of the Blue Hills North Magnetite Inferred Mineral Resource around the edges of the mineralised horizon represents approximately 10% of the total tonnage. The extrapolated mineralisation is mainly along strike and typically extends about 50 m from the last sample. The along strike and down dip drillhole spacing is approximately 50 m by 30 m.								
	Inferred	45.5	41.4	35.6	0.5	0.09	0.03	-0.1
	Total	45.5	41.4	35.6	0.5	0.09	0.03	-0.1

⁸ S&P Global Market Intelligence. Karara Magnetite reserves/resources & production chart, <https://www.snl.com/web/client?auth=inherit#metalsAndMiningProperty/modelProductCostsIronOre?ID=32999> Accessed 03/04/2019.

2.6 Ore Reserve

The economic and technical viability of the Karara mine was established in a bankable feasibility study completed in September 2007. The final environmental approval was granted in September 2009. Construction of the mine commenced in March 2010.

The Karara magnetite Ore Reserve estimate was first reported to the ASX in 2010 under the JORC Code (2004) reporting guidelines, and updated in 2011. These undepleted Ore Reserves were last re-stated to the ASX in 2013 as part of Gindalbie's annual reporting (Table 2-4 and Figure 2-5). SRK is unaware of any updated or depleted magnetite Ore Reserve estimates that have been prepared for the Karara Project since 2013.

Table 2-4: Karara Mining Limited Magnetite Ore Reserves as at 30 June 2013

Classification JORC Code (2004)	Tonnage (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (% Fe)
Probable	950.8	36.2	42.8	0.9	0.09	0.10	-0.71
Total	950.8	36.2	42.8	0.9	0.09	0.10	-0.71

Note: All magnetite Ore Reserve estimates are reported above a 20% DTR cut-off grade.

2.7 Mining and Processing

Limited technical information was made available for review with respect to the current mining and processing aspects associated with the Karara Project. The information provided was limited to monthly operating data for the 2-year period, 2017–2018, and other publicly available information. KML currently targets annual production of 8 Mtpa magnetite concentrate at an average grade of 68.2% Fe, although this target has recently been revised to 7.5 Mtpa as a result of various operating challenges as noted in Section 2.10.

2.7.1 Mining

Mining at the Karara Project is being carried out through conventional open-pit extraction methods. Mining contractor, Downer EDI Limited (Downer), has provided drill and blast and load and haul mining services at the Karara Project since mining commenced. Downer is currently contracted to continue in this role until March 2022. The mining contract allows for material movements of ~30 Mtpa comprising approximately 20 Mtpa of ore and 10 Mtpa of waste rock. Table 2-5 presents the mining production estimates at Karara to the end of March 2019.

Table 2-5: Production history

Year	Tonnes	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (% Fe)
2013	10,994,303	37.00	42.22	0.760	0.089	0.084	0.420
2014	15,254,020	36.39	43.04	0.745	0.087	0.070	-0.220
2015	22,317,777	36.29	43.07	0.797	0.087	0.074	-0.320
2016	21,356,910	36.31	42.94	0.752	0.090	0.071	-0.520
2017	23,161,896	36.33	42.85	0.715	0.093	0.074	-0.670
2018	25,919,124	35.98	43.26	0.784	0.093	0.091	-0.770
2019	6,683,732	36.12	43.01	0.721	0.094	0.118	-0.760
Total	125,687,762	36.30	42.97	0.758	0.090	0.080	-0.458

1. Estimates based on a 20% weight recovery cut-off grade.
2. The 2019 tonnage figure covers the period January to March.
3. Small discrepancies may occur due to the effects of rounding.

Source: Karara.

2.7.2 Mineral processing

The Karara process flowsheet comprises primary and secondary crushing, three stages of grinding and magnetic separation, two stages of flotation with regrind, concentration, tails thickening and filtration and dry-tailings disposal (Figure 2-6).

BIS Industries (BIS) is contracted to KML to manage a dry tailings management system, using a 180° slew to stack approximately 8.2 Mtpa of dry tailings.

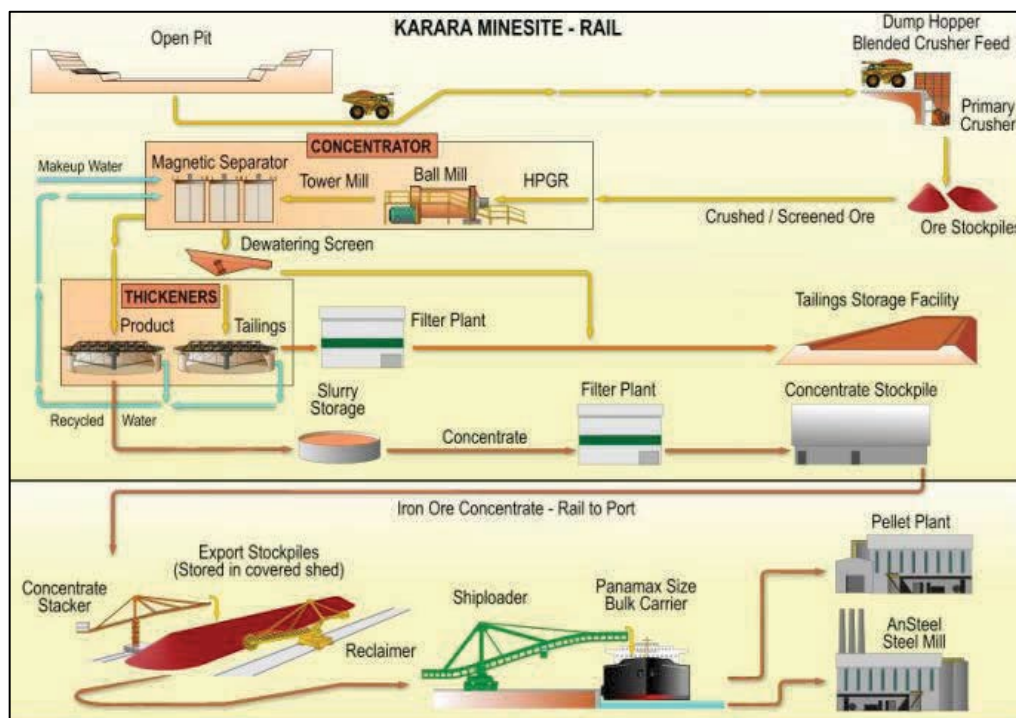


Figure 2-6: Karara process flowsheet and material value chain

Source: Gindalbie.

2.8 Infrastructure

The supporting infrastructure for the Karara Project includes:

- An 80 km Karara rail spur, connecting the Karara Project to the common-user rail system at Tilley Siding, near Morawa, with connections onto the port of Geraldton at a total rail distance of 300 km
- A 180 km long 330 kV powerline extending from Eneabba to Karara, which connects the Karara site into the Western Australian South West power grid
- A 145 km long water pipeline, supplying process water from a borefield near the town of Mingenew to Karara
- The Karara Export Terminal at Geraldton, a facility which is capable of handling up to 16 Mtpa of magnetite concentrate or DSO exports from a dedicated berth with associated rail and unloading infrastructure. The terminal consists of:
 - A dedicated railway line inside the Port area
 - A twin-car rotary dumper (or train unloader)
 - A 297 m long storage facility with a capacity of 255,000 t
 - A dedicated shipping berth (Berth 7), which can accommodate Panamax vessels (loaded to approximately 60,000 t)
 - A 5,000 tonnes per hour ship-loader.

2.9 Environment

The Karara Project required approval by the Environmental Protection Authority (EPA) of Western Australia and the Commonwealth Department of the Environment and Energy (DotEE) due to the potential for significant environmental harm and received environmental conditions under provisions of the *Environmental Protection and Biodiversity Conservation Act 1999 (Cwlth)* (EPBC Act).

Conditions for EPA and DotEE approvals require the Management and Monitoring for EPBC listed species of conservation significant (the Western Spiny-tailed Skink and Mallee fowl), protection and monitoring measures for the Blue Hills Protected Ecological Community, groundwater dependent ecosystems and the Shield-backed Trapdoor Spider under the *Environmental Protection Act 1996 (WA)*, and annual reporting.

KML is compliant with these reporting requirements and monthly site visits are being conducted by the Centre for Mine Site Rehabilitation. The 2017 EPBC environmental compliance report prepared for the DotEE is available on the DotEE website. KML is currently seeking an s46 amendment to remove spider monitoring from the conditions with a determination expected in 2019.

2.9.1 Approval status

KML recently sought to amend the processing plant design to include a Wet Concentrate Storage Facility and increased tailings storage capacity. This was approved in December 2018 by the Department of Water and Environmental Regulation (DMIRS).

KML submitted a 5C water abstraction licence to the Department of Water and Environmental Regulation (DWER) in December 2018 to increase permitted abstraction volumes to enable higher production rates. Water abstraction licences are significantly delayed, and determinations are currently completed at a minimum of six months. However, SRK understands that the DWER has received additional resources to mitigate this problem and waiting times may be reduced.

2.9.2 Mine closure

The most recent Mine Closure Plan (MCP) for the Karara Project is dated 31 October 2014. The MCP was approved 25 February 2016. Under the WA legislation (*the Mining Act 1978*), an MCP should be included with every Mining Proposal; however it is not possible to determine from publicly available documents if this is the case for the 2016 Mining Proposal. An MCP must be updated a minimum of every three years and requires approval by the DMIRS. The 2017 Mining Proposal states that an MCP is required by August 2018, but submission of an MCP separate to the Mining Proposal has not been recorded on the DMIRS website as of 29 March 2019.

The current MCP was prepared under earlier regulatory guidelines which were updated in 2015 and are scheduled to be revised again during 2019. Mine closure obligations and site-specific requirements are constantly changing as the mine site develops. As such, whilst the 2014 MCP has been generally prepared in accordance with industry best practice an update is required to align the plan with the current and proposed operating environments.

2.9.3 Community investment

KML funds a number of community programs including the Karara Community Farm and several health initiatives (community health fund, mobile dental clinic, family support network and Morawa General Practitioner flights).

2.9.4 Conclusion

KML has the relevant permit and approvals to conduct mining and is compliant with reporting requirements. SRK considers that the following factors require further consideration:

- The potential for approval delays to the 5C water abstraction licence and the impact this may have on project development
- Potential loss of tenure due to insufficient expenditure and exploration activities
- It is not clear what funds have been allocated for mine closure activities and the social programs provided by KML; SRK recommends that this be clarified as these activities may represent a significant ongoing cost.

2.10 Site inspection

In accordance with Section 11.1 of the VALMIN Code (2015), a site inspection to the Karara Project was undertaken by Ms Karen Lloyd of SRK's Perth office in March 2019 (Figure 2-7).

The site inspection included:

- A discussion with Karara site personnel regarding the key opportunities and risks
- An inspection of the open pit mining operation
- An inspection of the Run of Mine (ROM) and stockpile areas
- An inspection of the processing facilities
- An inspection of the tailings disposal area, including wet ponds and dry-stacking area
- An inspection of the fly-in fly-out accommodation village and sporting facilities.



Mining operation



ROM (direct tipping)



Processing facilities



Accommodation village

Figure 2-7: Site inspection photographs

Key observations and notes made during the site inspection were:

- The presence of high alumina (clay-rich oxide) material is evident in the main pit excavation. This material has been colloquially named, “yellow ore” and approximately 15 Mt of this yellow ore had been mined from the main pit at the time of the site inspection. The yellow ore is stockpiled as a preserved option for future processing as processing recoveries are typically very low from this material (around 55%) due to settling inefficiencies.
- KML is trialling various operating options to allow more optimal processing of the yellow ore. During these trials, the wet tailings ponds are being utilised in lieu of dry stacking.
- Poor operating efficiencies and low throughput rates in the second half of 2018 were as a result of refractory ore processing.

3 SRK Opinion

3.1 Technical Inputs to the discounted cashflow model

As noted in Chapter 1, Gindalbie has prepared a DCF Model using the operating information made available to it by KML. SRK has reviewed the production and cost projections and, further to discussions with site personnel to clarify some elements, has advised BDO that certain technical assumptions and projections are reasonable for use for valuation purposes and other aspects require modification for valuation purposes. Where necessary, SRK has provided BDO with modified input parameters.

Mineral Resources and Ore Reserves

In SRK's opinion, the Mineral Resource and Ore Reserve estimates considered in the Model are not deemed to be reported to a sufficient standard under JORC Code (2012) guidelines or applicable statutory requirements.

In SRK's opinion, the mineralisation wireframes informing the Mineral Resource estimates require adjustments to suit the current local geological interpretation. The Mineral Resource estimates need to be updated using the revised mineralised wireframes and updated topography (surface depleted through mining). Similarly, the Ore Reserve estimates require updating. The revised Mineral Resource estimate and appropriate selection of current modifying factors, with particular reference to the current price and cost environment would allow a revised Ore reserve estimate to be prepared.

Operating cashflows at the Project are negative. SRK understand that Karara plan to continue mining processing operations to support the export of 7.5Mt magnetite concentrate over a forecast period of 22 years as presented in the Model. This forecast is informed by the 2013 Ore reserve estimate. SRK has no reason to believe that the current operating cost and revenue environment at the Project will change over the cash flow forecast period and that the Project will continue to operate on a negative cashflow basis.

SRK consider the current price and cost environment at the Project to be materially different to the price and cost environment when the Mineral Resource and Ore Reserve estimates were reported.

As such, SRK consider that a depletion of the 2013 Ore Reserve estimates using the 7-year operating history is not warranted under the guidelines of the JORC Code (2012) or the applicable statutory requirements.

Furthermore, SRK consider that no value should be attributable to the Ore Reserve estimate at Karara.

Mining and Processing

The mining method and equipment selection is appropriate for the operating environment Grade control is based on blasthole drilling and is considered appropriate considering the physical ground conditions and the type of blasthole drill used.

SRK understand that the pit optimisation and mining schedule were developed on the Ore Reserve estimates during feasibility studies using standard industry procedures and the technical information available at that time.

SRK considers that the processing flowsheet is conventional for a magnetite operation of this nature. The process technology selected is well proven and is technically low risk for magnetite concentrate production. SRK has not reviewed the metallurgical testwork that was used to inform the process design and cannot make comment regarding whether the flowsheet selection is appropriately premised on the metallurgical testwork results.

Sustaining costs

Sustaining capital spend is not specifically detailed in the Model, but rather represented as the difference between the written-down value of the plant and depreciation for a period. As this includes accounting impairments, there are inconsistencies in the data reviewed. On the basis of the information made available, the proposed model allocation of A\$78 M per annum for sustaining capital expenses is considered by SRK to be reasonable.

Operating costs

As a now-mature mining and processing operation producing magnetite concentrate at approximately 7.5 Mtpa, SRK considers that the operating cost environment is well understood by KML. Notable variance on cost against budget operating cost forecasts is evident from a review of KML's monthly reports.

SRK considers that any cost variance is likely to be attributable to the inconsistent head grade being supplied by the mining operation to the processing facility as a function of limited data support informing the Mineral Resource and Ore Reserve estimates and the unexpected quantum of refractory ore. The key outcomes from the review with respect to operating costs are:

- Historical data in the model matches data extracted from the monthly reports supplied.
- Projected magnetite production is aligned with historical production rates for 2018 and slightly below those in 2017 – there is limited processing risk associated with achieving the modelled production.
- Magnetite average grade is aligned with previous operating data.
- Magnetite silica grade is not noted in the model, but historical data is high at 7.2%–7.4%.
- Historical operating costs from the reports supplied align with the Model inputs.
- Historical operating costs show a clear trend/ step change upwards over the second half of 2018. Given the uncertainty around the forecast quantities of yellow ore feed to the processing facility, it is suggested these increased costs be used for future projections. This increases the total operating cost by A\$10 per dry metric tonne (dmt) over the KML assumptions.

Further to the review of the available information, Table 3-1 presents the SRK's recommended operating costs (in A\$/dmt terms) for use by BDO in modelling the Karara Project cashflows.

Table 3-1: Operating costs for the Karara Project

Cost	Karara Model Value (A\$/dmt)	SRK recommendation (A\$/dmt)
Royalties	2.53	2.62
Wharfage	0.53	0.55
Demurrage	0.53	0.41
Mining	19.0	25.67
Processing	17.0	17.55
Rail	26.0	28.45
Port	3.0	2.62
Shipping	20.0	22.94
Administration	7.0	5.13
Maintenance	17.0	16.75
Total	112.6	122.7

Financial provision for environment, community and mine closure

It is unclear what financial provision has been made available by KML for environment, community and mine closure requirements. SRK notes line items in KML’s Model for Annual and Periodic projects and studies, but this lacks transparency.

Commodity prices

SRK has carried out a limited analysis of the global iron ore markets to provide an understanding of iron ore price trend and future forecast. This analysis considers the prevailing conditions as at March 2019.

S&P Global Market Intelligence (S&P, accessed 1 April 2019) notes that in February 2019, the 62% iron price forecasts moved markedly upward (6% for 2019 and 3% for 2020). This rise is attributable to improving market conditions following supply disruptions associated with the Vale Feijão tailings dam failure in Brazil.

As a consequence of the prevailing market conditions, S&P forecasts the 62% iron ore price to average US\$78.7/t in 2019 and US\$72.5 in 2020, 12% and 9% higher than the consensus mean, respectively.

Magnetite concentrate exports from the Karara Project over the 7-year operating history have typically achieved a 40% premium to the 62% iron ore price and this premium should be considered suitable for price forecasting.

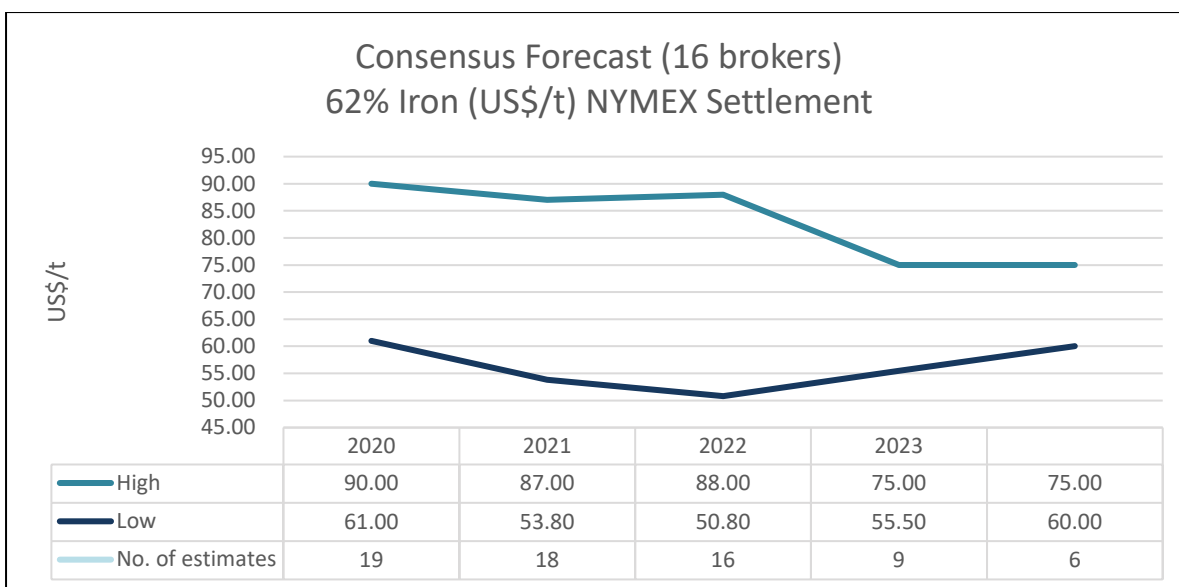


Figure 3-1: Iron ore consensus forecast to 2023

Source: S&P Global Market Intelligence.

3.2 Secondary Valuation Method

SRK recommend that comparable market transaction data for magnetite Mineral Resources should be considered by BDO as a secondary approach to the valuation of the Project. In this context, the Mineral Resource estimates are considered to be at the Advanced Exploration stage.

Transactions involving similar Advanced Exploration stage iron ore projects (principally magnetite) were compiled and researched by SRK, with values normalised to the 2 April 2019 62% Fe iron ore price of A\$125.21 (US\$89.50 at an exchange rate of A\$1.40:US\$1) and analysed to assess the comparability of the Project’s Mineral Resources.

SRK identified 12 transactions involving Australian magnetite projects which were announced in the last five years; however, many of these transactions were terminated.

Two (2) completed transactions were assessed to have been undertaken on Advanced Exploration tenure.

Mount Woods Project transaction (100%)

In November 2014, Cu-River Mining Pty Ltd acquired the Mount Woods magnetite project from IMX Resources Ltd for A\$3.68M. Inferred Mineral Resources for the project were reported as 569 Mt at 27.10% Fe (18% Davis Tube weight recovery cut-off).

An Exploration Target of 330–400 Mt at 25%–32% Fe was also reported. This Exploration Target was based on supporting information from magnetic geophysical surveys and drilling data.

The Mount Woods Project is located in South Australia and is adjacent to an accessible rail line.

Normalised for the iron price at 2 April 2019, the consideration paid is approximately equal to A\$0.04 per resource tonne.

Yerecoin Project transaction (100%)

In April 2015, Radar Iron Ltd acquired the Yerecoin magnetite project from Cliffs Magnetite Holdings Pty Ltd and NS Iron Development Pty Ltd for a cash payment of A\$3.74M and A\$0.60 royalty payment due per tonne of future concentrate production. Inferred Mineral Resources for the project were reported as 404 Mt at 28.32% Fe with testwork indicating iron concentrate grades of 68.6% Fe, 0.12% Al₂O₃ and 4.3% SiO₂ (15% Davis Tube weight recovery cut-off).

The Yerecoin project is located in the Mid-West region of Western Australia and is adjacent to an accessible rail line.

Normalised for the Iron price at 2 April 2019, the consideration paid is approximately equal to A\$0.033 per resource tonne.

Implied value of the Karara Project

Based on application of the implied multiples of between A\$0.033 and A\$0.04 per contained tonne of iron in the residual Mineral Resource estimates, SRK considers the market would pay in the range A\$14.0M to A\$19.0M, with a preferred value of A\$17M (the mid-point between the low and high values) for a 100% interest in the Karara Project using the comparable transactions method (Table 3-2).

Table 3-2: Valuation range using comparable transactions (100% interest)

Stage	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Advanced Exploration	14.0	19.0	17.0

4 Valuation of the Lodestone Project

4.1.1 Lodestone Project Geology

The Lodestone magnetite mineralisation is hosted within a folded BIF unit of the Luke Creek Group. The mineralisation occurs over a strike length of approximately 6 km, striking north–south and ranging in thickness from between 50 m and 750 m. The BIF unit and host rocks are tightly folded and are interpreted, from available geophysics and drilling data, to form part of a north-plunging, faulted antiform. The mineralisation is bounded to the northwest by a granitic intrusive. A dolerite dyke interpreted from drilling and geophysical data, cross-cuts the mineralisation.

Iron within the BIF primarily comprises magnetite, which is oxidised in the near-surface portions to non-magnetic hematite and goethite.

The average thickness of the oxide zone is between 30 m and 50 m, ranging from a few metres to approximately 80 m. The transition from oxide through to fresh ore occurs over a 10–15 m wide zone.

4.1.2 Lodestone Project Magnetite Resources

In January 2017, Snowden Mining Industry Consultants Pty Ltd (Snowden) prepared a recoverable magnetite Mineral Resource estimate⁹ for the Lodestone magnetite iron ore deposit to allow for public reporting in accordance with the JORC (2012) Code guidelines (Table 4-1).

Table 4-1: Recoverable Mineral Resource estimate as at December 2016 reported above 20% Davis Tube weight recovery

In situ BIF (Inferred)								
Oxidation	Tonnage (Mt)	Head Grades						
		Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (% Fe)	S (%)	
Oxide	6	35.9	43.0	1.80	0.05	2.47	0.03	
Fresh	638	30.2	43.8	3.91	0.06	2.63	1.29	
Total	644	30.2	43.8	3.89	0.06	2.63	1.28	
Recovered concentrate (Inferred)								
Oxidation	Tonnage (Mt)	Concentrate Grades						
		% DTR weight recovery	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (% Fe)	S (%)
Oxide	2	30.5	63.6	63.6	11.2	0.18	0.02	-0.38
Fresh	202	31.7	64.3	64.3	9.5	0.32	0.02	-2.22
Total	204	31.7	64.3	64.3	9.5	0.32	0.02	-2.20

Note: Small discrepancies may occur due to rounding; estimates of recovered magnetite concentrate are based on DTR results using a P80 25µm grind size.

⁹ Snowden, 2017. Lodestone Magnetite Project - updated JORC 2012 Mineral Resource reporting. Letter dated 9 February 2017

Resource drilling and sampling:

- Drilling at Lodestone comprises 41 RC and five diamond core drill holes with RC pre-collars, for a total of 8,168 m of RC and 1,122 m of diamond drilling. All drilling was conducted by Gindalbie in 2007 and 2011. The vast majority (90% of drilled metres) of drilling was completed by angled RC holes using a face sampling bit. Some diamond core drilling (unknown diameter core) was undertaken with RC pre-collaring to 40 m depth.
- A total of 3,240 RC and drill core samples with an average sample length of 2 m were assayed by X-ray fluorescence (XRF) techniques. A total of 1,424 selected sample composites with an average sample length of 4 m were assayed using the Davis Tube recovery (DTR) method. Density was measured by using downhole geophysics, water immersion method, and by core-tray weights.

Samples from the 2007 and 2011 drilling campaigns were analysed by different laboratories to determine the magnetite concentrate grades and recovery, using the same overall method (DTR). Snowden noted that while a significant difference exists between the two sets of concentrate Fe results, it is within the uncertainty associated with Mineral Resources classified as Inferred Mineral Resources. Snowden stated that it was not clear whether these differences are associated with the use of two alternate laboratories for assaying or whether they are caused by geological variability.

Classification:

Snowden classified the mineralisation within the BIF host unit as Inferred as, in Snowden's opinion, additional drilling is required to increase the confidence in the Mineral Resource estimate. Approximately 20% of the total Inferred Mineral Resource has been extrapolated below the drilling data. Any blocks located outside the BIF domain were flagged as unclassified.

To assess the reasonable prospects for eventual economic extraction, Snowden developed a pit optimisation, based on the parameters outlined in Figure 4-1.

In preparing the optimisation, Snowden assumed that the ore would be processed at the nearby Karara processing plant and an allowance for ore haulage was included in the mining cost estimate.

Table 4-2: Snowden optimisation input criteria

Parameter	Unit	Value
Fe unit price	A\$/dmt	1.85
Open pit mining cost	A\$/t ore	10
Overall pit slope angle	degrees	45
Processing cost*	A\$/t ore	15

*Includes processing, administration and transport.

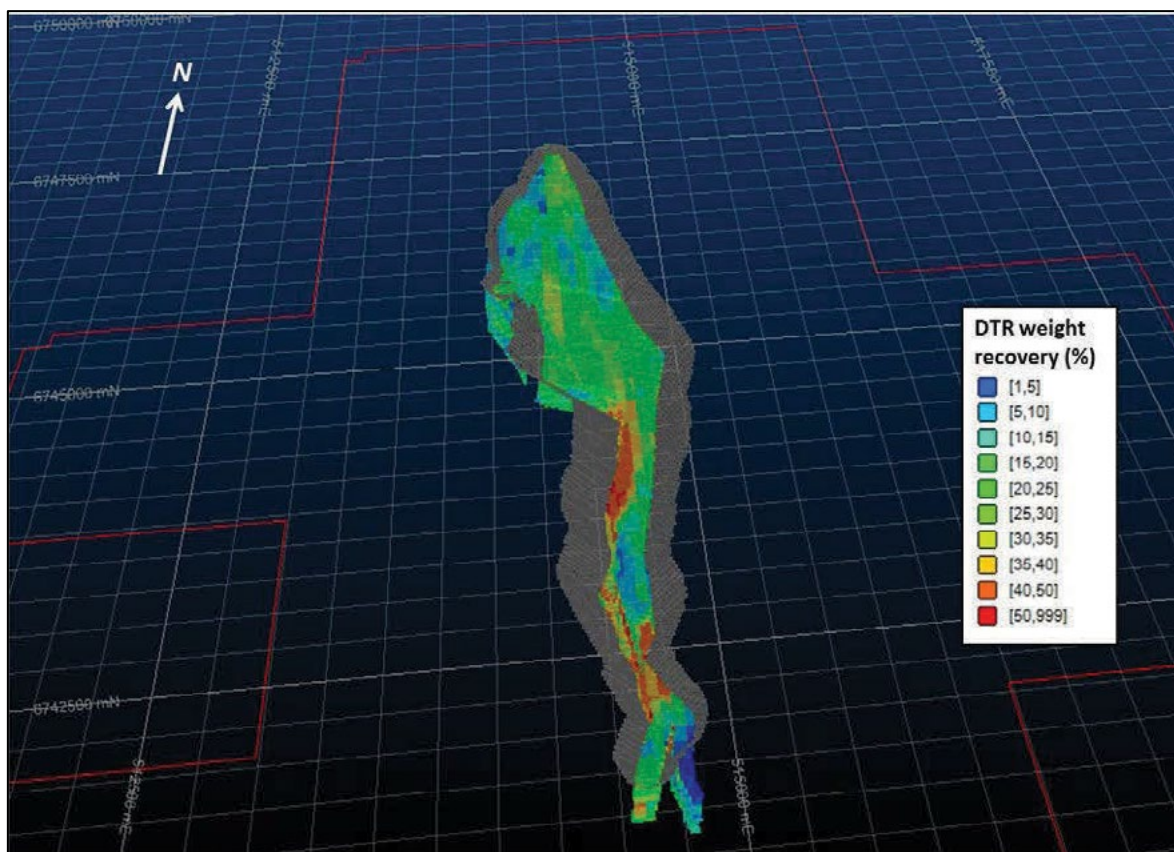


Figure 4-1: Oblique view showing Snowden's pit optimisation of the Lodestone Project

Source: Snowden (2017).

4.2 Valuation approach

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted Valuation approaches:

- 1 Market Approach
- 2 Income Approach
- 3 Cost Approach.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The mineral asset being valued is compared with the transaction value of similar mineral assets, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The *Income Approach* is based on the principle of anticipation of economic benefits and includes all methods that are based on the income or cashflow generation potential of the mineral asset (CIMVAL, 2003). Valuation methods that follow this approach include DCF modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the mineral asset.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the mineral asset, and hence the amount and quality of the information available on the mineral potential of the assets. Table 4-3 presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

Table 4-3: Suggested valuation approaches according to development status

Valuation Approach	Exploration Projects	Pre-Development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015).

An income-based method, such as a DCF model is commonly adopted for assessing the Value of a Tenure containing a deposit where an Ore Reserve has been reported following an appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for deposits that are less advanced, i.e. where there is no declared Ore Reserve and supporting mining and related technical studies.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, i.e. prior to estimation of Mineral Resources. As current Mineral Resources have been declared for the Pre-Development and Advanced Exploration projects, cost-based methods of valuation are considered less suitable than market-based methods of valuation for these properties.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The **“Market Value”** is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee’s (IVSC) term of the same name. This has the same meaning as Fair Value in Regulatory Guide (RG) 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The **“Technical Value”** is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

Valuation methods are, in general, subsets of valuation approaches. For example, the income-based approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb that are considered suitable only to benchmark valuations completed using primary methods.

The methods traditionally used to value exploration and development properties include:

- Multiples of Exploration Expenditure (MEE)
- Joint Venture Terms (expenditure-based)
- Geoscience Ratings (e.g. Kilburn – area-based)
- Comparable Market Value (real estate based)

- Metal Transaction Ratio (MTR) Analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage – real estate based)
- Yardstick/ Rule of Thumb (e.g. \$/resource or production unit, percentage of an in-situ value)
- Geological Risk.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

4.2.1 Historical Valuations

The VALMIN Code (2015) requires that an Independent Valuation report should refer to other recent valuations or Expert Reports undertaken on the mineral properties being assessed.

Having asked the question of Gindalbie and KML, SRK is not aware of any other recent valuation or Expert Reports pertaining to the mineral properties being assessed (Karara and Lodestone projects).

4.3 Valuation basis

In preparing this Report as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015).

The valuation method applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of the Project, SRK has considered the three main approaches (income, market, and cost) as well as the available methodologies under each approach and has elected to use the market comparable transactions approach in addition to the geoscientific rating approach.

4.3.1 Market approach – comparable transactions

Transactions involving similar Advanced Exploration stage iron ore projects (principally magnetite) were compiled and researched, with values normalised to the 2 April 2019 62% Fe iron ore price of A\$125.21 (US\$89.50 at an exchange rate of A\$1.40:US\$1) and analysed to assess the comparability of the Advanced Exploration tenure comprising the Lodestone Project.

SRK identified 12 transactions involving Australian magnetite projects which were announced in the last five years, however, many of these transactions were terminated.

Two (2) completed transactions were assessed to have been undertaken on Advanced Exploration tenure, which SRK considers to be suitably comparable to the Lodestone Project.

Mount Woods Project transaction (100%)

In November 2014, Cu-River Mining Pty Ltd acquired the Mount Woods magnetite project from IMX Resources Ltd for A\$3.68M. Inferred Mineral Resources for the project were reported as 569 Mt at 27.10% Fe (18% Davis Tube weight recovery cut-off).

An Exploration Target of 330–400 Mt at 25%–32% Fe was also reported. This Exploration Target was based on supporting information from magnetic geophysical surveys and drilling data.

The Mount Woods Project is located in South Australia and is adjacent to an accessible rail line.

Normalised for the iron price at 2 April 2019, the consideration paid is approximately equal to A\$0.04 per resource tonne.

Yerecoin Project transaction (100%)

In April 2015, Radar Iron Ltd acquired the Yerecoin magnetite project from Cliffs Magnetite Holdings Pty Ltd and NS Iron Development Pty Ltd for a cash payment of A\$3.74M and A\$0.60 royalty payment due per tonne of future concentrate production. Inferred Mineral Resources for the project were reported as 404 Mt at 28.32% Fe with testwork indicating iron concentrate grades of 68.6% Fe, 0.12% Al₂O₃ and 4.3% SiO₂ (15% Davis Tube weight recovery cut-off).

The Yerecoin project is located in the Mid-West region of Western Australia and is adjacent to an accessible rail line.

Normalised for the Iron price at 2 April 2019, the consideration paid is approximately equal to A\$0.033 per resource tonne.

Implied value of the Lodestone Project

Based on application of the implied multiples of A\$0.033 and A\$0.04 per contained tonne of iron in the Inferred Mineral Resource estimate, SRK considers the market would pay in the range A\$6.42M to A\$7.78M, with a preferred value of A\$7.10M (the mid-point between the low and high values) for a 100% interest in the Lodestone Project using the comparable transactions method (Table 4-4).

Table 4-4: Valuation range using comparable transactions (100% interest)

Stage	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Advanced Exploration	6.42	7.78	7.10

4.3.2 Cost approach – geoscientific rating

SRK has also used the Geoscientific Rating method to estimate the market value of the Advanced Exploration tenure forming the Lodestone Project on an area-basis given the impediments to Ore Reserve conversion (no environmental approval to mine). The geoscientific rating or modified Kilburn method of valuation attempts to quantify the relevant technical aspects of a property through appropriate Multipliers (factors) applied to an appropriate base (or intrinsic) value. The intrinsic value is referred to as the Base Acquisition Cost (BAC) and is critical because it forms the standard base from which to commence a valuation. It represents the 'average cost to identify, apply for and retain a base unit of area of title'.

Multipliers are considered for Off-property aspects, On-property aspects, Anomaly aspects, and Geology aspects. These multipliers are applied sequentially to the BAC to estimate the Technical Value for each tenement. A further market factor is then considered to derive a Market Value.

A BAC of A\$21.08/ha has been assumed in this valuation, which incorporates annual rental, and administration and application fees in addition to nominal indicative minimum expenditure on acquisition. This BAC has been calculated using information sourced from the Government of Western Australia Department of Mines, Industry Regulation and Safety (DMIRS) and uses the information set out in Table 4-5.

As noted in Section 2.2.2 of this Report, the Lodestone Project comprises a single granted Retention Licence. A Retention Licence is a 'holding' title for a mineral resource that has been identified but is not able to be further explored or mined and typically involves the conversion of an Exploration Licence. The retention status of the licence allows for a nil-expenditure initial 3-year term.

As such, the BAC for the Retention Licence has been calculated using the BAC for a typical Exploration Licence, being held for an average term of 4 years.

Table 4-5: Base Area Cost input data – Retention Licence

Metric	Unit	Value	Cost (A\$)
Average licence size	km ²	70	-
Average licence age	Years	4	-
Application fee	A\$ per licence	1,362	1,362
Annual rent Years 1-3	A\$ per km ²	44.7	9,387
Annual rent Year 4	A\$ per km ²	69.3	4,851
Minimal annual expenditure Years 1-3	A\$ per km ²	333	69,930
Minimal annual expenditure Year 4	A\$ per km ²	500	35,000
Costs of identification, legal costs and negotiations and compensation agreements	A\$ per licence	25,000	25,000
Annual rates	A\$ per licence	2,000	2,000
BAC of average licence	A\$ per km²		2,108
BAC of average licence	A\$ per ha		21.08

In converting its implied technical values to a market value, SRK considers that market participants would apply a significant discount (50%) to the technical value of the Advanced Exploration tenure given the impediments to mining on the Retention Licence (no EPA approval), and the location of the Project with respect to a suitable transport corridor (reliance on the utilisation of the Karara Project infrastructure).

The rating criteria use for assessing the modifying factors are provided in Table 4-6. These rating criteria have been modified by SRK. The geoscientific rating calculation is provided in Table 4-7

Table 4-6: SRK-modified property rating criteria

Rating	Off-property Factor	On-property Factor	Geological factor	Anomaly factor
0.1			Unfavourable geological setting	No mineralisation identified – area sterilised
0.5	Unfavourable district/ basin	Unfavourable area	Poor geological setting	Extensive previous exploration provided poor results
0.9			Generally favourable geological setting, under cover or complexly deformed or metamorphosed	Poor results to date
1.0	No known mineralisation in district	No known mineralisation on lease	Generally favourable geological setting	No targets outlined
1.5	Minor workings	Minor workings or mineralised zones exposed		Target identified; initial indications positive
2.0	Several old workings in district	Several old workings or exploration targets identified	Multiple exploration models being applied simultaneously	
2.5				
3.0	Mine or abundant workings with significant previous production	Mine or abundant workings with significant previous production	Significant mineralised zones exposed in prospective host rock	Significant grade intercepts evident but not linked on cross or long sections
3.5				
4.0	Along strike from a major deposit	Major mine with significant historical production	Well-understood exploration model, with valid targets in structurally complex area, or under cover	Several economic grade intercepts on adjacent sections
5.0	Along strike for a world-class deposit			
6.0			Advanced exploration model constrained by known and well-understood mineralisation	
10.0		World-class mine		

Source: Modified after Xtract, 2009 and Agricola Mining Consultants, 2011.

Table 4-7: Geoscientific approach – modified Kilburn rating

Tenement	BAC of A\$21.08/ha, Market Factor of 0.5		Off-property		On-property		Geology		Anomaly		Technical value		Valuation (A\$ M)		
	Area (ha)	BAC	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Preferred
R 59/2	5585.39	50,400	2.0	2.5	2.0	2.5	3.5	6.0	3.0	4.0	5.18	18.50	2.59	9.25	4.37

Using the multiples implied by the geoscientific approach, SRK considers the market would pay within range shown in **Table 4-8** for a 100% interest in the Lodestone Project.

Table 4-8: Valuation range using the geoscientific approach (100% interest)

Stage	Area (ha)	Low (A\$ M)	High (A\$ M)	Preferred (A\$ M)
Advanced Exploration	5,585.4	2.59	9.25	4.37

SRK has elected to use the 33rd percentile of the valuation range implied by the geoscientific approach as its Preferred value. A summary of the valuation ranges derived using the comparable transactions and geoscientific rating approaches are presented in Table 4-9.

Table 4-9: Summary valuation ranges (100% interest)

Valuation Method	Low (A\$ M)	High (A\$ M)	Preferred (A\$ M)
Comparable transaction analysis	6.42	7.78	7.10
Geoscientific rating	2.59	9.25	4.37

SRK has elected to adopt the values implied by the geoscientific rating method as its primary valuation technique for the Advanced Exploration tenure, given the relative paucity of comparable transactions over the last five years and the restriction of rights on the Retention Licence.

4.4 Valuation Summary

Based on its review of the values implied by the various valuation methodologies, SRK considers the market would pay in the range A\$2.59M to A\$9.25M, with a preferred value of A\$4.37M. Table 4-10 summarises the market value of a 100% interest in the Lodestone Project as at 2 April 2019.

Table 4-10: Valuation of the Lodestone Project (100% interest)

Lodestone Project	Low (A\$ M)	High (A\$ M)	Preferred (A\$ M)
Advanced Exploration Tenure	2.59	9.25	4.37

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with early stage to advanced stage exploration assets.

The range in value is driven by the confidence limits placed around the size and grade of mineralised occurrences assumed to occur within each project area. Typically, this means that as exploration progresses, and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Ore Reserve status, there is greater confidence around the likely size and quality of the mineralisation and its potential to be extracted profitably.

Table 4-11 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry.

Table 4-11: General guide regarding confidence for target and Mineral Resource/ Ore Reserve estimates

Classification	Estimate range (90% Confidence Limit)
Proven/ Probable Ore Reserves	±5% to 10%
Measured Mineral Resources	±10% to 20%
Indicated Mineral Resources	±30% to 50%
Inferred Mineral Resources	±50% to 100%
Exploration Target	+100%

Estimated confidence of $\pm 60\%$ to 100% or more, are not uncommon for exploration areas and are within acceptable bounds, given the level of uncertainty associated with early stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality. Where possible, SRK has endeavoured to narrow its valuation range.

SRK is conscious of the risks associated with valuing assets which can impact the valuation range. In defining its valuation range, SRK notes that there are always inherent risks involved when deriving any arm's length valuation. These factors can ultimately result in significant differences in valuations over time.

The key risk applicable to the valuation of the Lodestone Project is the Mineral Resource to Ore Reserve conversion risk (potential for eventual economic extraction), which is based on:

- Project development is not supported by the Western Australia EPA
- As a standalone project, a suitable transport corridor has not been established.

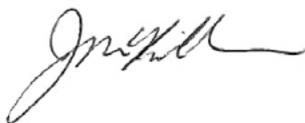
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Western Australia

Date Issued: 23 May 2019

Name/Title	Company
Stuart Moore, Associate Director	BDO Corporate Finance (WA) Pty Ltd
Chris Stevens, Chief Executive Officer	Gindalbie Metals Ltd

Rev No.	Date	Revised By	Revision Details
0	18/04/2019	Karen Lloyd	Draft Report
1	01/05/2019	Karen Lloyd	Final Report
2	23/05/2019	Karen Lloyd	Final Report – Scheme Booklet

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Appendix 4 - Discount Rates

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model ('CAPM') is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business' WACC, the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

In our assessment of the appropriate discount rate for KML, we consider the most appropriate discount rate to apply to the cash flows of the Karara Project is the peer group's cost of equity. The cost of equity is applied instead of the WACC because the cash flows contemplated by the KML Model account for financing cash flows such that the cash flows that are discounted relate to those available to equity holders only.

A peer group cost of equity is used because i) KML is not a listed entity and ii) because the return required by investors should reflect the return required on a similar project and be based on a capital structure that an investor would apply when investing in a similar project.

In assessing the discount rate applicable to the cash flows of KML, we have considered the funding structures of the peer group. Per KML's management accounts as at 31 December 2018, KML had negative net assets of approximately \$1.47 billion primarily due to borrowings totalling approximately \$4.95 billion including the shareholders loan. In the Adjusted KML Model, financing cash flows are accounted for in the model. Therefore, the cash flows considered by the model are reflective of the cash flows to equity holders.

In summary, we have used the cost of equity as our discount rate for our DCF valuation of the Karara Project.

Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM

$$K_e = R_f + \beta \times (R_m - R_f)$$

Where:

K_e = expected equity investment return or cost of equity in nominal terms

R_f = risk free rate of return

R_m = expected market return

$R_m - R_f$ = market risk premium

β = equity beta

The individual components of CAPM are discussed below.

Risk Free Rate (R_f)

The risk free rate is normally approximated by reference to a long term government bond rate with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received.

In the Adjusted KML Model, the forecast period over which the DCF valuation was conducted over was 22 years. The forecast period for the Adjusted KML Model ends in December 2040 and therefore, we have adopted a long-term risk free rate based on a ten-year maturity period.

In determining an appropriate ten-year bond rate to use as a proxy for the risk free rate we have given consideration to the ten-year Australian Government Bond rate and projections of the ten-year Australian Government Bond rate based on implied forwards. Based on this analysis, we have used a risk free rate of 2.5% in our discount rate assessment.

Market Risk Premium ($R_m - R_f$)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice. In order to determine an appropriate market risk premium in Australia, we have analysed historical data. Our sample of data included the daily historical market risk premiums in Australia over the last ten years.

The market risk premium is derived on the basis of capital weighted average return of all members of the S&P 200 Index minus the risk free rate, which is dependent on the 10-year Australian Government Bond rate.



Source: Bloomberg and BDO analysis

The graph above illustrates the frequency of observations of the Australian market risk premium over the past ten years. The graph indicates that a high proportion of the sample data for Australian market risk premiums lie in the range of 6% to 8%. This is supported by the long term historical average market risk premium of between 6% and 8%, which is commonly used in practice. For the purpose of our Report we have adopted a market risk premium of between 6% and 8%.

Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market; a beta greater than one implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Equity betas are normally estimated using either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors, which make the operating risk of the company greater or less risky than comparable listed companies.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. It is generally accepted that a more valid analysis of betas can be achieved by 'ungearing' the equity beta to derive an asset beta (β_a) by applying the following formula:

Asset beta (β_a)

$$\beta_a = \beta / (1 + (D/E \times (1-t)))$$

Where:

β_a	= ungeared or asset beta
β	= equity beta
D	= value of debt
E	= value of equity
t	= corporate tax rate

Selected Beta (β)

In order to assess the appropriate equity beta for KML, we have had regard to the equity beta of ASX-listed companies predominantly involved in the production of iron ore. We have assessed the equity beta for KML by considering peers with similar factors such as total assets, total revenue and total iron production. In addition to these factors, we have also considered the number of mines the companies own and their geographic location in identifying an appropriate list of comparable companies.

The betas below have been assessed over a three-year period using weekly returns against the S&P/ASX All Ordinaries Index to 31 December 2018. For consistency and comparison purposes we have also assessed the betas of the comparable companies at 31 December 2018.

The list of comparable companies we selected are set out below:

KML Comparable Companies: Beta calculations based on 3-year weekly returns					
Company	Market Capitalisation 8-Apr-19 (\$m)	Geared Beta (β)	Gross Debt/Equity (%)	Ungeared Beta (β_a)	R ²
Fortescue Metals Group Limited	12,943	1.44	41%	1.12	0.21
Mount Gibson Iron Limited	604	1.12	0%	1.12	0.07
Champion Iron Limited	467	1.33	111%	0.75	0.05
Grange Resources Limited	231	0.96	2%	0.94	0.05
BCI Minerals Limited	56	1.54	0%	1.54	0.07
Mean	2,860	1.28	31%	1.09	0.09
Median	467	1.33	2%	1.12	0.07

Source: Bloomberg and BDO analysis

Descriptions of the comparable companies are provided at the end of this appendix.

In selecting an appropriate beta for KML, we have considered the similarities and differences between them and their set of comparable companies as set out above. The comparable similarities and differences noted are:

- all of the above comparable companies have mines located in Australia, with the exception of Champion Iron Limited ('Champion Iron') which owns mines in Canada. However, Canada has a similar level of geopolitical risk which is why we have included Champion Iron in the group;
- the comparable companies listed above were selected based on similar amounts of revenue and assets for the latest available financial year. However, there were no direct comparable companies with KML's level of assets and revenues. Fortescue Metals Group has significantly

greater assets and revenues while the remaining comparable companies have less assets and smaller revenues compared to KML;

- Fortescue Metals Group Limited (**'Fortescue'**) operates on a significantly larger scale compared to that of KML, with a diverse portfolio of iron ore mines. Total assets (over \$24 billion) dwarf that of KML's \$3.7 billion as does total revenues of over \$9 billion compared to KML's \$777 million for the 12 months to 31 December 2018; and
- BCI Minerals Limited is in the process of divesting their iron ore assets to focus on their Mardie Salt and Potash Project, which is still under development. However we note that over the assessed three-year period to 31 December 2018, the risks to BCI Minerals Limited were primarily related to iron ore as this was the main source of its earnings.

From the list of comparable companies above, we have refined our peer group further. As discussed previously, Fortescue is a significantly larger entity with multiple mines compared to KML's single mine being the Karara Project. This allows it to take on greater debt and is reflected by Fortescue's 41% debt to equity ratio which is only bested by Champion Iron. We also consider Champion Iron an outlier within the group because of its high debt to equity levels compared to the rest of the group. Excluding these two, the peer group narrows down to three companies as summarised below.

KML Comparable Companies: Beta calculations based on 3-year weekly returns						
Company	Market Capitalisation 8-Apr-19 (\$m)	Gearred Beta (B)	Gross Debt/Equity (%)	Ungeared Beta (Ba)	R ²	
Mount Gibson Iron Limited	604	1.12	0%	1.12	0.07	
Grange Resources Limited	231	0.96	2%	0.94	0.05	
BCI Minerals Limited	56	1.54	0%	1.54	0.07	
Mean	297	1.20	1%	1.20	0.06	
Median	231	1.12	0%	1.12	0.07	

In selecting an appropriate ungeared beta for KML, we have considered the ungeared betas of the companies listed above along with the various factors discussed. As set out in the table above, the ungeared beta for the list of comparable companies, ranges from 0.75 to 1.54 with a median of 1.12.

Based on our analysis, we consider an appropriate ungeared beta to be in the range of 1.10 to 1.15 for KML. We have then regressed the ungeared beta based on a zero debt to equity structure based on the peer group. We note that a higher level of debt to equity would raise the cost of equity. The impact of a higher cost of equity is considered in Section 10.1.1 under the sensitivity analysis.

As a result of adopting a zero debt to equity structure, the regressed betas are identical to the ungeared betas for KML.

Cost of Equity

We have assessed the cost of equity of KML prior to the Proposed Transaction to be in the range of 9.1% to 11.7% with a rounded midpoint of 10.4%. This is the cost of equity for KML in nominal terms.

Input	Value adopted	
	Low	High
Risk free rate of return	2.5%	2.5%
Equity market risk premium	6.0%	8.0%
Beta (regeared)	1.10	1.15
Cost of Equity (nominal)	9.1%	11.7%

Source: Bloomberg and BDO analysis

As the Adjusted KML Model contemplates cash flows for valuation purposes on a real basis, we are required to calculate the cost of equity in real terms. This can be done by using the following formula.

$$Real\ cost\ of\ equity\ (\%) = \frac{1 + nominal\ cost\ of\ equity}{1 + inflation\ rate} - 1$$

Based on an assumed inflation rate of 2.2%, the cost of equity in real terms ranges from 6.8% to 9.3% with our preferred value being a rounded midpoint of 8.0%.

Input	Value adopted	
	Low	High
Cost of Equity (nominal)	9.1%	11.7%
Inflation rate (per annum)	2.2%	2.2%
Cost of Equity (real)	6.8%	9.3%

Source: Bloomberg and BDO analysis

Therefore, we have applied a real cost of equity of 8.0% as an input into the Adjusted KML Model.

Set out below are the company descriptions of the companies we considered in our comparable company analysis.

Company name	Company description
Fortescue Metals Group Limited	Fortescue Metals Group Limited engages in the exploration, development, production, processing, and sale of iron ore in Australia, China, and internationally. The company owns and operates the Chichester Hub that includes the Cloudbreak and Christmas Creek mines located in the Chichester ranges; and the Solomon Hub comprising the Firetail and Kings Valley mines located in the Hamersley ranges of Pilbara, Western Australia. It is also developing the Eliwana mine situated in the Pilbara region of Western Australia. The company was founded in 2003 and is headquartered in East Perth, Australia.
Grange Resources Limited	Grange Resources Limited engages in the integrated iron ore mining and pellet production business in the northwest region of Tasmania. The company is involved in the mining, processing, and sale of iron ore; and exploration, evaluation, and development of mineral resources at the Southdown Magnetite and related Pellet plant projects. It owns interests in the Savage River magnetite iron ore mine located to the southwest of the city of Burnie. The company is based in Burnie, Australia.
Mount Gibson Iron Limited	Mount Gibson Iron Limited, together with its subsidiaries, engages in the mining, exploration, crushing, transportation, and sale of hematite iron ore deposits in Australia. The company primarily operates the Koolan Island mine located in the Kimberley coast of Western Australia; and the Extension Hill/Iron Hill mine located in the Mount Gibson range in the mid-west region of Western Australia. Mount Gibson Iron Limited was founded in 1996 and is based in West Perth, Australia.
Champion Iron Limited	Champion Iron Limited explores, develops, and produces iron ore in Quebec, Canada. Its flagship projects include the Bloom Lake mine, which consists of BM877 mining lease and 114 mining claims located in Québec, Canada; and the Consolidated Fire Lake North project that includes the Fire Lake North, Don Lake, Bellechasse, and Oil Can deposits situated in north-eastern Quebec. The company was formerly known as Champion Iron Mines Limited and changed its name to Champion Iron Limited in March 2014. Champion Iron Limited is headquartered in Rozelle, Australia.
BCI Minerals Limited	BCI Minerals Limited engages in the exploration and development of mineral assets in Australia. It explores for salt, sulphate of potash, iron ore, and potash deposits. The company owns a 100% interest in the Mardie salt project, which is located on the northwest coast of Western Australia. It also owns interests in the Buckland iron ore project comprising mines at Bungaroo South and Kumina located in the West Pilbara region of Western Australia; and Iron Valley mine located in the Central Pilbara. In addition, it holds a 30% interest in the Carnegie potash project consisting of 1 granted exploration license and 2 exploration license applications covering an area of approximately 1,700 square kilometers located to the north-east of Wiluna. The company was formerly known as BC Iron Limited and changed its name to BCI Minerals Limited in December 2017. BCI Minerals Limited was founded in 2006 and is based in West Perth, Australia.

Source: S&P Capital IQ and BDO analysis

C Annexure Acquisition Scheme

Scheme of arrangement

Pursuant to section 411 of the Corporations Act

Gindalbie Metals Limited

Target

Each person registered in the Target Share Register as a holder of Scheme Shares as at the Record Date

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Contents

1.	Definitions and interpretation	1
1.1	Definitions	1
1.2	Interpretation.....	3
1.3	Business Day.....	4
2.	Conditions	4
2.1	Conditions to the Scheme	4
2.2	Certificates in relation to Conditions	5
2.3	Termination of Implementation Agreement	5
3.	Scheme	5
3.1	Effective Date of the Scheme	5
3.2	End Date	5
4.	Implementation of Scheme	5
4.1	Lodgement of Court Orders with ASIC	5
4.2	Transfer of Scheme Shares.....	5
4.3	Provision of Scheme Consideration	6
4.4	Joint holders	7
4.5	Unclaimed monies	7
4.6	Orders of a court or Regulatory Authority.....	7
4.7	Fractional entitlements and share splitting or division.....	7
5.	Dealings in Target Shares	8
5.1	Dealings in Target Shares by the Scheme Shareholders	8
5.2	Target Share Register	8
5.3	Information to be made available to the Bidder.....	9
5.4	Effect of share certificates and holding statements.....	9
5.5	No disposals after Record Date.....	9
6.	Suspension and termination of quotation	9
7.	Deductions required by law	9
8.	General Scheme provisions	10
8.1	Appointment of agent and attorney	10
8.2	Enforcement of Deed Poll.....	10
8.3	Scheme Shareholders' consent.....	10
8.4	Scheme Shareholder's agreements and warranties.....	10
8.5	Title to Scheme Shares and transfer free from encumbrance	11
8.6	Appointment of the Bidder as sole proxy.....	11
8.7	Consent to alterations.....	11
8.8	Notices	12
8.9	Inconsistencies	12
8.10	Further assurance.....	12
8.11	No liability when acting in good faith	12
8.12	Stamp Duty	12
8.13	Governing Law.....	12

Scheme of arrangement made under section 411 of the Corporations Act 2001 (Cth)

Date

Parties **Gindalbie Metals Limited ACN 060 857 614** of 6 Altona St, West Perth, Western Australia 6005, Australia (**Target**)

Each person registered in the Target Share Register as a holder of Scheme Shares as at the Record Date (**Scheme Shareholders**)

Background

- A. The Target is a public company limited by shares and is admitted to the official list of ASX.
- B. Angang Group Hong Kong (Holdings) Limited, Company No. 0812362 of Rooms 3412-13, Convention Plaza, Office Tower, 1 Harbour Road, Wanchai, Hong Kong, is a public company incorporated in Hong Kong.
- C. The Target and the Bidder have entered into the Implementation Agreement pursuant to which, amongst other things, the Target has agreed to propose this Scheme to Target Shareholders, and each of the Target and the Bidder has agreed to take certain steps to give effect to the Scheme.
- D. If the Scheme becomes Effective, then subject to the terms of the Scheme:
 - (a) all the Scheme Shares will be transferred to the Bidder and the Scheme Consideration will be provided to the Scheme Shareholders; and
 - (b) the Target will enter the name and address of the Bidder in the Target Share Register as the holder of the Scheme Shares.
- E. The Bidder has entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders to perform the obligations contemplated of it under the Scheme.

Operative Provisions

1. Definitions and interpretation

1.1 Definitions

In this document, unless the contrary intention appears or the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Bidder means Angang Group Hong Kong (Holdings) Limited Company No. 0812362 of Rooms 3412-13, Convention Plaza, Office Tower, 1 Harbour Road, Wanchai, Hong Kong.

Business Day means a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Perth, Western Australia, Hong Kong and Beijing.

CHES means the clearing house electronic sub-register system for the electronic transfer of securities operated by ASX Settlements Pty Limited ABN 49 008 504 532.

Condition means each condition to this Scheme set out in clause 2.1.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction as the Target and the Bidder agree in writing.

Deed Poll means the deed poll dated 11 March 2019 executed by the Bidder in favour of the Scheme Shareholders (subject to any amendments permitted by its terms).

Demerger Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the "Demerger Scheme Shareholders" substantially in the form set out in Annexure C to the Demerger Implementation Agreement between the Target and Coda Minerals Ltd dated 11 March 2019.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 31 December 2019 or such other date agreed in writing between the Target and the Bidder.

Excluded Shareholder means any Target Shareholder who is the Bidder or a Related Body Corporate of the Bidder.

Implementation Agreement means the scheme implementation agreement dated on or about 11 March 2019 between the Target and the Bidder under which, amongst other things, the Target has agreed to propose the Scheme to Target Shareholders, and each of the Bidder and the Target has agreed to take certain steps to give effect to the Scheme.

Implementation Date means the date that is 5 Business Days after the Record Date or such other date as the Target and the Bidder agree in writing.

Listing Rules means the official listing rules of ASX.

Record Date means 5:00 pm on the date that is 5 Business Days after the Effective Date or such other time and date agreed in writing between the Bidder and the Target.

Registered Address means in relation to a Target Shareholder, the address shown in the Target Share Register.

Regulatory Authority means:

- (a) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange,

in Australia or the People's Republic of China.

Related Body Corporate of a corporation means a related body corporate of that corporation within the meaning of section 50 of the Corporations Act.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act between the Target and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by the Bidder and the Target.

Scheme Consideration means the amount of cash which a Scheme Shareholder is entitled to receive under the Scheme, being \$0.026 for each Scheme Share subject to adjustment in accordance with clause 4.7 and clause 7.

Scheme Meeting means the meeting of Target Shareholders to be convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Share means a Target Share on issue as at the Record Date other than any Target Shares held by an Excluded Shareholder (but including any such Target Shares held on behalf of one or more third parties or otherwise in a fiduciary capacity).

Scheme Shareholder means each person registered in the Target Share Register as a holder of Scheme Shares as at the Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Security Interest has the meaning given in section 12 of the Personal Properties Securities Act 2009 (Cth).

Target Share Register means the register of members of the Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

Target Share Registry means Link Market Services Limited ACN 083 214 537.

Target Shareholder means a person who is registered in the Target Share Register as a holder of Target Shares.

Target Shares means fully paid ordinary shares in the capital of the Target.

Trust Account means an Australian dollar denominated trust account operated by the Target as trustee for the Scheme Shareholders, as nominated by the Target and notified to the Bidder at least 10 Business Days prior to the Second Court Date, being the account into which the Bidder will deposit an amount equal to the total Scheme Consideration in accordance with clause 4.3.

1.2 Interpretation

In this Scheme headings and labels used for definitions are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;

- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) references to paragraphs or clauses are to a paragraph or clause of this document;
- (g) a reference to a document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (obsolete body), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (delegated legislation) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) a reference to a date or time is to that date or time in Perth, Australia; and
- (k) this Scheme or any clause in this Scheme must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

1.3 Business Day

Except where otherwise expressly provided, where under this document the day on which or by which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the immediately preceding Business Day.

2. Conditions

2.1 Conditions to the Scheme

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions, and the provisions of clauses 3 and 4 will not come into effect unless and until each of these conditions have been satisfied:

- (a) as at 8:00 am on the Second Court Date each of the conditions set out in clause 3.1 of the Implementation Agreement (other than the conditions relating to the approval of the Court set out in clauses 3.1(d) and 3.1(e) of the Implementation Agreement) have been satisfied or waived in accordance with the terms of the Implementation Agreement;
- (b) as at 8:00 am on the Second Court Date neither the Implementation Agreement nor the Deed Poll has been terminated;
- (c) the Court approves this Scheme under section 411(4)(b) of the Corporations Act with or without modification acceptable to the Bidder and the Target (each acting reasonably);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to the Bidder and the Target (each acting reasonably) have been satisfied or waived;

- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to the Scheme; and
- (f) the Court approves the Demerger Scheme (as defined in the Implementation Agreement) under section 411(4)(b) of the Corporations Act with or without modification acceptable to the Bidder and the Target (each acting reasonably).

2.2 Certificates in relation to Conditions

On the Second Court Date:

- (a) the Target must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not the Conditions set out in clauses 2.1(a) and 2.1(b) have been satisfied or waived; and
- (b) the Bidder must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not the Conditions set out in clauses 2.1(a) and 2.1(b) have been satisfied or waived.

2.3 Termination of Implementation Agreement

Without limiting any rights under the Implementation Agreement, in the event that the Implementation Agreement is terminated in accordance with its terms the Scheme will lapse and be of no force and effect (other than clause 4.3(d)), and except as provided in clause 4.3(d) the Target and the Bidder are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

3. Scheme

3.1 Effective Date of the Scheme

Subject to clause 3.2, the Scheme will take effect on and from the Effective Date.

3.2 End Date

The Scheme will lapse and be of no further force or effect (other than clause 4.3(d)) if the Effective Date has not occurred on or before the End Date, unless the Target and the Bidder otherwise agree in writing.

4. Implementation of Scheme

4.1 Lodgement of Court Orders with ASIC

If the Conditions are satisfied, the Target must promptly lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving the Scheme, and in any event by no later than 5:00 pm on the Business Day following the date on which the Court approves the Scheme or such other Business Day as the Target and the Bidder agree in writing.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 4.3 and the Bidder having provided the Target with written confirmation thereof, all of the Scheme Shares will, together with all rights and entitlements attaching to the Scheme Shares, be transferred to the Bidder without the need for any further act by any Scheme Shareholder (other than acts performed by the Target or its directors as attorney or agent for the Scheme Shareholders under this Scheme) by:
- (i) the Target delivering to the Bidder a completed Scheme Transfer duly executed on behalf of the Scheme Shareholders in accordance with clause 8.1 of this Scheme; and
 - (ii) the Bidder delivering to the Target a completed Scheme Transfer, duly executed by the Bidder, and attending to the stamping of the Scheme Transfer (if required); and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a), the Target must enter, or procure the entry of, the name and address of the Bidder in the Target Share Register as the holder of all of the Scheme Shares.

4.3 Provision of Scheme Consideration

- (a) By no later than the Business Day before the Second Court Date, the Bidder will deposit (or procure the deposit of) an amount equal to the total Scheme Consideration in cleared funds into the Trust Account (provided that any interest on the amount deposited (less bank fees and charges) will be credited to the Bidder's account). Upon the Bidder complying with its obligations under this clause 4.3(a), the Bidder will be taken to have satisfied its obligation to provide the Scheme Consideration.
- (b) On the Implementation Date, subject to clause 7 and the funds having been deposited in accordance with clause 4.3(a), the Target must pay or procure the payment of the Scheme Consideration from the Trust Account to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Target Share Register on the Record Date, which obligation will be satisfied by:
- (i) where a Scheme Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Target Share Registry to receive dividend payments from the Target by electronic funds transfer to a bank nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 4.3(b)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.4).
- (c) To the extent that there is a surplus in the amount held by the Target as trustee for the Scheme Shareholders in the Trust Account, and after taking into account all set-offs undertaken as a result of clause 7, that surplus may be paid by the Target to the Bidder.
- (d) If this Scheme lapses after the Bidder has provided the Scheme Consideration in accordance with clause 4.3(a), but prior to the Bidder being entered into the Target Share Register as the holder of all Scheme Shares in accordance with clause 4.2(b), the Target must refund to the Bidder the amount deposited into the Trust

Account in accordance with clause 4.3(a) together with any interest thereon (less bank fees and charges).

4.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to the Scheme Shareholders will be payable to the joint holders; and
- (b) any other document required to be sent under this Scheme will be issued in the names of the joint holders,

and will be forwarded to the holder whose name appears first in the Target Share Register as at the Record Date.

4.5 Unclaimed monies

- (a) The Target may cancel a cheque issued under this clause 4 if the cheque:
 - (i) is returned to the Target; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to the Target (or the Target Share Registry) (which request may not be made until that date which is 10 Business Days after the Implementation Date), the Target must reissue a cheque that was previously cancelled under this clause 4.5.
- (c) The Unclaimed Money Act 1990 (WA) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of that Act).

4.6 Orders of a court or Regulatory Authority

If written notice is given to the Target (or the Target Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which sum would otherwise be payable to that Scheme Shareholder by the Target in accordance with this clause 4, then the Target will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or
- (b) prevents the Target from making a payment to a particular Scheme Shareholder in accordance with clause 4.3(b), or such payment is otherwise prohibited by applicable law, the Target will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 4 is permitted by that order or direction or otherwise by law.

4.7 Fractional entitlements and share splitting or division

- (a) If the number of Scheme Shares held by a Scheme Shareholder at the Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration results in a fractional entitlement to a cent, then the entitlement of that Scheme Shareholder must be rounded up or down to the nearest cent (with any such fractional entitlement of less than 0.5 being rounded down to the nearest

whole cent and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole cent).

- (b) If the Bidder is of the opinion (acting reasonably) that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 4.7(a)) have, before the Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, the Bidder may give notice to those Scheme Shareholders:
- (i) setting out their names and registered addresses as shown in the Target Share Register;
 - (ii) stating that opinion; and
 - (iii) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the other provisions of the Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and registered addresses are set out in the notice will, for the purposes of the other provisions of the Scheme, be taken to hold no Scheme Shares. The Bidder in complying with the other provisions of the Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of the Scheme.

5. Dealings in Target Shares

5.1 Dealings in Target Shares by the Scheme Shareholders

For the purposes of establishing the identity of the Scheme Shareholders, dealings in Target Shares or other alterations to the Share Register will only be recognised by the Target provided that:

- (a) in the case of dealings of the type to be effected on CHES, the transferee is registered in the Target Share Register as the holder of the relevant Target Shares by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at or before the Record Date at the place where the Target Share Register is kept,

and the Target will not accept for registration, or recognise for any purpose (except a transfer to the Bidder pursuant to this Scheme and any subsequent transfer by the Bidder or its successors in title), any transmission application or transfer in respect of Target Shares received on or after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

5.2 Target Share Register

The Target will, until the Scheme Consideration has been paid and the Bidder has been entered in the Target Share Register as the holder of all of the Scheme Shares, maintain the Target Share Register in accordance with the provisions of this clause 5 and the Target Share Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.

5.3 Information to be made available to the Bidder

The Target must procure that as soon as practicable following the Record Date, details of the names, registered addresses and holdings of Target Shares of every Scheme Shareholder shown in the Target Share Register at the Record Date are made available to the Bidder in such form as the Bidder may reasonably require.

5.4 Effect of share certificates and holding statements

As from the Record Date (and other than for the Bidder following the Implementation Date), all share certificates and holding statements for the Scheme Shares will cease to have effect as documents of title, and each entry on the Target Share Register (other than for the Bidder) at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

5.5 No disposals after Record Date

If the Scheme becomes Effective, a Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

6. Suspension and termination of quotation

- (a) The Target must apply to ASX for suspension of trading of Target Shares on ASX with effect from the close of trading on the Effective Date.
- (b) The Target must apply to ASX for:
 - (i) termination of official quotation of Target Shares on ASX; and
 - (ii) the removal of the Target from the official list of ASX,
 with effect from the close of business on the Business Day immediately following the Implementation Date.

7. Deductions required by law

- (a) Without limiting clause 7(b), any payment (or deemed payment under law) to be made under this Scheme must be made free and clear of any set-off, deduction or withholding, except where that set-off, deduction or withholding is required or compelled by law (whether by the Bidder in respect of this Scheme or the Target in respect of the Demerger Scheme), including tax laws or such as where that set-off, deduction or withholding relates to an amount payable under Subdivision 14-D of Schedule 1 to the Taxation Administration Act 1953 (Cth).
- (b) Each Scheme Shareholder acknowledges and agrees that:
 - (i) the Target has proposed the Demerger Scheme;
 - (ii) under clause 7.12 of the Demerger Scheme, each "Demerger Scheme Shareholder" (as that term is defined in the Demerger Scheme) has:
 - A. directed the Target to pay any withholding required or compelled by law (in relation to the Demerger Scheme) to the relevant Regulatory Authority on its behalf, and that the amount of that withholding is to be treated as a loan from the Target to that Demerger Scheme Shareholder; and

- B. agreed to repay that loan to the Target in cash upon implementation of this Scheme.
- (c) Each Scheme Shareholder authorises the Target to apply the portion of the Scheme Consideration to which that Scheme Shareholder would otherwise be entitled, as is necessary to repay the amount of the loan referred to in clause 7(b) and agrees that:
- (iii) the amount of the applied Scheme Consideration is to be treated as a reduction in the aggregate Scheme Consideration payable by the Target to that Scheme Shareholder under clause 4.3 of this Scheme; and
 - (iv) the cash attributable to the amount of the applied Scheme Consideration belongs to the Target.

8. General Scheme provisions

8.1 Appointment of agent and attorney

Each Scheme Shareholder, without the need for any further act, irrevocably appoints the Target as its agent and attorney for the purpose of:

- (a) executing any document or form or doing any other act necessary to give effect to the terms of the Scheme including, without limitation, the execution of the Scheme Transfer to be delivered under clause 4.2 and the giving of the Scheme Shareholders' consent under clause 8.3; and
- (b) enforcing the Deed Poll against the Bidder,

and the Target accepts such appointment. The Target, as agent and attorney of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.2 Enforcement of Deed Poll

The Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against the Bidder (as applicable on behalf of and as agent and attorney for the Scheme Shareholders).

8.3 Scheme Shareholders' consent

Each Scheme Shareholder irrevocably:

- (a) consents to the Target and the Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme; and
- (b) acknowledges that the Scheme binds the Target and all of the Scheme Shareholders (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme).

8.4 Scheme Shareholder's agreements and warranties

Each Scheme Shareholder:

- (a) agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those Scheme Shares in accordance with this Scheme;

- (b) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
- (c) agrees to, on the direction of the Bidder, destroy any holding statements or share certificates relating to their Scheme Shares; and
- (d) is deemed to have warranted to the Bidder and, to the extent enforceable, appointed and authorised the Target as its agent to warrant to the Bidder that all its Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer of them to the Bidder, be fully paid and free from all security interests, including mortgages, charges, liens, encumbrances, pledges, Security Interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that it has full power and capacity to sell and to transfer those Scheme Shares together with any rights and entitlements attaching to such shares to the Bidder under the Scheme.

8.5 Title to Scheme Shares and transfer free from encumbrance

- (a) The Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by the Target of the Bidder in the Target Share Register as the holder of the Scheme Shares.
- (b) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under the Scheme to the Bidder, will, at the time of transfer to the Bidder, vest in the Bidder free from all security interests (including mortgages, charges, liens, encumbrances, pledges, Security Interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind).

8.6 Appointment of the Bidder as sole proxy

Immediately upon the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 4.3 of this Scheme, and until the Target registers the Bidder as the holder of all of the Scheme Shares in the Target Share Register, each Scheme Shareholder:

- (a) irrevocably appoints the Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable corporate representative, to attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in its name and sign any shareholders resolution, and no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.6(a));
- (b) must take all other actions in the capacity of the registered holder of Scheme Shares as the Bidder reasonably directs; and
- (c) acknowledges and agrees that in exercising the powers conferred under clause 8.6(a) the Bidder and each of its directors may act in the best interests of the Bidder, as the intended registered holder of the Scheme Shares.

8.7 Consent to alterations

If the Court proposes to approve this Scheme subject to any alterations or conditions, the Target may, by its counsel or solicitors, and with the consent of the Bidder, consent on behalf of all persons concerned, including a Scheme Shareholder, to any modification of or amendment to the Scheme which the Court thinks fit to impose.

8.8 Notices

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to the Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at the Target's registered office or at the Target Share Registry as the case may be.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.9 Inconsistencies

This Scheme binds the Target and all Target Shareholders, and to the extent of any inconsistency, overrides the Target constitution.

8.10 Further assurance

The Target will execute all documents and do all acts and things as may be necessary or expedient for the implementation of, and performance of its obligations under, the Scheme.

8.11 No liability when acting in good faith

Neither the Target nor the Bidder, nor any of their respective officers or employees, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

8.12 Stamp Duty


The Bidder:

- (a) will pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 8.12(a).

8.13 Governing Law

- (a) This Scheme is governed by the law applying in Western Australia.
- (b) Each party irrevocably:
 - (i) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
 - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 8.13(b)(i).

Annexure Acquisition Deed Poll



Execution version

Deed poll

(in respect of the Scheme)

Angang Group Hong Kong (Holdings) Limited
Bidder

In favour of each person registered in the Target Share Register as a
holder of Scheme Shares as at the Record Date

Clayton Utz
Level 27 QV.1
250 St Georges Terrace
Perth WA 6000
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Tel +61 8 9426 8000
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Contents

1.	Definitions and interpretation	1
1.1	Definitions	1
1.2	Interpretation	1
1.3	Nature of deed poll	2
2.	Conditions	2
2.1	Conditions Precedent	2
2.2	Termination	2
2.3	Consequences of termination	3
3.	Scheme obligations	3
4.	Warranties	3
5.	Continuing obligations	3
6.	General	4
6.1	Stamp duty	4
6.2	Notices	4
6.3	When notice taken to be received	4
6.4	Waiver	5
6.5	Variation	5
6.6	Cumulative rights	5
6.7	Assignment	5
6.8	Further action	6
7.	Governing law and jurisdiction	6

Deed poll

Date	11 March 2019
Parties	Angang Group Hong Kong (Holdings) Limited , Company No. 0812362, of Rooms 3412-13, Convention Plaza, Office Tower, 1 Harbour Road, Wanchai, Hong Kong (Bidder)
In favour of	Each person registered in the Target Share Register as a holder of Scheme Shares as at the Record Date (Scheme Shareholders)

Background

- A. The Target and the Bidder have entered into the Implementation Agreement.
- B. The Target has agreed in the Implementation Agreement to propose a scheme of arrangement between the Target and the Scheme Shareholders, the effect of which will be that the Bidder acquires all of the Scheme Shares from the Scheme Shareholders for the Scheme Consideration, subject to the satisfaction of certain conditions.
- C. In accordance with clause 4.3(h) of the Implementation Agreement, the Bidder is entering into this deed poll to covenant in favour of the Scheme Shareholders that it will observe and perform its obligations under the Scheme.

1. Definitions and interpretation

1.1 Definitions

In this deed poll:

First Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Implementation Agreement means the scheme implementation agreement dated on or about 11 March 2019 between the Target and the Bidder under which, amongst other things, the Target has agreed to propose the Scheme to Target Shareholders, and each of the Bidder and the Target has agreed to take certain steps to give effect to the Scheme.

Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Shareholders, in the form of Annexure A to the Implementation Agreement, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by the Bidder and the Target.

Target means Gindalbie Metals Limited ACN 060 857 614 of 6 Altona St, West Perth, Western Australia 6005, Australia

Capitalised terms have the meaning given to them in the Scheme, unless the context requires otherwise.

1.2 Interpretation

In this deed poll headings and labels used for definitions are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;

- (b) the word **including** or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) references to paragraphs or clauses are to a paragraph or clause of this document;
- (g) a reference to a document (including this deed poll) is to that document as varied, novated, ratified or replaced from time to time;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (obsolete body), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (delegated legislation) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) a reference to a date or time is to that date or time in Perth, Australia; and
- (k) this deed poll or any clause in this deed poll must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

1.3 Nature of deed poll

The Bidder acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder appoints the Target as its agent and attorney to enforce this deed poll against the Bidder.

2. Conditions

2.1 Conditions Precedent

The Bidder's obligations under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The Bidder's obligations under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective by the End Date,

unless the Target and the Bidder otherwise agree in accordance with the Implementation Agreement.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) the Bidder is released from its obligations to further perform this deed poll except those obligations under clause 6.1 and any other obligations which by their nature survive termination; and
- (b) each Scheme Shareholder retains the rights they have against the Bidder in respect of any breach of this deed poll which occurs before it was terminated.

3. Scheme obligations

Subject to clause 2, the Bidder undertakes in favour of each Scheme Shareholder to:

- (a) deposit (or procure the deposit of) an amount equal to the total Scheme Consideration in cleared funds into the Trust Account by no later than the Business Day before the Second Court Date; and
- (b) undertake all other actions attributed to it under, and otherwise comply with, the Scheme, as if named as a party to the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

4. Warranties

The Bidder represents and warrants that:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) the execution and delivery by it of this deed poll has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to perform or cause to be performed its obligations under this deed poll and to carry out or cause to be carried out the transactions contemplated by this deed poll;
- (c) this deed poll constitutes legally, valid and binding obligations on it enforceable in accordance with its terms (subject to any necessary stamping) and does not conflict with or result in a breach of or default under:
 - (i) the constitution or equivalent constituent documents of it or any of its Related Bodies Corporate; or
 - (ii) any writ, order or injunction, judgment, law, rule or regulation to which it is party, or by which it is bound; and
- (d) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) the Bidder has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6. General

6.1 Stamp duty

The Bidder:

- (a) will pay or procure the payment of all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll; and
- (b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Notices

Any notice or other communication to the Bidder in connection with this deed poll:

- (a) may be given by personal service, post or email;
- (b) must be in writing;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):

Address: 63 Wu Yi Street, Tie Dong District, Liaoning, PRC

Email: wangcongqing@ansteel.com.cn

Attention: Mr Wang Congqing (王从庆)

with a copy (for information purposes only) in each case to:

Email: james.stewart@nortonrosefulbright.com

- (d) (in the case of personal service or post) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (e) (in the case of email) must state that the email is a communication under this deed; and
- (f) must be delivered by hand or posted by prepaid post to the address or sent by email to the email address of the addressee in accordance with this clause 6.2.

6.3 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of delivery by hand) on delivery; and
- (d) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the

addressee's domain specified in the email address notified for the purposes of clause 6.2, 24 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a Business Day or after 5:00 pm, it is taken to be received at 9:00 am on the next Business Day.

6.4 Waiver

- (a) Waiver of any right arising from a breach of this deed poll or of any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party granting the waiver. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) A failure or delay in exercise, partial exercise, or enforcement of:
 - (i) any right, power or remedy provided by law or under this deed poll; or
 - (ii) any right, power, authority, discretion or remedy created or arising upon default under this deed poll,

by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.

- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.
- (d) A party may not rely on any conduct of another party as a defence to the exercise of a right, power, authority, discretion or remedy by that other party.
- (e) This clause 6.4 may not itself be waived except in writing.

6.5 Variation

A provision of this deed poll may not be varied unless:

- (a) before the First Court Date, the variation is agreed to in writing by the Target and the Bidder; or
- (b) on or after the First Court Date, the variation is agreed to in writing by the Target and the Bidder and the Court indicates that the variation would not preclude approval of the Scheme,

in which event the Bidder will enter into a further deed poll in favour of the Scheme Shareholders giving effect to such variation.

6.6 Cumulative rights

The rights, powers and remedies of the Bidder and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

6.7 Assignment

The rights and obligations of the Bidder and the rights of each Scheme Shareholder under this deed poll are personal and must not be assigned, charged or otherwise dealt with at law or in equity.

6.8 Further action

The Bidder will, at its own expense, promptly do all things and execute and deliver all further documents required by law to give effect to this deed poll and the transactions contemplated by it.

7. Governing law and jurisdiction

- (a) This deed poll is governed by the law applying in Western Australia.
- (b) The Bidder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to for any proceedings in connection with this deed poll.
- (c) The Bidder waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 7(b).

Executed as a deed poll.

Signed for and on behalf of **Angang Group Hong Kong (Holdings) Limited** by its authorised signatory in the presence of:

Signature of witness

LIU Xiaohui

Full name of witness

11 March 2019

Date

Signature of authorised signatory

DU Xingkai

Full name of authorised signatory

11 March 2019

Date

Annexure
Notice of
Acquisition
Scheme
Meeting

E

Gindalbie Metals Limited

ACN 060 857 614

Notice of Acquisition Scheme Meeting

Notice of Court ordered Acquisition Scheme Meeting of Gindalbie Shareholders

Notice is hereby given, by an order of the Federal Court of Australia made on 24 May 2019 pursuant to section 411(1) of the Corporations Act, that a meeting of holders of ordinary shares in Gindalbie Metals Limited (**Gindalbie**) (**Gindalbie Shareholders**) will be held at 9.30 am (Perth time) on 3 July 2019 at the Perth Convention and Exhibition Centre, Meeting Room 8 (**Acquisition Scheme Meeting**).

The Court has also directed that Keith Jones, or, failing him, Andrew (Robin) Marshall, act as the chairperson of the Acquisition Scheme Meeting.

The purpose of the Acquisition Scheme Meeting is to consider and, if thought fit, to approve a scheme of arrangement (with or without any modifications or conditions approved by the Court which are acceptable to Gindalbie and Ansteel) proposed to be made between Gindalbie and Gindalbie Shareholders (other than Ansteel and its Related Bodies Corporate) (**Acquisition Scheme**).

To enable you to make an informed voting decision, further information on the Acquisition Scheme is set out in the Acquisition Scheme Booklet which this notice forms part of. Unless otherwise defined, capitalised terms used in this notice have the same meaning as set out in the defined terms in Section 11 of the Acquisition Scheme Booklet.

Business of the meeting

Resolution – Approval of the Acquisition Scheme

To consider and, if thought fit, to pass the following resolution (**Acquisition Scheme Resolution**):

“That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act, the members approve the arrangement between Gindalbie Metals Limited and the holders of its fully paid ordinary shares (other than Angang Group Hong Kong (Holdings) Limited and its Related Bodies Corporate), designated the “Acquisition Scheme”, as contained in and more particularly described in the Acquisition Scheme Booklet accompanying the Notice of Acquisition Scheme Meeting with or without any modifications or conditions approved at this meeting or approved by the Federal Court of Australia after this meeting, and which are acceptable to Gindalbie and Angang Group Hong Kong (Holdings) Limited) and, subject to approval of the Acquisition Scheme by the Court, the Gindalbie Board is authorised to implement the Acquisition Scheme with any such modifications or conditions.”

BY ORDER OF THE COURT

Rebecca Moylan
Company Secretary
Gindalbie Metals Limited

Dated 24 May 2019

EXPLANATORY NOTES

General

The Notice of Acquisition Scheme Meeting relates to the Acquisition Scheme and should be read in conjunction with the balance of the Acquisition Scheme Booklet. The Acquisition Scheme Booklet contains important information to assist you in determining how to vote on the Acquisition Scheme Resolution, including the information prescribed by the Corporations Act and the Corporations Regulations.

A copy of the Acquisition Scheme is set out in Annexure C of the Acquisition Scheme Booklet.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Acquisition Scheme Resolution must be approved by:

- unless the Court orders otherwise, a majority in number (more than 50%) of Gindalbie Shareholders present and voting at the Acquisition Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Gindalbie Shareholders, by a duly appointed corporate representative); and
- at least 75% of the total number of votes cast on the Acquisition Scheme Resolution by Gindalbie Shareholders at the Acquisition Scheme Meeting.

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Acquisition Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the Requisite Majorities and the other Conditions are satisfied or waived (as applicable), Gindalbie intends to apply to the Court for approval of the Acquisition Scheme.

In order for the Acquisition Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Acquisition Scheme must be lodged with ASIC.

VOTING

The Independent Directors believe that the Acquisition Scheme is attractive and in the best interests of Gindalbie Shareholders and recommend that Gindalbie Shareholders vote in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Acquisition Scheme is in the best interests of Gindalbie Shareholders.

Each Independent Director intends to cause any Gindalbie Shares in which he has a Relevant Interest to be voted in favour of the Acquisition Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude the Acquisition Scheme is in the best interests of Gindalbie Shareholders.

Voting entitlement

The Independent Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations that Gindalbie Shareholders who are registered in the Gindalbie Share Register as at 5.00 pm (Perth time) on 1 July 2019 may vote at the Acquisition Scheme Meeting in person, by attorney, by proxy or, in the case of a body corporate, by corporate representative.

Joint holders

In the case of Gindalbie Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one Gindalbie Shareholder votes in respect of jointly held Gindalbie Shares, the vote of the senior who tenders a vote must be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the Gindalbie Share Register.

How to vote

Gindalbie Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the Proxy Form accompanying this Notice of Acquisition Scheme Meeting and by submitting the proxy appointment and voting instructions as set out below.

Voting in person (or by attorney)

Gindalbie Shareholders, or their attorneys, who plan to attend the Acquisition Scheme Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Acquisition Scheme Meeting, so that their shareholding may be checked against the Gindalbie Share Register and attendance recorded.

Gindalbie Shareholders wishing to vote by attorney at the Acquisition Scheme Meeting must, if they have not already presented an appropriate power of attorney to Gindalbie, deliver to the Share Registry (at the address or fax number provided below) the original instrument appointing the attorney or a certified copy of it by 9.30 am (Perth time) on 1 July 2019.

Voting by a corporation

A Gindalbie Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The representative should bring to the meeting the appropriate "Certificate of Appointment of Corporate Representative" (which can be obtained from the Share Registry's website at www.linkmarketservices.com.au by hovering over 'Resources', clicking on 'Forms', selecting 'Holding Management' and then selecting 'Appointment of Corporate Representation') or other evidence of their appointment. The appointment must comply with section 250D of the Corporations Act.

Voting by proxy

Gindalbie Shareholders who wish to appoint a proxy to attend and vote at the Acquisition Scheme Meeting must complete and return the Proxy Form accompanying this Notice of Acquisition Scheme Meeting to the Share Registry.

The Proxy Form must be received by the Share Registry (as indicated on the Proxy Form you receive) by no later than 9.30 am (Perth time) on 1 July 2019.

You must return the Proxy Form to the Share Registry by lodging, sending, delivering or faxing it as follows:

Online: lodge online at www.linkmarketservices.com.au as follows:

Select 'Investor Login' and in the "Single Holding" section enter:

- "Gindalbie Metals Ltd" or the ASX code "GBG" in the Issuer name field;
- your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your Proxy Form);
- postcode; and
- security code, which is shown on the screen,

and click 'Login'.

Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

Mail to:

Gindalbie Metals Ltd
C/- Link Market Services Limited
Locked Bag A14

Sydney South NSW 1235
Australia

By hand:

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Australia

Fax to: 02 9287 0309 (within Australia)
+61 2 9287 0309 (outside Australia)

A Proxy Form must be signed by the Gindalbie Shareholder or the Gindalbie Shareholder's attorney. Proxies given by a corporation must be executed in accordance with the corporation's constitution and the Corporations Act.

A Gindalbie Shareholder who wishes to submit a proxy has the right to appoint a proxy (who need not be a Gindalbie Shareholder) to represent them at the Acquisition Scheme Meeting by inserting the name of their chosen proxy in the space provided for that purpose on the Proxy Form.

If:

- a Gindalbie Shareholder nominates the chairperson of the Acquisition Scheme Meeting as the Gindalbie Shareholder's proxy; or
- a proxy appointment is signed by a Gindalbie Shareholder but does not name the proxy or proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

the chairperson of the Acquisition Scheme Meeting will act as proxy under the appointment.

Proxy appointments in favour of the chairperson of the Acquisition Scheme Meeting which do not contain a direction will be voted in favour of the Acquisition Scheme Resolution at the Acquisition Scheme Meeting.

A Gindalbie Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes (disregarding fractions). The Gindalbie Shares represented by proxy will be voted for or against or withheld from voting in accordance with the instructions of the Gindalbie Shareholder on any ballot that may be called for, and if the Gindalbie Shareholder specifies a choice with respect to any matter to be acted upon, the Gindalbie Shares will be voted accordingly.

A Gindalbie Shareholder who has deposited a Proxy Form may revoke it prior to its use by giving written notice to Gindalbie before the commencement of the Acquisition Scheme Meeting. A Gindalbie Shareholder may also revoke a proxy in any other manner permitted by law.

Further information for Gindalbie Shareholders

If you have any questions please contact the Gindalbie Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6314 (for callers outside Australia) between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

Directory

Gindalbie Metals Limited

6 Altona Street
West Perth WA 6005
AUSTRALIA

Company Secretary

Rebecca Moylan

Share Registry

Link Market Services Limited
Level 12 QV1 Building
250 St Georges Terrace
Perth WA 6000
AUSTRALIA

Website

www.gindalbie.com.au

ASX Code

GBG

Gindalbie Shareholder Information Line

1300 308 375 (within Australia)
+61 8 6314 6314 (outside of Australia)

The Gindalbie Shareholder Information Line is open 9.00 am to 5.00 pm (Perth time) Monday to Friday.

Directors

Keith Jones
Andrew (Robin) Marshall
Paul Hallam
Ge Li
An Lin Shao

Legal Adviser to Gindalbie

Clayton Utz
Level 27 QV1 Building
250 St Georges Terrace
Perth WA 6000
AUSTRALIA

Auditor

KPMG
235 St Georges Terrace
Perth WA 6000
AUSTRALIA

Independent Expert

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
AUSTRALIA

Independent Technical Expert

SRK Consulting (Australasia) Pty Ltd
1/10 Richardson Street
West Perth WA 6005
AUSTRALIA

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GINDALBIE.COM.AU





LODGE YOUR PROXY

ONLINE
www.linkmarketservices.com.au

BY MAIL
Gindalbie Metals Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Gindalbie Metals Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Acquisition Scheme Meeting of the Company to be held at **9:30am (Perth, Western Australia time) on 3 July 2019 at Perth Convention and Exhibition Centre, Meeting Room 8, 21 Mounts Bay Road, Perth (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.*

*** In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.**

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolution

For Against Abstain*

1 Approval of the Acquisition Scheme

STEP 2



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:30am (Perth, Western Australia time) on Monday, 1 July 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your proxy. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Gindalbie Metals Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ACQUISITION SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

VENDOR DECLARATION ACTION REQUIRED BY GINDALBIE SHAREHOLDER

All parts of Section A and B must be completed

SECTION A

Acquisition Scheme Details

Place an X in the applicable box below.

Individual - Provide date of birth: / /

Company - Provide Australian Business Number (ABN) or Australian Company Number (ACN) (insert N/A if not applicable)

Gindalbie Shareholder contact details:

Email address of the Gindalbie Shareholder

Phone number of the Gindalbie Shareholder (including area code)

()

SECTION B

Vendor Declaration

If you wish to make a vendor declaration, please select one declaration only by placing an X in the applicable box below.

The Gindalbie Shareholder named overleaf is and will be an Australian tax resident, for the period from and including the Acquisition Scheme Record Date until and including the Implementation Date (*residency declaration*).

OR

The Gindalbie Shares held by the Gindalbie Shareholder named overleaf are not Indirect Australian Real Property Interests for the period from and including the Acquisition Scheme Record Date until and including the Implementation Date (*interest declaration*).

This declaration has been prepared in accordance with section 14-225 of Schedule 1 to the Taxation Administration Act 1953 (Cth). The declaration is valid for six months from the date it is signed.

SIGN

SIGN

I declare as the Gindalbie Shareholder named overleaf or authorised officer of the named Gindalbie Shareholder, that the information contained in this form is true and correct.

Name

Relationship to the Gindalbie Shareholder:

Signature:

Date: