

SHAREHOLDER APPROVAL OF SHARE MORTGAGE

Gindalbie Metals Limited (ASX: **GBG** – “Gindalbie”) recently announced that Karara Mining Limited (“KML”) (in which Gindalbie has a 47.84% investment) had refinanced its syndicated bank debt facilities (see Australian Securities Exchange Announcement of 24 May 2015, ‘*Long Term Financing for Karara Mining Limited*’).

As part of the security arrangements for the refinanced debt, Gindalbie provided guarantees and mortgages of Gindalbie’s KML shares to the lenders and to Anshan Iron and Steel Group Corporation (“Anshan”) including:

- a new, first-ranking share mortgage, granted by Gindalbie to KML’s lenders; and
- a variation to the existing second-ranking share mortgage, granted in 2010 by Gindalbie to the sponsor, Anshan, in relation to a previous (now repaid) USD1.2 billion syndicated debt facility to secure obligations to indemnify Anshan if Gindalbie does not meet its obligations under a new guarantee to the lenders (“Anshan Share Mortgage”).

The original Anshan Share Mortgage was approved by Gindalbie’s ordinary shareholders other than those associated with Anshan (“non-associated shareholders”) at a general meeting on 16 June 2010.

In the opinion of Gindalbie’s independent Directors, it is necessary for non-associated shareholders to approve the variations to the Anshan Share Mortgage because the consequence of those variations is that the mortgage is effectively a new security over Gindalbie’s KML shares and the previous approval by non-associated shareholders of the original Anshan Share Mortgage on 16 June 2010 does not apply.

ASX Determination

ASX has considered the matter in response to a request for an opinion by Gindalbie and has determined that ASX Listing Rule 10.1 applies to the variation of the Anshan Share Mortgage, and the approval of non-associated shareholders would be required.

ASX granted a waiver of Listing Rule 10.1 in respect of the variation of the Anshan Share Mortgage on its usual conditions, including that the Anshan Share Mortgage be amended to make it clear that where enforcement of the Anshan Share Mortgage took place, neither Anshan nor any of its associates could acquire any legal or beneficial interest in the KML shares or any asset of Gindalbie pursuant to the Anshan Share Mortgage without the prior approval of non-associated shareholders. The terms of the waiver need to be acceptable to Gindalbie, Anshan and Angang Group Investment (Australia) Pty Ltd (“Angang”), given the Anshan Share Mortgage cannot be amended without the consent of Anshan and Angang.

As at the date of this announcement, Gindalbie understands that Anshan and Angang do not consent to the amendment of the Anshan Share Mortgage in the form proposed by Gindalbie.

Shareholder Approval of Anshan Share Mortgage

As Anshan and Angang’s consent to the amendment to the Anshan Share Mortgage proposed by Gindalbie has not been obtained, Gindalbie is not presently able to comply with the conditions of the waiver. Accordingly, ASX has required Gindalbie to take corrective action in accordance with Listing Rule 10.9.

In compliance with ASX's request, Gindalbie will convene a general meeting of shareholders for the purposes of seeking the approval of non-associated shareholders to the Anshan Share Mortgage by way of ordinary resolution ("Resolution"). An independent expert's report ("IER") will be commissioned to provide an opinion as to whether the entry into the Anshan Share Mortgage (as varied) is fair and reasonable to non-associated shareholders. The IER and a notice of meeting will be sent to all shareholders in due course.

ASX has informed Gindalbie that in the event that Anshan and Angang inform Gindalbie that they consent to the required amendment of the Anshan Share Mortgage (such that Gindalbie is able to comply with the terms of the waiver) prior to the meeting taking place, then ASX would permit Gindalbie to withdraw its notice of meeting and operate under the terms of the waiver.

The notice of meeting will provide Gindalbie shareholders with all information they need to come to a fully informed decision in respect of the Resolution, and will also set out the consequences where the Resolution is not passed by non-associated shareholders.

On behalf of:

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