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CHAIRMAN'S ADDRESS – 2008 ANNUAL GENERAL MEETING

9.30am (WDT): Thursday, 20 November 2008

Good morning Ladies and Gentlemen: I'd like to welcome you to Gindalbie's 2008 Annual General Meeting.

Last year, I spoke of 2008 as being a potential major turning point in our growth. It is a great credit to our team that we have either achieved – or are close to achieving – all of our key goals for the year despite the extraordinarily difficult financial market and economic conditions that have arisen.

These milestones have included completion of subscription agreements with our partner, AnSteel, progressing project financing and ordering long-lead items for the Karara Iron Ore Project.

Since mid-year we have seen unprecedented turmoil in global markets. Gindalbie has not been immune to the effects of this worldwide financial tsunami, with our share price falling to levels not seen since 2005.

I plan to concentrate my comments today on the current market conditions and China. I will shortly ask our Managing Director, Garret Dixon, to give you a comprehensive update on our Company's project activities.

However, firstly I would like to update you on a very important corporate transaction.

Ansteel Funding Agreement

You would be aware that Gindalbie has accepted an offer from AnSteel to fund our share of the equity contribution towards the estimated $1.8 billion project development cost through a $162 million share placement to be undertaken at an issue price of 85 cents per share – a 105% premium to the market price.

In the context of the current market conditions, I believe this represents a very significant achievement.

The Board decided to accept this proposal after carefully weighing up the alternatives. We had always intended to raise equity to fund our contribution; however, I structured our original Joint Venture Agreement with the option to ask AnSteel to arrange debt finance in case markets were not conducive to an equity raising.

I think it's fair to say that none of us anticipated that both debt and equity markets would come under such pressure at the same time, making the terms and conditions for a $162 million loan highly unattractive to us from a corporate risk perspective.

I firmly believe that the alternative of a share placement to AnSteel at a significant premium represents by far the best outcome and is in the best interests of all shareholders. In the current environment, the opportunity to de-risk our balance sheet and secure this funding on such attractive terms represents a major coup for Gindalbie and a strong vindication of our joint venture relationship and project development model.

Details of this matter will be put in front of all shareholders for approval as soon as possible.

Once this transaction is completed, AnSteel will have a 36% stake in Gindalbie and be our largest shareholder, fully aligned with all other shareholders. AnSteel has confirmed it is poised to make its final equity payment of $143.7 million and, following completion of this placement, will have invested close to $600 million in Gindalbie shares and Karara equity contributions.

Once the final payments are made early next year, our joint venture company, Karara Mining Limited, will have cash resources of approximately $450 million, while Gindalbie itself will be debt-free at the corporate level and have uncommitted cash reserves of around $40 million.

This provides a buffer from any unforeseen future market events while also giving us the flexibility to develop other projects within our Mid West portfolio.

I do acknowledge shareholders' concerns regarding the dilution that occurs with share placements, but I firmly believe that having Ansteel has both a partner and big shareholder will give Gindalbie a greater opportunity to grow into a significant resources group with the ability to deliver substantial returns to shareholders.

AnSteel has made it clear to me that they want to help Gindalbie develop into a major resources group focused on the carbon steel materials sector.

Market Conditions

There has been a lot of sweeping rhetoric in recent weeks about the demise of the resources boom.

My view – which is supported by recent discussions I have had with a number of senior Chinese business leaders and other experienced China analysts – is that there is a solid "bottom line" of demand for key raw materials that will continue to underpin and sustain quality Australian resource projects.

While there is evidence of a slowdown in Chinese economic growth from its peak of 11.9% last year, it is unlikely it will experience a so-called "hard landing" where GDP growth slows to 5% per annum.

As AMP Capital Investors Chief Economist, Shane Oliver, recently pointed out, the key reasons for this are:

- The Chinese economy is now of a size where even growth of 7 or 8 per cent will still translate into solid underlying and long-term demand for key raw materials, particularly steel-making raw materials. As it is, China still predicts long-term growth rates of between 8 and 10 per cent.

- The Chinese banking system is fundamentally sound compared with its counterparts in the Western World with no dependence on foreign capital;

- The Chinese corporate sector is generally in good shape with the level of gearing falling and a high level of retained earnings. Also, while the stock market has fallen in line with global markets, it is important to remember that the equity market only accounts for 15% of corporate financing;

- Consumer spending in China has remained strong thanks to a high level of domestic savings, low gearing and minimal equity exposure amongst Chinese households;

- Monetary policy is being aggressively eased in China, with two interest rate cuts in the last two months and inflation falling; and finally

- The Government has confirmed it is increasing spending on infrastructure and providing other forms of fiscal stimulus to the economy. We saw evidence of this last week with the $855 billion economic stimulus package, which will be spent on a raft of construction and infrastructure projects. There is enormous pressure within China – and indeed a strong political imperative – for the Government to maintain economic growth and provide infrastructure to support the high rate of urbanisation.

All of this gives me comfort that China will continue to grow, and grow strongly for many decades to come, providing a solid underpinning to the long-term outlook for commodities – a view which is supported by recent comments from BHP Billiton Chairman Don Argus and Rio Tinto Chief Executive Tom Albanese.

Having said all this, there is little doubt that the sudden downturn in China has had some severe short-term effects. For one, Chinese steel mills and iron ore buyers have reacted to the current crisis by moving quickly to push for lower prices – a move which is not surprising given the stunning price rises of the last two years.

Predictably, major producers such as Rio Tinto and Vale have responded quickly by announcing cuts in production. This should be understood in the context of retaining supply-demand balance and positioning ahead of the annual contract price negotiations, which are already in the preliminary stages.

I believe that the current crisis will put the squeeze on the speculative end of the iron ore sector but I do not believe it spells the end for every iron ore project in the world. Companies with strong business plans, quality assets and, importantly, long-term partnerships with Chinese steel mills, will be well placed to weather the storm and, in the longer term, survive and thrive.

We are also seeing the Chinese Government's push for consolidation of the Chinese steel industry rapidly gathering momentum – with the industry likely to be dominated by three or four giants, with AnSteel being one of these. Ultimately that is probably a good thing for the stability and long-term growth of the iron ore industry.

This brings me to the point I have been making about Gindalbie and the Karara Joint Venture for years: it is companies with direct long-term relationships to the larger steel mills which will survive this crisis the best.

In our case, we have a joint venture partner which is one of the pillars of the Chinese steel industry. Importantly, Ansteel is earning a 50% direct stake in the Karara Project and is also our major shareholder.

Their interests are firmly aligned with ours and it is important to remember that Karara will supply most of the feed for the new state-of-the-art steel mill they have just completed at BuYuQuan in north-east China.

There will also be other collateral benefits from the current crisis. Delays or cancellations of major new iron ore projects means that the forecast supply surplus that many predicted would drive down prices in years to come will not eventuate. A more balanced supply-demand equation, with underlying growth, will help keep commodity prices at reasonable levels.

The fall in the Australian Dollar has also offset the fall in prices for many commodities and will ultimately benefit Australian mining companies and mineral exporters.

Also, the recent slowdown is already having a noticeable impact in freeing up the tight market for equipment, materials and personnel in the Western Australian resource sector – and this, combined with lower oil prices, has the potential to flow through very quickly to help keep a lid on capital costs for new projects and should lead to lower operating costs.

Outlook

As I mentioned in opening, following completion of the AnSteel placement, Gindalbie will enter 2009 in a very strong position. Our joint venture company, Karara Mining Limited, already has about $200 million in cash, and there are now some 200 people actively working on the Karara Project, making it a reality.

We expect that further positive milestones will be achieved over the coming months, including environmental approval, offtake agreements and project debt funding, demonstrating that we are continuing to tick the boxes on developing this project.

Importantly, we have achieved the following:

- a world-class, multi-billion-tonne ore body, as well as a growing inventory of high-grade hematite resources;
- a strong joint venture partner which is absolutely committed to the project, wants our ore and is committed to organise and underwrite the entire project financing to earn its 50% stake; and
- a committed, high quality team of personnel who are continuing to go about their business with focus and dedication – not deterred by the current market turmoil.

I do not expect 2009 to be any less challenging than the past year has been; however, I am confident that we have the right strategy, the right people and the appropriate resources in place to realise our vision of becoming a leading independent Australian iron ore company by early next decade.

I would like to thank your for your continued support and I look forward to sharing with you in our future growth.

I would also like to thank my fellow Directors, who have assisted me in providing strong guidance through these troubled times. In addition, I would like to also offer my thanks to the excellent team of people at Gindalbie, led by Garret Dixon, that we are fortunate to have, for their hard work and achievements in the past year.

Thank you for your attention.

George Jones
Chairman