FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2011

ACN 060 857 614

The Directors present their report together with the financial report of Gindalbie Metals Ltd ('the Company') and of the Consolidated entity, being the Company and its subsidiaries and the Consolidated entity's interest in jointly controlled entities for the financial year ended 30 June 2011 and the Auditor's Report thereon.

1. DIRECTORS
The directors of the Company at any time during or since the end of the financial year were:

Name & Qualifications	Age	Experience and Special Responsibilities
Mr George F Jones (AM)	66	Non-Executive Chairman of Sundance Resources Limited
B.Bus, FCIS, FAICD		Former Executive Chairman of Mundo Minerals Limited
Non-Executive Chairman		Former Executive Chairman of Portman Limited
		Extensive experience in the mining, banking and finance industries
		Member of the Remuneration and Nomination Committees and Audit Committee (until 31 May 2011)
		Director since September 2005. Resigned as Chairman 31 August 2009
		Re-appointed as Chairman 29 June 2010
Mr Timothy C Netscher	61	Non-Executive Director of Industrea Ltd
BSc, BCom, MBA, FIChE, CEng, MAICD		Former Director of the Minerals Council of Australia
Managing Director and CEO		Former Senior Vice President of Asia Pacific Operations, Newmont Mining Corporation
		Former Managing Director of Vale Australia
		Former Senior Vice President of PT International Nickel Indonesia
		Former Managing Director of QNI Pty Ltd
		Former Executive Director of Impala Platinum Holdings Ltd
		Appointed Independent Non-Executive Director September 2010
		Member of Project Oversight Committee
		Appointed Managing Director and CEO April 2011
Mr Michael J O'Neill	65	Board member of the Western Australian Institute of Sport
Dip Bus Admin, SFFin, FAICD		Board member of the Perth Market Authority
Independent Non-Executive Director		Former Western Australian General Manager of ANZ Bank
		Extensive banking and finance experience
		Chair of Audit and Risk Committee, Remuneration and Nomination Committees
		Director since April 2006
Mr Yu Wanyuan	49	Vice President & CFO of Anshan Iron and Steel Consolidated entity
B.Eng		Manager of Ansteel Finance Company
Non-Executive Director		Former Assistant General Manager of Anshan Iron and Steel Consolidated entity
		Former Deputy Chief Accountant of Anshan Iron and Steel Consolidated entity
		Member of the Remuneration and Nomination Committee
		Director since June 2009
Mr Chen Ping	54	Vice President of Anshan Iron and Steel Consolidated entity
B.Eng		Former Chairman of Ansteel Mining Company
Non-Executive Director		Former General Manager of Ansteel Mining Company
		Director since June 2009
Mr Shao An Lin	48	General Manager of Ansteel Consolidated entity Mining Company
Non Exec. Director		President of the Metallurgical Mine Association of China
		Former Chief Engineer of Dong An Shan Iron Ore Mine
		Former General Manager of Yan Qian Shan Iron Ore Mine
		Former Deputy General of Gong Chang Ling Iron Ore Co
		Member of the Audit and Risk Committee (since 31 May 2011)
		Director since March 2011
Robin Marshall	64	Former Project Director of Vale Inco
I. Eng, MAICD		Former Vice President – Asset Development Projects of BHP Billiton Iron Ore
Independent Non Executive Director		Former Project Manager of North Limited
		Former Project Director of Iron ore Company of Canada
		Former Manager Projects of Forrestainia Gold/LionOre Australia
		Former Manager Engineering & Project Services of Western Mining Corporation
		Former Project Manager of Nedpac (Signet Engineering)
		Chair of the Project Oversight Committee, Member of the Audit and Risk Committee (since 31 May 2011)
		Director since December 2010.

Mr Garret J Dixon	52	Former Managing Director of Mitchell Corp Australia
B.Eng, MBA, MAICD		Former Executive General Manager of HWE Mining
Managing Director		Extensive experience in the mining, transport and contracting industries
		Director December 2006 to April 2011. Resigned 5 May 2011
Mr Tunku Ya'acob Bin Tunku Abdullah	51	Chairman of Melewar Industrial Consolidated entity Berhad
DPTJ, FCA, CA(M), BSc (Hons), CFP		Chairman of MAA Holdings Berhad
Non-Executive Director		Chairman of the Federation of Investment Managers Malaysia
		Vice President of the Federation of Public Listed Companies
		Member of the Audit Committee (until 23 February 2010)
		Director since October 2004. Resigned November 2010
Mr Wang Heng	47	General Manager of Ansteel Consolidated entity International Trade Company
M.Eng		Former General Manager of Angang Consolidated entity Hong Kong (Holdings) Ltd
Non-Executive Director		Member of the Audit Committee
		Director since November 2007.
		Resigned 18 August 2011

2. COMPANY SECRETARY

Mr David J Stokes LLB, ACIS, BBus is a corporate lawyer and joined Gindalbie Metals Ltd in November 2006. Prior to joining the Company, Mr Stokes worked for Iluka Resources Limited and Resolute Limited as Corporate Counsel and in private practice for a number of years. Mr Stokes has been working in the energy and resources sector for over 14 years. In addition to his role as Company Secretary, Mr Stokes is also the General Counsel of the Company.

3. PRINCIPAL ACTIVITIES

The principal activities of the Consolidated entity during the year were exploration for and evaluation of iron ore projects and joint venturing with other mining companies to explore for minerals. During the year the Consolidated entity also continued to develop its iron ore projects. There has been no significant change in the nature of these activities during the year.

4. RESULTS

The profit after tax of the Consolidated entity for the financial year was $13,946,000 (2010: loss $2,534,000).

5. REVIEW OF OPERATIONS

The Consolidated entity explored and evaluated iron ore projects throughout the year. During the year the Consolidated entity continued to develop its iron ore projects. A full review of operations is set out in the 2011 Annual Report.

6. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Directors Meetings		Audit Committee Meetings		Remuneration & Nomination Committee * Meetings		Risk Compliance & Sustainability Committee Meetings		Regulatory Approvals Committee Meetings		Project Oversight Committee Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B
Mr GF Jones	6	7	1	1	0	0	-	-	-	-	-	-
MR T Netscher	7	7	-	-	-	-	1	1	-	-	7	7
Mr GJ Dixon	5	5	-	-	-	-	4	4	3	3	6	6
Mr TYBT Abdullah	-	-	-	-	-	-	-	-	-	-	-	-
Mr MJ O'Neill	6	7	2	2	0	0	5	5	3	3	-	-
Mr Y Wanyuan	7	7	-	-	0	0	-	-	-	-	-	-
Mr C Ping	7	7	-	-	-	-	-	-	-	-	-	-
Mr W Heng	0	7	0	1	-	-	-	-	-	-	-	-
MR S A Lin	2	2	-	-	-	-	-	-	-	-	-	-
Mr R Marshall	5	6	-	-	-	-	1	1	-	-	6	6

*The deliberation of the Remuneration and Nomination Committee had been dealt with via circular resolution. Matters that required decision were decided by the full board.

7. STATE OF AFFAIRS
There were no significant changes in the state of affairs of the Consolidated entity during the financial year.

8. LIKELY DEVELOPMENTS
The Consolidated entity will continue iron ore exploration and development activities through joint ventures, sole funded exploration and acquisitions. The Consolidated entity assesses commercial opportunities for corporate growth, including the acquisition of interests in projects, as they arise. Because of the unpredictable nature of these opportunities, developments could occur at short notice.

9. ENVIRONMENTAL REGULATION
The Consolidated entity's current exploration and development activities are conducted in accordance with environmental regulations under both Commonwealth and State legislation.

As stated in the Environmental Policy, the Company is committed to achieving superior standards in its environmental performance. It has employed environmental professionals to monitor this area of operating performance, with responsibility for monitoring of environmental exposures and compliance with environmental regulations.

As part of its corporate environmental management program, the Consolidated entity is in the process of establishing parameters for its proposed mining operations. This will include:

- setting and communicating environmental objectives and quantified targets
- monitoring progress against these objectives and targets
- implementing environmental management plans in operating areas which may have a significant environmental impact
- identifying where remedial actions will be required and implementing action plans
- monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

To enable it to meet its responsibilities, a regular internal reporting process has been established. Environmental performance in the field is reported to the project management team. This performance is also reported to the Gindalbie Board on a regular basis.

Compliance with the requirements of environmental regulations and with specific requirements of the relevant managing authorities including the Department of Environment and Conservation, and the Department of Industry and Resources was achieved across all aspects of the current operations.

There were no instances of non-compliance in relation to any instructions or directions from the relevant governing agencies. The Board is not aware of any significant breaches during the period covered by this report.

10. EVENTS SUBSEQUENT TO REPORTING DATE
On 14 July 2011 the company announced that it had reached agreement with Royal Resources Limited to acquire Royal's 40% interest in the Warriedar Iron Ore Joint Venture, which consists of a number of tenements adjacent to the Karara Project in Western Australia. The consideration for this acquisition is $8M cash, and also includes Royal's 40% interest in the Warriedar Gold Joint Venture. The acquisition of the Iron Ore Joint Venture remains subject to State and Commonwealth regulatory approvals, while the Gold JV interest remains subject to regulatory approvals as well as completion of satisfactory due diligence, and waiver of the third party pre-emptive right held by the existing Gold JV joint venture party.

On 19th July 2011 the company announced a 1 for 3 non-renounceable accelerated pro-rata entitlement offer to eligible shareholders, at an issue price of $0.67 per share. The $209 million proceeds from this equity raising will be used to fund Gindalbie's share of the cost increase for the construction cost of the Karara Iron Ore Project. The company issued 53,095,149 shares to institutional shareholders and received funds of $35,573,750 on 2 August 2011, and issued 146,854,610 shares to retail shareholders, and received funds of $98,392,588 on 19 August 2011. The company's major shareholder Angang Group Hong Kong (Holdings) Limited was unable to take up its entitlement under the Entitlement Offer in terms of the ASX Listing Rules because of the time required to secure necessary regulatory approvals. Consequently the company called an extraordinary general meeting of shareholders (EGM) on 9 September 2011 to approve a resolution to allot and issue up to 111,922,105 shares to Angang Group Hong Kong (Holdings) Limited or its nominee, pursuant to a placement at an issue price of $0.67 per share. This resolution was approved.

The Consolidated entity has signed a long-term agreement with WestNet Rail, the lease-holder and operator of the existing 200km rail narrow gauge rail line that runs from Morawa to Geraldton. The agreement is conditional on satisfaction of certain conditions precedent.

10. EVENTS SUBSEQUENT TO REPORTING DATE (continued)

The company has signed a long-term agreement with WestNet Rail, the lease-holder and operator of the existing 200km rail narrow gauge rail line that runs from Morawa to Geraldton. The agreement is conditional on satisfaction of certain conditions precedent.

The agreement includes provision for WestNet Rail to undertake a ~$450 million upgrade of the existing 200km long Mid West rail line to Geraldton, providing capacity for Karara's Stage one production of 10Mtpa, and the anticipated Stage Two expansion can be accommodated through Geraldton without the need for the Oakajee Port development.

Under the 15-year access agreement, WestNet Rail will undertake rail upgrade works including installation of dual gauge sleepers.

The Consolidated entity is required to provide $150 million in security and WestNet Rail is required to confirm its debt financing is in place prior to commencement of the agreement to support the upgrade works.

Other than the matters discussed above, there have been no events subsequent to reporting date which would have a material effect on the Consolidated entity's financial statements at 30 June 2011.

11. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the independence and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in the directors' report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated	
	2011	2010
	$	$
Audit services:		
Auditors of the Company and Consolidated entity– *KPMG Australia*		
- audit and review of financial reports	173,514	119,065
Other services:		
Auditors of the Company and Consolidated entity– *KPMG Australia*		
- taxation services	102,837	119,863
- other assurance services	5,825	9,750
	108,662	129,613

12. REMUNERATION REPORT - Audited

12.1 Key management personnel disclosures
The following were key management personnel of the Consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive director
Mr GJ Dixon - Managing Director & CEO (resigned 5 May 2011)
Mr T C Netscher - Managing Director & CEO (commenced 27 April 2011)
Non-executive directors
Mr GF Jones – Chairman
Mr T C Netscher (Appointed 9 September 2010 and resigned as NED on 27 April 2011)
Mr R Marshall (Appointed 16 Dec 2010)
Mr S An Lin (Appointed 15 Mar 2011)
Mr TYBT Abdullah (resigned 3 Nov 2010)
Mr MJ O'Neill
Mr Y Wanyuan
Mr C Ping
Mr W Heng (Resigned 18 August 2011)
Executives
Mr S Abbott - General Manager Project Development (commenced 11 Aug 2010)
Mr DJ Stokes - General Counsel & Company Secretary
Mr D Richardson - Chief Financial Officer (commenced 21 February 2011)
Mr S Murdoch - Chief Operating Officer – Karara Mining Ltd
Mr P Sims – Chief Financial Officer – Karara Mining Ltd
Mr D Southam – Chief Financial Officer (resigned 12 November 2010)
Mr P McBain – General Manager Project Development (resigned 4 February 2011)

12.2 Principles of compensation
Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated entity. Key management personnel include the five most highly remunerated directors and executives for the Company and the Consolidated entity, in accordance with S300A of the *Corporations Act 2001*.

Compensation levels for directors and key management personnel of the Company and Consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration and Nomination Committee obtains independent advice on the appropriateness of compensation packages given trends in comparative companies and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key directors and management personnel;
- the key management personnel's ability to control segment performance; and
- the Consolidated entity's performance.

Key management personnel can receive a portion of base remuneration as non-cash benefits. Non-cash benefits typically include payment of motor vehicle expenses. Any fringe benefit tax on these benefits is generally borne by the executive.

Compensation packages for key management personnel include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

Fixed compensation
Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers individual performance and overall performance of the Consolidated entity. In addition, external consultants provide analysis and advice to ensure that key management personnel compensation is competitive in the market place. Key management personnel compensation is also reviewed on promotion.

During 2011 financial year, the deliberations of the Remuneration and Nomination Committee have been dealt with via circular resolution. Matters that required decision were decided by the full board.

12. REMUNERATION REPORT (Continued)

12.2 Principles of compensation (continued)

Performance-linked compensation
Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive plan (STI) is a discretionary 'at risk' bonus provided in the form of cash. There are two components to the long term incentive plan (LTI) which consist of options over ordinary shares of the Company under the rules of the employee share plan and specific long term performance hurdles payable in cash.

Short-term incentive bonus
The short-term incentive plan is intended to focus employee behaviour towards the achievement of activities and milestones that contribute to the Company meeting its business objectives for the financial year. In addition, it also provides clear alignment between personal and business performance and remuneration. Company and individual objectives are used to determine the performance rating.

The Managing Director evaluates the Company's strategic goals for the financial year and identifies Measurable Performance Objectives (MPOs) which are deemed to be critical to the Company achieving its mission.

At the end of the financial year the Managing Director assesses the Company's performance against the Company MPOs to determine the overall business score. Both the Company and individual performance ratings are applied against the ratio of Company to individual key performance indicators (KPIs) to determine the overall performance score. The performance rating will range between 0% for minimum performance and 100% for stretch performance. No bonus is awarded where performance does not meet performance standards. The Remuneration and Nomination Committee recommends the cash incentive to be paid to the individuals for approval by the board.

Employees are eligible for a short term incentive award of between 15% and 20% of Total Fixed Remuneration (base salary plus superannuation) dependent on their role and responsibilities within the Company.

The MPO's are a mix of company-wide and individual performance objectives and are typically linked to:

- Achieving critical approvals for the Karara Iron Ore Project (KIOP) such as environmental and heritage approvals;
- Meeting the project schedule and funding requirements for KIOP and the company;
- Managing all operational requirements of the Company to budget or better;
- Material progression of projects outside of KIOP;
- Safety and environmental performance;
- Developing the Karara Iron ore project; and
- Developing Gindalbie 100% owned projects.

The final assessment and payment of the 2010/11 short term incentives will occur during September 2011.

Long-term incentive – share option
Options are issued under the Employee Share Option Plan (made in accordance with the criteria as set out in the plan approved by shareholders at the 2006 AGM), at the discretion of the directors or are issued under specific shareholder approval. All options are issued for no consideration. Specific performance hurdles have been established for options granted in this financial year in order for the options to be exercised. There were 2,000,000 options granted during the year ended 30 June 2011.

Specific performance hurdles:

- Karara Project completes its first magnetite concentrate shipment;
- Iron ore resources are increased on tenements owned by the Company;
- The Company share performance at 30 June 2012 and 30 June 2013 are ranked relative to companies within the S&P/ASX300 Metals and Mining;
- Karara Project concentrator commences commissioning; and
- Karara Project completes operation of concentrator at design throughput.

12. REMUNERATION REPORT (Continued)

12.2 Principles of compensation (continued)

Long-term incentive – cash payments

The current long term incentive plan is based on performance against key criterion over the period 1 July 2010 to 30 June 2012. Employees are eligible for a long term incentive award of between 25% and 100% of their Total Fixed Remuneration per year over the two year period, dependent upon their role and responsibilities within the company.

The Remuneration and Nomination Committee and Board are currently finalising a new long term incentive program for executives and selected management personnel in recognition of the growth of the Company. Fundamental to the structure of the new scheme will be the link between performance and the delivery of long term shareholder wealth. Some of the key criteria for achievement of a long term incentive will likely focus on:

- Better than benchmark Total Shareholder Return (TSR) versus comparable companies, based on S&P ASX Small Resources Index;
- Achievement of KIOP project milestones including safety, construction and commencement of operations; and
- Development of Gindalbie (100% owned) projects.

Short-term and long-term incentive structure
Each year the Managing Director sets the KPIs for the key management personnel. The Remuneration and Nomination Committee considers that the performance-linked compensation structure provides appropriate incentives to key management personnel.

Consequences of performance on shareholder wealth
In considering the Consolidated entity's performance and benefits for shareholder wealth, the Board believes that at this stage of the Consolidated entity's development there is not a relevant direct link between revenue and profitability and the advancement of shareholder wealth. The Consolidated entity believes that the attainment of key Karara Iron Ore Project milestones, such as the delivery of various regulatory approvals, safety performance, completion of project equity and completion of construction are the key links between the Consolidated entity's performance and the attainment of increased shareholder wealth. For this reason the Consolidated entity does not currently link revenue and profitability against shareholder wealth.

	2011	2010	2009	2008	2007
Profit attributable to owners of the company ($000)	13,964	(2,534)	26,218	44,521	(2,878)
Change in share price ($)	(0.20)	0.26	(0.68)	0.43	0.53
Return on capital employed	2.5%	-0.5%	15.0%	30.7%	-5.2%

Service agreements
All key management personnel are employed under standard Company employment contracts except the CEO who is employed under a service contract.

The following key terms apply in respect of each of the contracts:

Position	Term	Notice Period	Redundancy Terms
Chairman (Mr G Jones)	Unlimited	3 months	Nil
MD (Mr G Dixon) (resigned 5 May 2011)	Unlimited	3 months	12 months salary*
CEO (Mr T Netscher)	Fixed term (27 April11 - 1 July 13)	1 months	Balance of contract term salary
GM Project Development (Mr S Abbott)	Unlimited	8 weeks	6 months salary
General Counsel & Company Secretary (Mr D Stokes)	Unlimited	4 weeks	12 months salary
CFO (Mr D Richardson)	Unlimited	8 weeks	6 months salary
COO – Karara Mining Ltd (Mr S Murdoch)	Unlimited	4 weeks	6 months salary
CFO - Karara Mining Ltd (Mr P Sims)	Unlimited	4 weeks	9 months salary
GM Project Development (Mr P McBain) (resigned 4 February 2011)	Unlimited	6 weeks	12 months salary
CFO (Mr D Southam) (resigned 12 November 2010)	Unlimited	4 weeks	12 months salary
* Mr G Dixon received his termination payout.			

The Consolidated entity retains the right to terminate the contract immediately by the payment of the redundancy term.

The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

12. REMUNERATION REPORT (Continued)

12.2 Principles of compensation (continued)

The service and employment contracts outline the components of compensation paid to the key management personnel but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed and any changes required to meet the principles of the compensation policy.

There is no entitlement to termination payment in the event of removal for misconduct.

Non-executive directors
Total compensation for all non-executive directors, last voted upon by shareholders at the 2010 AGM, is not to exceed $1,000,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

For the year ended 30 June 2011 the non executive directors were each remunerated $75,000 per annum In light of the extra duties performed, the Chairman is remunerated $220,000 per annum. In addition there had been a $20,000 discretionary bonus payment to one non-executive director.

Directors' fees cover all board activities. Committee fees at $35,000 per annum are paid to those directors who sit on two or more committees. Non-executive directors do not generally receive bonuses but may be issued with employee options under the Employee Share Option Plan or via the express approval of shareholders/ Board of directors.

The Board charter has been amended to formally recognise that at this stage of the Company's development no further options will be issued to non-executive directors.

12.3 Analysis of options and rights over equity instruments granted as compensation
Details of the vesting profile of the options granted as compensation to each key management person is detailed below:

	Number of options granted	Grant Date	% vested in year	Exercise price	Forfeited in year	Date on which grant vests/vested	Value yet to vest $ (a)
Executives							
Mr S Murdoch	250,000	8 October 2010	100%	$1.14	-	31 March 2011	n/a
	250,000	8 October 2010	-	$1.14	-	31 December 2011	$153,212
	250,000	8 October 2010	-	$1.14	-	28 February 2012	$153,212
	250,000	8 October 2010	-	$1.14	-	31 March 2013	$153,212
Mr S Abbot	400,000	4 May 2011	-	$1.19	-	30 April 2012	$237,453
	300,000	4 May 2011	-	$1.19	-	30 June 2012	$194,278
	300,000	4 May 2011	-	$1.19	-	30 June 2013	$111,187
Mr D Southam	500,000	30 April 2008	-	$0.95	100%	18 May 2011	n/a
Mr P McBain	800,000	12 May 2008	-	$0.90	100%	1 May 2011	n/a

(a) The values presented above represent the remaining values yet to vest based upon the option valuation as at the grant date.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable as per the vesting dates listed. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Consolidated entity achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives discussion under long-term incentive – share options. For options granted in the current year, the earliest exercise date is 31 March 2011.

12.4 Analysis of bonuses included in remuneration – audited

Details of the vesting profile of the short-term and long-term incentive cash bonuses awarded as remuneration to each director of the Consolidated entity, each of the five named Company executives and relevant Consolidated entity executives and other key management personnel are detailed below.

	Included in remuneration	Short- term incentive bonus		Long-term incentive bonus	
	$ A				
		% vested in year	% forfeited in year	% vested in year	% forfeited in year
Director					
Mr T Netscher	94,247	-	-	8%	20%
Executives					
Mr S Murdoch	179,407	78.5%	21.5%	10%	0%
Mr P Sims	119,309	82.4%	17.6%	10%	0%
Mr DJ Stokes	48,793	86.5%	13.5%	8%	20%
Mr S Abbott	74,092	77%	23%	8%	20%
Mr D Richardson	59,002	78.4%	21.6%	8%	20%

All Directors and employees participating in any Company equity incentive plan are prevented from hedging the economic benefit of any unvested performance shares or options under such plans. Hedging is permitted in respect of any performance shares or options that have vested.

The maximum long term incentive that could have vested during the current financial year represents 28% for Gindalbie personnel and 10% for Karara personnel.

12. REMUNERATION REPORT (Continued)

12.5 Directors' and executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the executives of the Company and the Consolidated entity receiving the highest remuneration are listed below. For comparability the 2010 Directors and executive officers remuneration amounts have been restated to reflect the accrual of cash bonuses and long term incentive amounts relating to 2010 performance but paid during 2011. In addition, accruals of annual leave and long service leave have been included in the 2010 restated amounts.

		Short term		Post-employment	Other long term			Other			Value of options as proportion of remuneration	Total performance related remuneration
					Long term incentive	Other long term (LSL)	Share based payments	compensation			%	%
		Salary & fees	Cash bonus	Superannuation benefits			Value of options (a)	Termination benefits	Insurance premiums (b)	Total		
		$	$	$	$		$	$	$	$		
Directors												
Non-executive directors												
Mr GF Jones (Chairman)	2011	220,183	-	19,817	-	-	-	-	3,127	243,127	-	-
	2010	67,523	-	22,477	-	-	-	-	2,921	92,921	-	-
Mr TYBT Abdullah (ceased 30/11/2010)	2011	23,125	-	-	-	-	-	-	1,088	24,213	-	-
	2010	60,000	-	-	-	-	-	-	2,921	62,921	-	-
Mr MJ O'Neill	2011	109,243	20,000	-	-	-	-	-	3,127	132,370	-	15%
	2010	85,000	-	-	-	-	-	-	2,921	87,921	-	-
Mr W Heng (resigned on 18 August 2011)	2011	72,500	-	-	-	-	-	-	3,127	75,627	-	-
	2010	60,000	-	-	-	-	-	-	2,921	62,921	-	-
MR A Marshall (commenced 16/12/2010)	2011	55,799	-	5,022	-	-	-	-	1,688	62,509	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
Mr C Ping	2011	72,500	-	-	-	-	-	-	3,127	75,627	-	-
	2010	60,000	-	-	-	-	-	-	2,921	62,921	-	-
Mr SA Lin (commenced 15/03/2011)	2011	21,875	-	-	-	-	-	-	925	22,800	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
MrGLW Wedlock**	2011	-	-	-	-	-	-	240,000	-	240,000	-	-
(ceased 19/6/2010)	2010	192,660	-	17,340	-	-	-	-	2,833	212,833	-	-
Mr DM Murcia	2011	-	-	-	-	-	-	-	-	-	-	-
(Resigned 31 January 2010)	2010	49,583	-	-	-	-	-	-	1,721	51,304	-	-
Mr Y Wanyuan	2011	72,500	-	-	-	-	-	-	3,127	75,627	-	-
	2010	60,000	-	-	-	-	-	-	2,921	62,921	-	-
Sub-total non-executive directors remuneration	2011	647,725	20,000	24,839	-	-	-	240,000	19,336	951,900	-	-
	2010	634,766	-	39,817	-	-	-	-	22,080	696,663	-	-
Executive director						-						
Mr T Netshcher (Managing Director & CEO)*	2011	258,556	-	2,533	94,247	-	-	-	2,527	357,863	-	26%
(Commenced position 27 April 2011)	2010	-	-	-	-	-	-	-	-	-	-	-
Mr GJ Dixon (Managing Director & CEO)	2011	668,621	-	52,470		-	-	635,470	3,127	1,359,688	-	-
(ceased position 5 May 2011)	2010	605,392	95,440	49,500	179,851	12,279	412,012	-	2,921	1,357,395	30%	51%
Total, all directors	2011	1,574,902	20,000	79,842	94,247	-	-	875,470	24,990	2,669,452	-	-
	2010	1,240,158	95,440	89,317	179,851	12,279	412,012	-	25,001	2,054,058	-	-

***** Mr T Netscher commenced as a Non-executive director on 9 September 2010 and the Managing Director & CEO on the 27 April 2011. The remuneration under executive director includes the following fees earned as a Non-executive director. 2011 Salary & fees $69,056, Insurance premium $2,146.

** Mr GLW Wedlock ceased to be a director of the Company from 19 June 2010, the Board of Gindalbie resolved to pay an amount of $240k to Mr Wedlock's estate.

12. REMUNERATION REPORT (Continued)

12.5 Directors' and executive officers' remuneration (Company and Consolidated)

		Short term		Post-employment	Other long term			Other			Value of options as proportion of remuneration	Total performance related remuneration
					Long term incentive	Other long term (LSL)	Share based payments	compensation			%	%
		Salary & fees	Cash bonus	Superannuation benefits			Value of options (a)	Termination benefits	Insurance premiums (b)	Total		
		$	$	$	$		$	$	$	$		
Executives												
Mr S Murdoch (Chief Operating Officer – Karara Mining Ltd)*	2011	501,083	79,127	38,898	100,280		153,212	-	3,127	875,727	17%	38%
	2010	352,583	60,974	31,471	106,250	-	-	-	2,815	554,093	-	30%
Mr P Sims (Chief Financial Officer – Karara Mining Ltd)*	2011	309,324	53,909	27,000	65,400		-	-	3,127	458,760	-	26%
	2010	-	-	-	-	-	-	-	-	-	-	-
Mr DJ Stokes (General Counsel & Company Secretary)	2011	253,625	39,088	26,698	9,705	12,829	-	-	3,127	345,072	-	14%
	2010	219,854	35,846	38,892	34,335	7,289	-	-	2,921	339,138	-	21%
Mr S Abbott (General Manager Project Development)	2011	294,995	47,665	33,568	26,427	-	31,254	-	2,733	436,642	7%	24%
(commenced 11 August 2010)	2010	-	-	-	-	-	-	-	-	-	-	-
Mr D Richardson (Chief Financial Officer)	2011	124,121	19,944	8,333	39,058	-	-	-	1,114	192,570	-	31%
(commenced 21 February 2011)	2010	-	-	-	-	-	-	-	-	-	-	-
Former						-						
Mr DC Southam	2011	139,851	-	11,046	-	-	-173,985	-	1,156	-21,932	-793%	-793%
(ceased employment 12 November 2010)	2010	325,056	52,703	26,862	102,000	-	188,154	-	2,921	697,696	27%	49%
Mr PJ McBain	2011	284,388	-	22,289	-	-	-233,078	-	34	73,633	-317%	-317%
(ceased employment 4 February 2011)	2010	446,802	65,201	34,515	106,112	-	242,037	-	2,921	897,588	27%	46%
Mr PE Freund (General Manager Magnetite)	2011	-	-	-	-	-	-	-	-	0	-	-
(ceased employment 11 September 2009)	2010	62,516	-	15,823	-	-	-	417,663	584	496,586	-	-
Mr B Conrick (Contracts & Infrastructure Manager)	2011	-	-	-	-	-	-	-	-	0	-	-
(ceased employment 11 April 2010)	2010	248,485	-	24,765	-	-	102,765	381,332	2,281	759,628	14%	14%
Total, all executives	2011	1,907,387	239,733	167,832	240,870	12,829	-222,597	0	14,418	2,360,473	-	-
	2010	1,655,296	214,724	172,328	348,697	7,289	532,956	798,995	14,443	3,744,728	-	-
Total, all key management personnel	2011	3,482,289	259,733	247,674	335,117	12,829	-222,597	875,470	39,408	5,029,925	-	-
	2010	2,895,454	310,164	261,645	528,548	19,568	944,968	798,995	39,444	5,798,786	-	-

* Executive is employed by Karara Mining Limited, a jointly controlled entity in which the Company holds a 50% ownership interest.

12. REMUNERATION REPORT (Continued)

12.5 Directors' and executive officers' remuneration (Company and Consolidated)

Notes to the table of directors and executive officers remuneration

(a) Each option entitles the holder to purchase one ordinary share in the Company. The options are unlisted and cannot be transferred. The fair value of the options with non market conditions is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. Options with market conditions are determined using Monte Carlo simulation in which the market conditions have been taken into account in the valuation of the option. The value disclosed above is the portion of the fair value of the options allocated to this reporting period.

(b) The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Option Pricing model
30-Apr-08	30-Sep-12	$0.49	$0.95	$0.83	75%	6.26%	Black Scholes
12-May-08	1-Aug-12	$0.81	$0.90	$1.20	75%	6.08%	Black Scholes
8-Oct-10	8-Oct-15	$0.61	$1.14	$0.99	75%	4.97%	Black Scholes
4-May-11	9-May-16	$0.65	$1.19	$1.04	75%	5.22%	Black Scholes
4-May-11	9-May-16	$0.40	$1.19	$1.04	75%	5.22%	Monte Carlo

(c) The Company pays insurance premiums that cover key management personnel. The premium is split between the Company key management personnel only. The average premium per person has been included in remuneration.

12.6 Equity instruments

All options refer to options over ordinary shares in the company, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

12.7 Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2011	Grant Date	Number of options vested during 2011	Fair value per option at grant date ($)	Exercise Price per option ($)	Expiry Date
Executives						
Mr S Murdoch	1,000,000	8-Oct-10	250,000	$0.61	$1.14	8-Oct-15
Mr S Abbott	700,000	4-May-11	-	$0.65	$1.19	9-May-16
Mr S Abbott	300,000	4-May-11	-	$0.40	$1.19	9-May-16

The options granted were provided at no cost to the key management personnel.

All options expire on the earlier of their expiry date or within 3 or 6 months of termination of the individual's employment. The options are exercisable at any time from their vesting date. Further details, including grant dates and exercise dates regarding options granted to executives are disclosed in Note 27 to the financial statements.

12. REMUNERATION REPORT (Continued)

12.8 Modification of terms of equity-settled share-based payment transactions
No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

12.9 Exercise of options granted as compensation
During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

	Number of Shares	Amount paid on each share
Mr M O'Neill	600,000	$0.55
Mr G Jones	1,000,000	$0.12
Mr G Jones	1,000,000	$0.16
Mr G Jones	2,000,000	$0.25
Mr P McBain	400,000	$0.90
Mr D Southam	1,000,000	$0.95

There are no amounts unpaid on the shares issued as a result of the exercise of the options.

12.10 Analysis of movements in options
The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed below:

	Granted in year $(a)	Value of Options exercised in year $(b)	Value of Options lapsed in year $(c)
Mr M O'Neill	-	228,000	-
Mr G Jones	-	2,900,000	-
Mr S Abbott	574,175	-	-
Mr S Murdoch	612,850	-	-
Mr P McBain	-	56,000	283,628
Mr D Southam	-	295,000	235,316

(a) The value of options granted in the year is the fair value of the options calculated at grant date using either the Black-Scholes or Monte Carlo option pricing models. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the relevant vesting period.
(b) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
(c) The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a Black-Scholes model.

13. SHARE OPTIONS

Unissued shares under option
At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise Price	Number of Options
6 November 2011	$0.60	2,500,000
1 August 2012	$0.94	1,500,000
1 August 2012	$1.31	1,000,000
30 September 2013	$1.84	300,000
8 October 2015	$1.14	1,000,000
9 May 2016	$1.19	2,000,000
		8,300,000

All options are employee options and expire on the earlier of their expiry date or three or six months after the termination of the employee's employment unless extended by the directors of the Company.

The above options do not entitle the holder to participate in any potential share issue of the Company.

13. SHARE OPTIONS (Continued)

Shares issued on exercise of options
During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of Shares	Amount paid on each share
600,000	$0.55
30,000	$0.65
1,000,000	$0.12
1,000,000	$0.16
2,000,000	$0.25
1,000,000	$0.95
400,000	$0.90

14. DIRECTORS' INTERESTS
The relevant interest of each director in the share capital of the companies within the Consolidated entity, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Gindalbie Metals Ltd Director	Ordinary shares	Options over ordinary shares
Mr GF Jones	18,600,000	-
Mr MJ O'Neill	1,637,655	-

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION
The Lead Auditor's Independence Declaration is set out on page 16 and forms part of the Directors' Report for the year ended 30 June 2011.

16. ROUNDING OFF
The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

17. INDEMNIFYING OFFICER OR AUDITOR

The Company, during the financial year, in respect of any person who is or has been an officer or auditor of the Company:

- has not indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor.
- paid a premium of $39,408 for a policy of insurance to cover legal liability and expenses for the directors and executive officers in the event of any legal action against them arising from their actions as officers of the Company.

The insurance policy does not contain details of the premiums paid in respect of individual officers of the Company.

Signed in accordance with a resolution of directors at Perth, WA on 14 September 2011.

T Netscher
Director

GF Jones
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Gindalbie Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Trevor Hart
Partner

Perth
14 September 2011

Independent auditor's report to the members of Gindalbie Metals Limited

Report on the financial report

We have audited the accompanying financial report of Gindalbie Metals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a) the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Consolidated entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Consolidated entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Consolidated entity is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in section 12 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Gindalbie Metals Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth
14 September 2011

DIRECTORS' DECLARATION
For the year ended 30 June 2011

1. In the opinion of the directors of Gindalbie Metals Ltd ("the Company"):

   (a) the financial statements and notes, and the remuneration disclosures that are contained in the Remuneration Report the Directors' Report set out in section 12 are in accordance with the Corporations Act 2001, including;

      (i) giving a true and fair view of the financial position of the Consolidated entity as at 30 June 2011 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Dated at Perth this 14th day of September 2011.

Signed in accordance with a resolution of the directors.

T Netscher Director	GF Jones Director

GINDALBIE METALS LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

		Consolidated	
		2011	2010
	Note	$'000	$'000
Continuing operations			
Revenue	6(a)	8,825	-
Cost of sales	6(c)	(6,907)	-
Gross profit		1,918	-
Other income	6(b)	432	1,142
Administration expenses	6(d)	(7,875)	(8,134)
Other expenses	6(e)	(6,242)	(2,147)
Results from operating activities		(11,767)	(9,139)
Finance income	6(f)	31,079	6,975
Finance expenses	6(f)	(87)	(661)
Net financing income		30,992	6,314
Profit/(loss) before income tax		19,225	(2,825)
Income tax benefit/(expense)	7	(5,279)	291
Profit/(loss) for the period	18	**13,946**	**(2,534)**
Other comprehensive income		-	-
Total comprehensive income/(loss)		**13,946**	**(2,534)**
Earnings per share			
Basic earnings/(loss) per share - cents	24	1.54	(0.36)
Diluted earnings/(loss) per share - cents	24	1.54	(0.36)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 24 to 66.

GINDALBIE METALS LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

	Consolidated			
	Issued capital	Retained earnings	Reserves	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2011				
Opening balance at 1 July 2010	285,670	42,459	134,875	463,004
Equity settled share based payment transactions	-		(184)	(184)
Prepaid capital contributions transferred to issued capital	131,800	-	(131,800)	-
Shares issued				
- Issue of ordinary shares net of prepaid capital contributions	74,500	-	-	74,500
- Exercise of options	2,440	-	-	2,440
- Transfer on exercise of employee options	-	-	-	-
- Transaction costs	(1,177)	-	-	(1,177)
- Transaction costs of prepaid capital contributions transferred to issued capital	(4,932)	-	4,932	-
Total comprehensive profit for the period	-	13,946	-	13,946
Closing balance at 30 June 2011	488,301	56,405	7,823	552,529
Year ended 30 June 2010				
Opening balance at 1 July 2009	122,035	44,993	7,358	174,386
Equity settled share based payment transactions	-	-	1,139	1,139
Prepaid capital contributions	-	-	131,800	131,800
Shares issued				
- Issue of ordinary shares	162,060	-	-	162,060
- Exercise of options	1,151	-	-	1,151
- Transfer on exercise of employee options	490	-	(490)	-
Transaction costs of share issues	(66)	-	(4,932)	(4,998)
Total comprehensive loss for the period	-	(2,534)	-	(2,534)
Closing balance at 30 June 2010	285,670	42,459	134,875	463,004

Amounts are stated net of tax, where applicable. Further details of issued capital and reserves are disclosed in Note 19.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 24 to 66.

GINDALBIE METALS LTD AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
For the year ended 30 June 2011

		Consolidated	
		2011	2010
	Note	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	9	236,633	219,949
Trade and Other receivables	10	11,388	5,796
Prepayments		4,127	3,448
Inventories	11	6,440	64
TOTAL CURRENT ASSETS		258,588	229,257
NON CURRENT ASSETS			
Other receivables	10	60,490	4,934
Prepayment	10	6,459	-
Property, plant and equipment	13	697,945	271,294
Exploration and evaluation assets	14	22,602	11,501
TOTAL NON CURRENT ASSETS		787,496	287,729
TOTAL ASSETS		1,046,085	516,986
CURRENT LIABILITIES			
Trade and other payables	15	108,095	46,187
Employee benefits	27	2,794	1,295
TOTAL CURRENT LIABILITIES		110,889	47,482
NON CURRENT LIABILITIES			
Provisions	29	9,619	534
Long term borrowings	30	361,704	-
Deferred tax liabilities	7	11,204	5,925
Employee benefits	27	140	41
TOTAL NON CURRENT LIABILITIES		382,667	6,500
TOTAL LIABILITIES		493,556	53,982
NET ASSETS		552,529	463,004
EQUITY			
Issued capital	19(a)	488,301	285,670
Reserves	19(b) /(c)	7,823	134,875
Retained earnings	18	56,405	42,459
TOTAL EQUITY		552,529	463,004

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 24 to 66.

GINDALBIE METALS LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended 30 June 2011

		Consolidated	
		30-Jun-11	30-Jun-10
	Note	$'000	$'000
Cash flows from operating activities			
Cash receipts from customers		5,740	1,412
Cash payments to suppliers and employees		(19,660)	(10,143)
Interest received		11,760	6,702
Net cash used in operating activities	26	(2,160)	(2,029)
Cash flows from investing activities			
Development expenditure		(97,824)	(83,154)
Exploration and evaluation expenditure		(3,157)	(1,649)
Proceeds from sale of property, plant and equipment		4	-
Acquisition of property, plant and equipment		(280,488)	(40,736)
Net share of joint venture subscriptions		-	(71,840)
Net cash used in investing activities		(381,465)	(197,379)
Cash flows from financing activities			
Proceeds from the issue of shares		74,500	163,211
Proceeds from borrowings		383,330	-
Proceeds from exercise of share options		2,440	-
Proceeds from prepaid capital contributions		-	131,800
Payment of capital raising costs		(1,283)	(4,791)
Return/(deposits) for security of performance bonds		(55,566)	2,590
Net cash used in financing activities		403,421	292,810
Net increase in cash and cash equivalents		19,796	93,402
Cash and cash equivalents at 1 July		219,949	127,122
Effect of exchange rate fluctuations on cash held		(3,112)	(575)
Cash and cash equivalents at 30 June	9	236,633	219,949

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 24 to 66

1. REPORTING ENTITY

Gindalbie Metals Ltd (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 9, 216 St Georges Terrace, Perth. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company, its subsidiaries and jointly controlled entities (together referred to as the "Consolidated entity"). The Consolidated entity primarily is involved in iron ore exploration and development activities.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting standards (AAS) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the directors on 14 September 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Share based payments are measured at fair value

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Consolidated entity. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information has been rounded to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 7 – Income Tax Expense
- Note 14 – Exploration and Evaluation Assets
- Note 17 – Investment in Jointly Controlled Entities
- Note 25 – Financial Instruments
- Note 27(b) – Share-Based Payments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 29 – Provisions
- Note 31 – Contingent Liabilities

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Consolidated entity.

(a) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at cost in the Company's financial statements less impairment losses.

(ii) Joint ventures
Gindalbie undertakes a number of business activities through joint ventures. Joint ventures are those arrangements over whose activities the Consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Gindalbie joint ventures are of two types:

Jointly controlled entities
A jointly controlled entity is a corporation, partnership or other entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the proportionate consolidation method. The share of jointly controlled entities' assets, liabilities, income and expenses are recognised from the date that joint control commences until the date at which it ceases. Gains and losses on dilution of interests in jointly controlled entities are recognised in profit or loss at the date on which dilution occurs having regard to the carrying value of the investment at that time.

Jointly controlled operations and assets
Gindalbie has certain contractual arrangements with other participants to engage in joint activities that do not give rise to a jointly controlled entity. These arrangements involve the joint ownership of assets dedicated to the purposes of each joint venture but do not create a jointly controlled entity as the venturers directly derive the benefits of operation of their jointly owned assets, rather than deriving returns from an interest in a separate entity.

The financial report of Gindalbie includes its share of the assets in such joint ventures, together with the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement, which are usually in proportion to Gindalbie's interest in the jointly controlled assets.

(iii) Transactions eliminated on consolidation
Intra-Consolidated entity balances, and any unrealised income and expenses arising from intra-Consolidated entity transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currency of the Consolidated entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated entity transfers the financial asset to another party without retaining control of substantially all of the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)
at trade date, i.e., the date that the Consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Consolidated entity becomes a party to the contractual provisions of the instrument.

The Consolidated entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expenses is discussed in note 3(l).

Available-for-sale financial assets
The Consolidated entity's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(f)), are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at fair value through profit or loss
An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Consolidated entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Consolidated entity's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments
Derivatives, including those embedded in other contractual arrangements but separated for accounting purposes are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss on remeasurement depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The measurement of fair value is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated. Derivatives embedded within other contractual arrangements do not qualify for hedge accounting.

(iii) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / other expenses in profit or loss. When revalued assets are sold, any related amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Mine properties and development
When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as mine properties and development, and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as mine properties and development. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

(iii) Depreciation and amortisation
Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part or item of property, plant and equipment. Land is not depreciated. Mine assets are depreciated or amortised over the lower of their estimated useful lives and the estimated remaining life of the mine. The estimated remaining life of the mine is based upon geological resources. Assets not linked to the mining operation are depreciated over their estimated useful lives. During the 2011 financial year the mine had started hematite production and relevant mining assets started being amortised as per the estimated remaining life of the mine.

The estimated useful lives for the current and comparative periods are as follows:

- buildings — 14 years
- machinery — 10-15 years
- motor vehicles — 3-7 years
- furniture fittings and equipment — 3-8 years
- Leased plant and equipment — 5-15 years
- mine properties and development — units of production

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of weighted average costs. Cost for raw materials and stores is purchase price and for partly processed and saleable products cost is derived on an absorption costing basis. For this purpose the costs of production include:

- Labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- The amortisation of development expenditure and depreciation of property, plant and equipment used in the extraction and processing of ore; and
- Production overheads, including attributable mining and manufacturing overheads.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence (if, for example, it exceeds the mine’s cut off grade), it is valued at the lower of cost and net realisable value. If the ore will not be processed within 12 months after the balance sheet date it is included within non-current assets. Quantities are assessed primarily through surveys and assays.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Impairment

(i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Consolidated entities that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets
The carrying amounts of the Consolidated entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset of the Consolidated entity that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Other long-term employee benefits
The Consolidated entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus on-costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated (Commonwealth Government) bonds that have maturity dates approximating the terms of the Consolidated entity's obligations.

(iii) Termination benefits
Termination benefits are recognised as an expense when the Consolidated entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(iv) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee benefits (continued)

(v) Share-based payment transactions
The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

(h) Provisions

A provision is recognised if, as a result of a past event, the Consolidated entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, the risks specific to the liability.

(i) Mine rehabilitation
Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of re-contouring, topsoiling and revegetation, employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in property, plant and equipment.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates and timing of amount of costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the income statement as it occurs. If the change in liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in the income statement.

If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write down recognised in the income statement in the period in which it occurs. The amount of the provision relating to rehabilitation of environmental disturbance caused by ongoing production and extraction activities is recognised in the income statement as incurred. Changes in the liability are charged to the income statement as rehabilitation expense, other than the unwinding of the discount which is recognised as a finance cost.

(i) Revenue
Revenue is measured at the fair value of the gross consideration received or receivable. The Consolidated entity recognises revenue when the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the entity.

(i) Sale of goods
Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Consolidated entity, the quantity and quality of the goods has been determined with reasonable accuracy, the price can be reasonably estimated, and collectability is reasonably assured.

The Consolidated entity recognises revenue when the risks and rewards transfers to the buyer which is typically the date the goods reach the port.

Additionally, the sales price is determined on a provisional basis at the date of sale and adjustments to the sales price may subsequently occur depending on movements in quoted market or contractual iron ore prices to the date of final pricing. The date of final pricing is typically when a notice of readiness is received when the vessel has arrived at its final destination. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Consolidated entity will not be able to collect all amounts due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(l) Finance income and expenses

Finance income comprises interest income on funds invested, and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, bank charges, unwinding of the discount on provisions and performance bond facility fees.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis either as finance income or finance costs depending on whether they are in a net gain or loss position.

(m) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income Tax (continued)

(i) Tax consolidation
The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Consolidated entity is Gindalbie Metals Ltd. With effect from 29 February 2008, Karara Mining Ltd and its wholly-owned Australian resident entities formed their own tax-consolidated Group. Prior to 29 February 2008, Karara Mining Ltd and its subsidiaries were members of the Gindalbie Metals Ltd tax-consolidated Group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the 'separate taxpayer within Group's approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated Group and are recognised by the Company as amounts payable/ (receivable) to/(from) other entities in the tax-consolidated Group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated Group to the extent that it is probable that future taxable profits of the tax-consolidated Group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(n) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Earnings per share

The Consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(p) Intangible assets

Exploration and evaluation assets
Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Intangible assets (continued)

Exploration and evaluation assets are only recognised if the rights of tenure to the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 3(f)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Exploration and evaluation costs are not amortised until such time as they are transferred to mine properties and production has commenced.

(r) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated entity's other components. All operating segments' operating results are reviewed regularly by the Consolidated entity's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and exploration expenditure.

(s) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

(i) AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB will become mandatory for the Consolidated entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Consolidated Entity has not yet determined the potential effect of the standard

(ii) AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Consolidated Entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

(iii) AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Consolidated entity's 30 June 2012 financial statements, are not expected to have significant impact on the financial statements.

(iv) AASB 11 Joint Arrangements, which becomes mandatory for the Consolidated entity's 30 June 2014 financial statements and could change the classification and measurement of investments in jointly controlled entities. The Consolidated entity does not plan to adopt this standard early and the extent of the impact has not been determined.

(v) Amended AASB 119 Employee Benefits, which becomes mandatory for the Consolidated entity's 30 June 2014 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Consolidated entity does not plan to adopt this standard early and the extent of the impact has not been determined.

4. DETERMINATION OF FAIR VALUES

A number of the Consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Share-based payment transactions
The fair value of employee stock options is measured using the Black-Scholes or Monte Carlo formula. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected life of the option, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the option are not taken into account in determining fair value.

(ii) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. FINANCIAL RISK MANAGEMENT

(a) Overview

The Consolidated entity has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated entity's activities. The Consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Consolidated entity's Audit and Risk Committee oversees how management monitors compliance with the Consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated entity.

(b) Credit risk

Credit risk is the risk of financial loss to the Consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated entity's receivables from customers and investment securities.

(c) Guarantees

The Consolidated entity's policy is to provide financial guarantees and where contractually necessary to certain suppliers or behalf of wholly-owned subsidiaries. Refer to Note 32 for a list of outstanding performance guarantees at balance date.

(d) Investments

The Consolidated entity limits its exposure to credit risk on cash balances by only investing in liquid securities and only with counterparties that have credit ratings of between A2 and A1+ from Standard & Poor's and A from Moody's, with more weighting given to investments in the higher credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The Company has formed a Treasury Committee that considers and implements appropriate investment strategies and ensures investment policies are adhered to. Also refer to note 25.

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk

Liquidity risk is the risk that the Consolidated entity will not be able to meet its financial obligations as they fall due. The Consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated entity's reputation.

Typically the Consolidated entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations. Refer to note 17 and 25 for more information.

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Consolidated entity engages external treasury consultants in order to manage market risks. All transactions are carried out within Treasury Policy guidelines (refer to Note 5(d)), and these are considered and monitored by the Treasury Committee.

(g) Currency risk

The Consolidated entity is exposed to currency risk on purchases and in the future on borrowings that are denominated in a currency other than the respective functional currencies of the Company or its subsidiaires, namely the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are United States dollars (USD), Euro, Chinese Yuan (RMB) and Japanese Yen.

At any point in time the Consolidated entity may hedge its estimated foreign currency exposure in respect of forecast sales and purchases over the following months. The Consolidated entity may also hedge a percentage of all trade receivables and trade payables denominated in a foreign currency. The Consolidated entity may use forward exchange contracts to hedge its currency risk. No forward exchange contracts or other currency hedging instruments were entered into during the year.

(h) Interest rate risk

It is policy to protect the Consolidated entity from exposure to increasing interest rates. Accordingly, the Consolidated entity may enter into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. No interest rate swap contacts were entered into during the year.

(i) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Consolidated entity manages its capital to ensure its entities will be able to continue as going concerns while maximising the return to shareholders through the optimisation of its capital structure comprising equity and debt.

The capital structure of the Consolidated entity consists of bank debt facilities (refer Note 30) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 19 and 18 respectively.

During 2010 and 2011 the Consolidated entity has maintained the capital base through a clear cash management strategy, the negotiation of bank debt facilities and when required the issue of equity instruments.

There were no changes in the Consolidated entity's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

	Consolidated	
	2011	2010
	$'000	$'000
6 REVENUE AND EXPENSES		
a) Revenue from continuing operations		
Sale of Ore	8,825	-
(b) Other income		
Joint venture office cost recovery fees	149	740
Joint venture labour cost recovery fees	121	487
Net (loss)/gain on disposal of property, plant and equipment	-	(90)
Other income	162	5
Total other income	432	1,142
c) Costs of goods sold		
Cost of Sale of Ore	(3,626)	-
Rail and Port Charges	(1,675)	-
Pre-production expenses	(192)	
Royalties	(493)	-
Amortisation of mine properties and development	(921)	-
Total cost of goods sold	(6,907)	-
(d) Administration expenses		
Salary and on costs expenses	(4,985)	(3,449)
Corporate and consultant costs	(624)	(1,363)
Office and marketing costs	(1,850)	(2,813)
Other administration costs	(416)	(509)
Total administration expenses	(7,875)	(8,134)
(e) Other expenses		
Operating lease rental expense	-	-
Depreciation		
Property, plant & equipment	(955)	(1,073)
Less capitalised to E&E	-	145
Pre-production expenses	(4,278)	-
Equity-settled share-based payments transactions	183	(1,139)
Impairment of exploration & evaluation assets	(1,192)	(80)
Total other expenses	(6,242)	(2,147)

6. REVENUE AND EXPENSES (continued)

	Consolidated	
	2011	2010
(f) Net financing income	$'000	$'000
Interest income		
Bank deposits	12,264	6,975
Net foreign exchange gain/ (loss) – unrealised	18,815	-
Financial income	31,079	6,975
Financial expense		
Unwind of discounting on provision	(176)	(86)
Net foreign exchange gain/(loss) – realised	89	(575)
Financial expenses	(87)	(661)
Net financing income	30,992	6,314
(g) Personnel expenses		
Wages and salaries	(1,755)	(1,185)
Other associated personnel expenses	(187)	(187)
Redundancy payments	(635)	(778)
Ex gratia payments	(254)	-
Contributions to defined contribution superannuation funds	(162)	(105)
Increase in liability for annual leave	(156)	(71)
Increase in liability for long service leave	(16)	(28)
Increase in liability for bonuses	(745)	(418)
Equity Settled share based payment transaction	183	(1,139)
	(3,727)	(3,911)

7. INCOME TAX EXPENSE

	2011	2010
	$'000	$'000
Current tax expense		
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	5,519	1,086
Adjustments in relation to prior periods	(240)	(1,377)
Benefit of tax losses and other deferred tax benefits recognised	-	-
Total income tax expense/(benefit) in income statement	5,279	(291)
Numerical reconciliation between current tax expense/(benefit) and pre-tax net profit/(loss)		
Profit/(loss) before tax	19,225	(2,825)
Income tax using the domestic corporation tax rate of 30% (2010: 30%)	5,768	(848)
Increase in income tax expense due to:		
Non-deductible expenses/assessable income	44	414
Decrease in income tax expense due to:		
Non-assessable income	(55)	-
Losses (recognised)/not recognised	(478)	143
Total income tax expense/(benefit) in income statement	5,279	(291)

The Gindalbie Metals Ltd tax consolidated group has estimated unrecouped tax losses of $83,050,071 (2010: $80,698,409) available to be offset against future taxable income. The net deferred tax asset for the Group has not been recognised by the Consolidated entity on the basis that it is not probable that there will be future taxable income available against which the tax losses can be utilised. The net deferred tax liability recognised on proportionately consolidating its 50% share of the Company's ownership of the Karara Mining Ltd Consolidated entity is not able to be offset by the Company's carry forward tax losses and has therefore been recognised in full.

The Karara Mining Ltd tax consolidated group has estimated unrecouped tax losses of $41,531,225 available to be offset against future taxable income to offset part of the deferred tax liabilities. A deferred tax asset of $12,459,367 ($41,531,225 at 30%) has been recognised by the Karara Mining Ltd tax consolidated Group on the basis that it is probable that there will be future taxable income against which the tax losses can be utilised. The Consolidated entity recognises 50% of these tax balances.

7. INCOME TAX EXPENSE (Continued)

Tax assets and liabilities
Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Consolidated					
	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Accrued interest	-	-	296	145	296	145
Diesel fuel rebate	-	-	93	-	93	-
Property, plant & equipment	-	-	4,325	4,176	4,325	4,176
Asset retirement obligation	-	-	2,780	-	2,780	-
Exploration expenditure	-	-	11,433	10,881	11,433	10,881
Consumables	-	-	-	19	-	19
Prepayments	-	-	-	5	-	5
Capitalised interest	-	-	253	-	253	-
Unrealised foreign exchange (gains) / losses	-	-	6,179	-	6,179	-
Capital raising costs	(1,269)	(1,311)	-	-	(1,269)	(1,311)
Provisions	(880)	(563)	-	-	(880)	(563)
Accrued superannuation	(43)	(24)	-	-	(43)	(24)
Accrued expenditure	(17)	(21)	-	-	(17)	(21)
Rehabilitation provision	(2,885)	-	-	-	(2,885)	-
Tax loss carry forward	(9,061)	(7,382)	-	-	(9,061)	(7,382)
Tax (assets)/liabilities	(14,155)	(9,301)	25,359	15,226	11,204	5,925
Set off of tax	14,155	9,301	(14,155)	(9,301)	-	-
Net tax (assets)/liabilities	-	-	11,204	5,925	11,204	5,925

Unrecognised deferred tax assets and liabilities
Deferred tax assets and liabilities have not been recognised in respect of the following items:

	Consolidated	
	2011	2010
	$'000	$'000
Gindalbie tax consolidated group tax losses (30%)	22,083	22,290

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated entity can utilise the benefits there from.

8. AUDITOR'S REMUNERATION

	Consolidated	
	2011	2010
	$	$
Audit services:		
Auditors of the Company and Consolidated entity– *KPMG Australia*		
- audit and review of financial reports	173,514	119,065
Other services:		
Auditors of the Company and Consolidated entity– *KPMG Australia*		
- taxation services	102,837	119,863
- other assurance services	5,825	9,750
	108,662	129,613

	Consolidated	
	2011	2010
	$'000	$'000
9. CASH AND CASH EQUIVALENTS		
Bank balances	91,454	153,353
Call deposits	145,179	66,596
Cash and cash equivalents	236,633	219,949
10. TRADE AND OTHER RECEIVABLES		
Current		
Interest receivable	986	483
Cash security for performance bonds	2,279	2,269
Trade receivables	3,676	-
Other receivables	4,447	3,044
	11,388	5,796
Non-current		
Cash security for performance bonds	60,490	4,934
Prepayment	6,459	-
	66,949	4,934
11. INVENTORIES		
Current		
Raw materials and consumables	311	64
Work in progress/ Ore stocks	6,129	-
	6,440	64

12. INVESTMENTS

The Company holds investments in the following two controlled entities: Gindalbie (Anketell) Ltd ($5) and Karara Pellet Plant Ltd (HK$2).(2010: Karara Pellet Plant Ltd (HK$2) and Gindalbie (Anketell) Ltd ($5)).

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2011	2010
	$000	$000
Land & buildings		
At cost	6,177	3,259
Accumulated depreciation	(597)	(425)
	5,579	2,834
Plant & equipment		
At cost	5,394	4,816
Accumulated depreciation	(3,080)	(2,158)
	2,314	2,658
Capital work in progress		
At cost	392,580	81,085
Accumulated depreciation	-	-
	392,580	81,085
Mine infrastructure		
At cost	380	380
Accumulated depreciation	(300)	(235)
	80	145
Mine properties & development		
At cost	289,046	184,214
Accumulated amortisation	(921)	-
	288,125	184,214
Rehabilitation Asset		
At cost	9,445	448
Accumulated depreciation	(178)	(90)
	9,267	358
Total property, plant and equipment	697,945	271,294

Total property, plant and equipment include capitalised borrowing costs on the qualifying assets of $2.9 million (2010: nil).

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Reconciliations
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated	
	2011	2010
	$000	$000
Land & buildings		
Carrying amount at beginning of year	2,834	3,004
Additions	2,916	-
Depreciation	(170)	(170)
Carrying amount at end of year	5,579	2,834
Plant & equipment		
Carrying amount at beginning of year	2,658	3,244
Additions	612	389
Depreciation	(956)	(890)
Disposals – at cost	(35)	(460)
Disposals – accumulated depreciation	35	375
Carrying amount at end of year	2,314	2,658
Capital work in progress		
Carrying amount at beginning of year	81,085	26,769
Additions	311,495	54,316
Carrying amount at end of year	392,580	81,085
Mine Infrastructure		
Carrying amount at beginning of year	145	218
Additions	-	-
Depreciation	(65)	(67)
Disposals – at cost	-	(12)
Disposals – accumulated depreciation	-	6
Carrying amount at end of year	80	145
Mine properties & development		
Carrying amount at beginning of year	184,572	91,011
Additions	112,899	93,203
Transfer (out)/ in to exploration	(8,425)	-
Amortisation	(921)	-
Carrying amount at end of year	288,125	184,214
Rehabilitation Asset		
Carrying amount at beginning of year	-	-
Additions	9,445	448
Transfer (out)/ in to exploration	-	-
Amortisation	(178)	(90)
Carrying amount at end of year	9,267	358

14. EXPLORATION AND EVALUATION ASSETS		
	Consolidated	
Costs carried forward in respect of areas of interest in:	2011	2010
Exploration and evaluation assets	$000	$000
Carrying amount at beginning of year	11,501	10,652
Additions	3,869	1,661
Transferred in/(out) to mine properties & development	8,424	(732)
Expenditure written off	(1,192)	(80)
Carrying amount at end of year	22,602	11,501

Exploration programs in each area of interest continue but have not reached a stage which permits a reasonable assessment of economically recoverable reserves.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

The items moved from mine properties and development relate to tenement listed in prior years as mine property and development assets which have been reclassified in the current year due to the Group not being in a stage of developing these assets.

	Consolidated	
	2011	2010
	$'000	$'000
15. TRADE AND OTHER PAYABLES		
Current		
Trade creditors	3,569	1,656
Other creditors and accruals	104,526	44,531
	108,095	46,187

16. CONSOLIDATED ENTITIES

	Ownership interest	
	2011	2010
Parent entity	%	%
Gindalbie Metals Ltd		
Subsidiaries		
Karara Energy Pty Ltd	**	**
Karara Pellet Plant Ltd	100	100
Karara Rail Pty Ltd	**	**
Gindalbie (Anketell) Ltd	100	100

** These entities were transferred by share transfer from Gindalbie Metals Ltd to Karara Mining Ltd during the year ended 30 June 2010.

In the financial statements of the Company, investments in controlled entities are measured at cost. Joint venture operations are disclosed at Note 22.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

All entities included below are subject to joint control as a result of governing contractual arrangements.

Major shareholdings in jointly controlled entities	Country of incorporation	Principal activities	Reporting date	Ownership interest	
				2011	2010
				%	%
Karara Mining Ltd	Australia	Iron ore development	30-Jun	50	50
Karara Management Services Pty Ltd	Australia	Iron ore development	30-Jun	50	50
DSO Ventures Pty Ltd	Australia	Iron ore development	30-Jun	50	50
Karara Infrastructure Pty Ltd	Australia	Iron ore development	30-Jun	50	50
Karara Port Services Pty Ltd	Australia	Iron ore development	30-Jun	50	50
Karara Energy Pty Ltd	Australia	Iron ore development	30-Jun	50	50
Karara Rail Pty Ltd	Australia	Iron ore development	30-Jun	50	50
Karara Power Pty Ltd	Australia	Iron ore development	30-Jun	50	50

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Gindalbie Metals Ltd holds a 50% interest in the Karara Consolidated entity (comprising the above eight entities) as at balance date. The entities are subject to joint control as the Shareholders Agreement, dated 6 September 2007, states that at all times the shareholders (Gindalbie Metals Ltd and Anshan Iron & Steel Group Corporation (“Ansteel”)) have equal voting rights without regard to the number of shares held by each. Accordingly Gindalbie Metals Ltd does not have the ability to unilaterally control, and therefore consolidate the investment in accordance with AASB 127 ‘Consolidated and Separate Financial Statements’.

Under the terms of the Shareholders Agreement, joint control commenced on 29 February 2008 upon the issue of shares in Karara Mining Ltd to Ansteel after payment of the first subscription instalment.

	In aggregate		The Group share	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Net assets of jointly controlled entities				
Current assets	216,182	166,055	108,091	83,028
Non-current assets	1,559,655	563,707	779,828	281,854
Current liabilities	(215,151)	(92,310)	(107,576)	(46,155)
Non-current liabilities	(765,154)	(12,935)	(382,577)	(6,468)
Net assets	795,532	624,517	397,766	312,259
Share of jointly controlled entities' profit				
Revenue	17,651	-	8,826	-
Net operating costs	(24,411)	(1,331)	(12,206)	(666)
Operating loss	(6,760)	(1,331)	(3,380)	(666)
Net finance income	43,452	8,560	21,726	4,280
Income tax benefit/(expense)	(10,557)	582	(5,279)	291
Profit after taxation	26,135	7,811	13,068	3,906
Share of contingent liabilities and expenditure commitments of jointly controlled entities				
Capital commitments	518,708	133,075	259,354	66,538
Other commitments	56,042	-	28,021	-
	574,750	133,075	287,375	66,538

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Karara Iron Ore Project Funding

The agreement for the joint development of the Karara Iron Ore Project required Ansteel and Gindalbie (the joint venture shareholders) to provide equity in accordance with the subscription schedule. These equity contributions have been made.

In June 2010 the Company raised A$131.8 million by the issue of 141.7 million ordinary shares. In addition, the Company entered into a Share Subscription Agreement with Angang Group Hong Kong (Holdings) Limited, a company related to Ansteel, to issue approximately 80.2 million shares for A$74.6 million. This issue of shares was completed on 9 November 2010. The capital raisings were made primarily to allow the Company to meet its forecasted equity contributions to the project.

On 6 August 2010 Karara Mining Limited achieved financial close of the US$1.2 billion Syndicated Facility Agreement relating to the Karara Iron Ore Project ("Project Loan"), provided by a syndicate of banks lead managed by China Development Bank and Bank of China. This loan facility is for a 12 year period (refer to Note 30 for further details). As at 30 June 2011 US$778.5 million of this loan had been drawn down in Karara Mining Limited.

On 26 April 2011 Karara Mining Limited signed a Facility Framework Agreement for additional debt facilities comprising of a US$336 million increase to the existing Project Loan Facility to support working capital requirements of the Karara Project, together with a US$300 million in bank guarantees to provide security to underpin a rail upgrade agreement pursuant to a Rail Access Agreement subsequently signed with WestNet Rail on 4 August 2011. The debt and bank guarantee under the Facility Framework Agreement are subject to the same security provisions as the Project Loan. The US$336 million dollar loan consists of a US$264 million amortising term loan facility over a 10 year period and a US$72 million working capital facility over 3 years and the bank guarantee facility extends over a 10 year term.. All conditions precedent to the Facility Framework Agreement are expected to be satisfied by December 2011.

On 19th July 2011 Gindalbie Metal Limited announced a A$209 million equity raising via a one for three non-renounceable rights issue (refer Note 33). These additional funds are primarily to be used to fund an additional A$300 million equity contribution from Gindalbie to Karara Mining Limited, following the announcement of a revised total construction cost estimate for the Karara project of A$2.57 billion in June 2011. Both joint venture shareholders have agreed to contribute a further A$600 million (in total) of equity to Karara Mining Limited. This additional equity combined with the Project Loan and funding from the Facility Framework Agreement is forecast to fund the project through to the completion of construction and commissioning.

Should the completion of construction, commissioning and commencement of operations not successfully achieve cost forecasts, the Company or Karara Mining Limited may be required to source additional funds through further debt or equity arrangements. Furthermore as debt funds are sourced in USD, and the majority of the remaining construction and commissioning costs are expected to be incurred in AUD, the Company or Karara Mining Limited may be required to source additional funds through further debt or equity arrangements dependent upon AUD/USD exchange rates over the remainder of the construction and commissioning period.

	Consolidated	
	2011	2010
	$'000	$'000
18. RETAINED EARNINGS		
Retained earnings at beginning of year	42,459	44,993
Net (loss)/profit attributable to members of the consolidated entity	13,946	(2,534)
Retained earnings at end of year	56,405	42,459
19. CAPITAL AND RESERVES		
(a) Issued Capital		
935,615,590 (2010: 707,757,674)		
Ordinary shares, fully paid	488,301	285,670
Ordinary shares		
Movements during the year		
Balance at beginning of year	285,670	122,035
Prepaid capital contributions transferred to issued capital	131,800	-
Shares issued		
- Issue of ordinary shares net of prepaid capital contributions	74,500	162,060
- Exercise of options	2,440	1,151
- Transfer on exercise of employee options	-	490
- Transaction costs of share issues	(6,109)	(66)
Balance at end of year	488,301	285,670

During the year the Company:

- Issued 80,107,491 shares at 93 cents to Ansteel raising $74,500,000.
- Issued 141,720,425 shares at 93 cents on a share purchase plan and institutional placement raising $131,800,000.
- Issued 600,000 shares at 55 cents, 30,000 shares at 65 cents, 2,000,000 shares at 25 cents, 1,000,000 shares at 95 cents, 1,000,000 shares at 12 cents, 1,000,000 at 16 cents and 400,000 at 90 cents upon exercise of employee options raising $2,440,000.

During the comparative year the Company:

- Issued 190,658,824 shares at 85 cents to Ansteel raising $162,060,000.
- Issued 1,000,000 shares at 55 cents, 1,000,000 shares at 35 cents, 300,000 shares at 25 cents and 270,000 shares at 65 cents upon exercise of employee options raising $1,150,500.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. Note 27 provides details of shares issued on exercise of options.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of issued shares.

19 CAPITAL AND RESERVES (continued)

	Consolidated	
	2011	2010
(b) Equity Settled Share Based Payments Reserve	$'000	$'000
Balance at beginning of year	8,007	7,358
Equity settled share based payments	(184)	1,139
Transfer to issued capital on exercise	-	(490)
Balance at end of year	7,823	8,007

The equity settled share based payments reserve comprises the net value of options expensed in the year calculated at grant date using the Black-Scholes or Monte Carlo model, depending on whether they contain market performance conditions. For options with a future vesting period the option value is bought to account progressively over the term of the vesting period.

	Consolidated	
	2011	2010
(c) Prepaid Share Reserve	$'000	$'000
Balance at beginning of year	126,868	-
Prepaid capital contributions	-	131,800
Shares issued	(131,800)	-
Transaction costs of capital raising	4,932	(4,932)
Balance at end of year	-	126,868

The Prepaid Share Reserve represents subscriptions for equity received where the issue of shares was completed on 1 July 2010.

20. CAPITAL AND OTHER COMMITMENTS

Capital expenditure commitments
Plant and equipment
Contracted but not provided for and payable:

	2011	2010
	$'000	$'000
Contracted but not provided for and payable:		
Within one year	259,353	66,538
One year or later and no later than five years	-	-
	259,353	66,538

Operating expenditure commitments.

Note: These amounts represents 100% of Karara value in which GBG recognise 50% due to proportional consolidation.

(i) Karara Energy Pty Ltd, a subsidiary of Karara Mining Ltd, has previously entered into a take or pay power supply contract of approximately $33.6m per annum for 15 years, beginning no later than April 2011. The contract relates to power supply to the Karara Iron Ore Project. In circumstances where the actual usage varies from nominated supply requirements over the prescribed period, net settlement may apply which would be treated as an embedded derivative valued through the profit and loss for accounting purposes.

No power had been used during the period April to June 2011. Under the contract that was entered into, there is a take or pay requirement. Therefore, as at 30 June 2011 there is an $8,556,723 liability payable under this contract for which Gindalbie has recognised its share in the income statement.

Under the current contractual arrangements the liability is not payable until power is used, however, a daily interest charge of 6.09% is applied. Interest payable as at 30 June is $62,890.

(ii) Karara Mining Limited signed a long term Rail Haulage Agreement (RHA) with QR National Freight's subsidiary, Australia Western Railroad Pty Ltd (WesNet) to transport up to 10Mtpa of magnetite concentrate and/or hematite direct shipping ore over a 10 year period. Karara's tonnage obligations commence on a staged basis from January 2012 through to May 2012. Once the ramp up is completed, the rail haulage services provided by QR National Freight will involve four trains per day with 100 wagons per train.

In April 2010 a security deposit of $35,800,000 was made to secure commitments pursuant to this contract, Gindalbie's share is $17,900,000. Under the agreement Karara has entered into a take or pay rail supply contract. The minimum commitment requirement for the contract is $21,259,620 per annum.

Exploration expenditure commitments
In order to maintain current rights of tenure to exploration tenements, the Consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These requirements are subject to renegotiation when application for a mining lease is made and at other times.
Payable no later than one year:

Exploration expenditure commitments		
	2011	2010
	$'000	$'000
Payable no later than one year:		
Commitment on tenements held by		
the Company or Consolidated entity	1,827	1,868
Commitment to be met by JV partners	(821)	(648)
Commitment to be met by the Company or Consolidated entity		
	1,006	1,220

Expenditure commitments for exploration programs beyond the next 12 months have not been determined by the Consolidated entity.

21. OPERATING LEASES

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

	2011	2010
Leases as lessee	$'000	$'000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	2,527	1,666
Between one and five years	8,230	7,328
More than five years	861	1,903
	11,618	10,897

The Consolidated entity leases office space under a non-cancellable operating lease expiring in six years. Leases generally provide the Consolidated entity with a right of renewal at which time all terms are renegotiated.

22. INTERESTS IN JOINT VENTURE OPERATIONS

The Consolidated entity has interests in the following unincorporated joint ventures:

Tenement Area	**Note**	**Equity Interest**		**Activities**
		2011	**2010**	
		%	**%**	
Mt Mulgine		30	30	Tungsten
Warriedar Iron Ore Rights	33	60	60	Iron Ore

23. SEGMENT INFORMATION

The Consolidated entity has two reportable segments, as described below, which are the Consolidated entity's strategic business units. The strategic business units have different ownership and operating structures and are managed separately for this reason. For both of the strategic business units, the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Consolidated entity's reportable segments:

- Karara Iron Ore Project – includes the Company's share of this incorporated joint venture
- All other segments – includes all other 100% owned or joint venture projects.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

	Karara Iron Ore Project		All other segments		Total	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
External income	8,825	(3)	702	1,145	9,527	1,142
Inter-segment income	.	-	269	1,234	269	1,234
Interest income	2,893	5,031	9,371	1,944	12,264	6,975
Depreciation and amortisation	(1,667)	(696)	(210)	(232)	(1,877)	(928)
Reportable segment profit before income tax	18,346	4,195	1,148	2,835	19,494	7,030
Other material non-cash items:						
Impairment on exploration and evaluation expenses	(133)	(51)	(1,059)	(29)	(1,192)	(80)
Unwind of discount	(176)	(86)	-	-	(176)	(86)
Reportable segment assets	887,915	364,881	158,170	152,105	1,046,085	516,986
Reportable segment Liabiliteis	(490,150)	(58,533)	(3,406)	(1,357)	(493,556)	(59,890)
Capital expenditure	428,850	148,940	3,574	1,045	432,424	149,985

23. SEGMENT INFORMATION (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2011	2010
	$'000	$'000
Income		
Other income for reportable segments	9,796	2,376
Elimination of inter-segment income	(539)	(1,234)
Consolidated income	9,257	1,142
Profit or loss		
Total profit for reportable segments	19,494	7,030
Elimination of inter-segment profits	(269)	(1,234)
Unallocated amounts: other corporate expenses	-	(8,621)
Consolidated (loss)/profit before income tax	19,225	(2,825)
Assets		
Total assets for reportable segments	1,046,085	516,986
Consolidated total assets	1,046,085	516,986
Liabilities		
Total liabilities for reportable segments	493,556	53,982
Consolidated total liabilities	493,556	53,982

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items (continued)

	2011	2010
Other material items 2011	$'000	$'000
Interest income	12,264	6,975
Capital expenditure	432,424	149,985
Depreciation and amortisation	1,877	928
Impairment on Exploration and evaluation	1,192	80

Major customer
Revenues from one customer of the Consolidated entity's Iron Ore segments represents $8,825 thousand (2010 nil) of the Consolidated entity's total revenues.

Geographical information
The Iron Ore segment is managed and operate manufacturing facilities in Australia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The Consolidated entity has one customer based in China.

24. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of $13,946,022 (2010: loss $2,533,936) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 904,729,046 (2010: 707,041,701) calculated as follows:

Basic earnings per share	Consolidated	
	2011	2010
	$'000	$'000
(Loss)/profit attributable to ordinary shareholders	13,946	(2,534)
Weighted average number of ordinary shares	2011	2010
	No. of shares	No. of shares
Issued ordinary shares at 1 July	707,757,674	514,528,850
Effect of share placement	192,857,536	190,658,824
Effect of shares issued on exercise of share options	4,113,836	1,854,027
Weighted average number of ordinary shares at 30 June	904,729,046	707,041,701

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of $13,946,022 (2010: loss $2,533,936) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 906,017,133 (2010: 712,168,383) calculated as follows:

		Consolidated	
	Note	2011	2010
		$'000	$'000
(Loss)/profit attributable to ordinary shareholders (diluted)		13,946	(2,534)
Weighted average number of ordinary shares		2011	2010
		No. of shares	No. of shares
Weighted average number of ordinary shares (basic)		904,729,046	707,041,701
Effect of share options on issue	27	1,288,087	5,126,682
Weighted average number of ordinary shares (diluted) at 30 June		906,017,133	712,168,383

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding. In 2010, as the potential ordinary shares on issue would decrease the loss per share, they are not considered dilutive.

25. FINANCIAL INSTRUMENTS

Credit Risk

Exposure to credit risk

The carrying amount of the Consolidated entity's financial assets represents the maximum credit exposure. Refer to note 5 for the credit management process. During the year the consolidated entity supplied iron ore to one customer, Sinosteel Midwest Corporation pursuant to the Hematite sales agreement. The Consolidated entity's maximum exposure to credit risk at the reporting date was:

	Note	2011	2010
		$'000	$'000
Interest receivable	10	986	483
Cash security for performance bonds (current and non-current)	10	62,768	7203
Trade receivables	10	3,676	-
Other receivables	10	4,447	3,044
Cash and cash equivalents	9	236,633	219,949

The Consolidated entity's most significant receivable accounts for $3,676,076 of the receivables carrying amount at 30 June 2011 (2010: $265,302). Refer to Note 5 for the credit risk management process.

None of the Company's or Consolidated entity's receivables are past due (2010: nil).

Liquidity risk

The following are the contractual maturities of the Consolidated entity's financial liabilities and proportionate share of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Consolidated							Consolidated		
	2011							2010		
	Carrying amount	Contractual cashflows	6 mths or less	6-12 months	1-2 years	2-5 years	more than 5 years	Carrying amount	Contractual cashflows	6 mths or less
Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities										
Trade and other payables	108,095	(108,095)	(108,095)	-	-	-	-	46,187	(46,187)	(46,187)
Senior debt loan	361,704	(429,922)	(4,341)	(4,341)	(8,682)	(137,625)	(274,934)	-	-	-
	469,799	(538,017)	(112,436)	(4,341)	(8,682)	(137,625)	(274,934)	46,187	(46,187)	(46,187)

Currency risk

Exposure to currency risk

The Consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2011				30 June 2010		
	EUR	USD	RMB	JPY	EUR	USD	JPY
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1,079	51,087	-	58	-	85	54
Trade payables	(10,554)	(777)	(2,583)	-	(3,118)	(3,486)	(433)
Trade receivables	-	3,676	-	-	-	-	-
Senior debt loan	-	(361,704)	-	-	-	-	-
Balance sheet exposure	(9,475)	(307,718)	(2,583)	58	(3,118)	(3,401)	(379)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
EUR	0.73	0.63	0.74	0.69
USD	0.99	0.87	1.07	0.85
JPY	82.09	84.12	86.55	75.05
RMB	6.55	-	6.95	-

25. FINANCIAL INSTRUMENTS (Continued)

Currency risk (continued)

Sensitivity analysis
A 10% strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2011		2010	
Effect in thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
	$'000	$'000	$'000	$'000
EUR	-	861	-	283
USD	-	27,974	-	309
JPY	-	(5)	-	34
RMB	-	235	-	-

A 10% weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk
The Consolidated Entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

Consolidated	2011	2010
	AUD$'000	AUD$'000
Variable rate instruments		
Financial Liabilities:		
Borrowings - senior secured notes	361,704	-
Financial Assets		
Cash performance bonds	62,769	7,203
Cash	236,633	219,949
	661,106	227,152

The consolidated entities invest surplus cash in term deposits and in doing so exposes itself to the fluctuations in interest rates that are inherent in such a market.

As at reporting date, the Consolidated entity had the following variable rate borrowings :US$389m senior debt loan, first repayment due in Nov 2013.

Interest rate - senior debt loan

US$389m of the senior debt loan is denominated in floating rate notes. The interest rate is based on six month LIBOR + margin.

Sensitivity analysis

The following table summarises the sensitivity of the Consolidated Entities' financial assets and liabilities to interest rate risk:

		Interest rate risk			
2011	Carrying amount $AUD	-100bps		+ 100 bps	
		Equity	Profit or loss	Equity	Profit or loss
	$'000	$'000	$'000	$'000	$'000
Borrowings	361,704	-	(3,617)	-	3,617
Cash performance bonds	62,769	-	(628)	-	628
Cash	236,633	-	(2,366)	-	2,366
Total increase/(Decrease)		-	(6,611)	-	6,611

For 2010 sensitivity of cash to 100 basis points movement would be $2,200,000 to profit or loss.

25. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk (continued)

Fair values
Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		2011		2010	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		$'000	$'000	$'000	$'000
Interest receivable	10	986	986	219,949	219,949
Cash security for performance bonds	10	62,769	62,769	7,203	7,203
Trade receivables	10	8,054	8,054	2,778	2,778
Cash security for performance bonds	9	236,633	236,633	219,949	219,949
Trade and other equivalents	15	(108,095)	(108,095)	(46,187)	(46,187)
Senior debt loan	30	(361,704)	(361,704)	-	-
		(161,357)	(161,357)	403,692	403,692

26. NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated	
	2011	2010
Reconciliation of cash flows from operating activities	$'000	$'000
(Loss)/profit for the period after income tax	13,946	(2,534)
Adjustments for:		
Loss/(gain) on sale of property, plant and equipment	(4)	90
Depreciation	956	838
Amortisation	923	89
Unwind of discount	176	86
Write off of carried forward exploration expenditure	1,192	80
Net foreign exchange (gain)/loss	(18,904)	575
Gain on loss of control of subsidiary		-
Employee option expense	(183)	1,138
Income tax expense/(benefit)	5,279	(291)
Operating profit before changes in working capital and provisions	3,381	71
Decrease/(increase) in receivables	(5,280)	(1,924)
Decrease/(increase) in other assets	(1,183)	(264)
Decrease/(increase) in inventories	(6,129)	
Increase/(decrease) in provisions	321	131
Increase/(decrease) in other creditors	6,730	(43)
Net cash (used in)/from operating activities	(2,160)	(2,029)

27. EMPLOYEE BENEFITS

		Consolidated	
		2011	2010
		$'000	$'000
Current			
Liability for long service leave		-	-
Liability for annual leave		700	520
Liability for employee bonuses		2,094	775
		2,794	1,295
Non Current			
Liability for long service leave		140	41
		2,934	1,336

(a) Defined contribution superannuation funds

The Consolidated entity makes contributions to several defined contribution superannuation funds. The Consolidated entity has a legally enforceable obligation to contribute to these plans and contributes at the statutory rate of 9% of gross earnings. The amount recognised as expense or capitalised was $1,154,846 for the financial year ended 30 June 2011 (2010: $737,735).

(b) Share based payments

The Company has an employee share option plan which was approved at the 2006 Annual General Meeting held on 22 November 2006.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the Company's shares traded during the five business days preceding the date of granting the option.

All employee options expire on the earlier of their expiry date or three or six months after the termination of the employee's employment. Option issues generally contain a vesting period and exercise is solely at the discretion of the holder. All options are unlisted and cannot be sold or transferred.

There are no voting rights attached to the options or to the unissued ordinary shares. Voting rights will be attached to the issued ordinary shares when the options have been exercised.

Summary of options over unissued ordinary shares
Details of options over unissued ordinary shares as at the beginning and end of the reporting period and movements during the year are set out below.

The fair value of shares issued as a result of exercising options during the reporting period is the market price of the shares of the Company on the Australian Stock Exchange as at close of trading on the date of issue.

The amounts recognised in the financial statements of the Company and Consolidated entity in relation to share options exercised during the year were:

	Note	2011	2010
		$'000	$'000
Issued ordinary share capital	19	2,440	1,151

27. EMPLOYEE BENEFITS (continued)

Terms and conditions of share-options programme

Grant date/employees entitled	Number of insruments in thousands	Vesting conditions	Contractual life of options
Options granted to key management on 4 May 2011	400	• Karara Project completes its first magnetite concentrate shipment;	5 years
	300	• Iron ore resources are increased on tenements owned by the Company; and	
	300	• The Company share performance at 30 June 2012 and 30 June 2013 are ranked relative to companies within the S&P/ASX300 Metals and Mining;	
Options granted to key management on 8 October 2010	250	• Karara Project concentrator commences commissioning	5 years
	250	• Karara Project completes its first magnetite concentrate shipment	
	250	• Karara Project completes operation of concentrator at design throughput	
	250	• Karara Project completes its first ore shipment.	
Options granted to key management on 12 May 2008	400	1 years service	4 years 2 months
	400	2 years service	
	400	3 years service	
Options granted to key management on 30 April 2008	500	1 years service	4 years five months
	500	2 years service	
	500	3 years service	
Options granted to key management on 7 November 2006	833	1 years service	4 years
	833	2 years service	
	833	3 years service	
Options granted to key management on 22 November 2006	600	1 year four months service	3 years 10 months
Options granted to key management on 30 November 2005	2,000	1 years service	4 years 10 months
	2,000	2 years service	
Options granted to senior employees on 4 May 2011	400	• Karara Project completes its first magnetite concentrate shipment;	5 years
	600	• The Company share performance at 30 June 2012 and 30 June 2013 are ranked relative to companies within the S&P/ASX300 Metals and Mining.	
Options granted to senior employees on 5 July 2008	100	1 years service	5 years
	100	2 years service	
	100	3 years service	
Options granted to senior employees on 10 April 2008	333	1 years service	5 years
	333	2 years service	
	333	3 years service	
Options granted to senior employees on 10 April 2008	167	1 years service	5 years
	167	2 years service	
	167	3 years service	
Options granted to senior employees on 23 Nov 2007	333	1 years service	5 years
	333	2 years service	
	333	3 years service	
Options granted to senior employees on 24 July 2006	30	1 year seven months service	3 years 10 months
Total share options	15,630		

27. EMPLOYEE BENEFITS (continued)

(b) Share based payments (continued)

Expiry date	Exercise price $	Number of options at beginning of year	Options granted	Options expired	Options lapsed	Options exercised	Number of options on issue at end of year		Proceeds received $	Number of shares issued	Share price at date of exercise $
							Vested	Unvested			
Consolidated and Company 2011											
30-Sep-10	$0.12	1,000,000	-	-	-	(1,000,000)	-	-	120,000	1,000,000	0.93
30-Sep-10	$0.16	1,000,000	-	-	-	(1,000,000)	-	-	160,000	1,000,000	0.93
30-Sep-10	$0.25	2,000,000	-	-	-	(2,000,000)	-	-	500,000	2,000,000	0.93
30-Sep-10	$0.55	600,000	-	-	-	(600,000)	-	-	330,000	600,000	0.93
30-Sep-10	$0.65	30,000	-	-	-	(30,000)	-	-	19,500	30,000	0.93
6-Nov-11	$0.60	2,500,000	-	-	-	-	2,500,000	-	-	-	-
1-Aug-12	$0.90	1,200,000	-	(400,000)	(400,000)	(400,000)	-	-	360,000	400,000	1.04
1-Aug-12	$0.94	1,500,000	-	-	-	-	1,500,000	-	-	-	-
1-Aug-12	$1.31	1,000,000	-	-	-	-	1,000,000	-	-	-	-
30-Sep-12	$0.95	1,500,000	-	-	(500,000)	(1,000,000)	-	-	950,000	1,000,000	1.29
30-Sep-13	$1.84	300,000	-	-	-	-	200,000	100,000	-	-	-
8-Oct-15	$1.14	-	1,000,000	-	-	-	250,000	750,000	-	-	-
9-May-16	$1.19	-	2,000,000	-	-	-	-	2,000,000	-	-	-
		12,630,000	3,000,000	(400,000)	(900,000)	(6,030,000)	5,450,000	2,850,000	2,439,500	6,030,000	-
Consolidated and Company 2010											
30-Sep-10	$0.12	1,000,000	-	-	-	-	1,000,000	-	-	-	-
30-Sep-10	$0.16	1,000,000	-	-	-	-	1,000,000	-	-	-	-
30-Sep-10	$0.25	2,300,000	-	-	-	300,000	2,000,000	-	75,000	300,000	0.95
30-Sep-10	$0.35	1,000,000	-	-	-	1,000,000	-	-	350,000	1,000,000	0.86
30-Sep-10	$0.55	1,600,000	-	-	-	1,000,000	600,000	-	550,000	1,000,000	0.92
30-Sep-10	$0.65	300,000	-	-	-	270,000	30,000	-	175,500	270,000	1.28
6-Nov-11	$0.60	2,500,000	-	-	-	-	2,500,000	-	-	-	-
1-Aug-12	$0.90	1,200,000	-	-	-	-	800,000	400,000	-	-	-
1-Aug-12	$0.94	1,500,000	-	-	-	-	1,150,000	350,000	-	-	-
1-Aug-12	$1.31	1,600,000	-	-	(600,000)	-	1,000,000	-	-	-	-
30-Sep-12	$0.95	1,500,000	-	-	-	-	1,000,000	500,000	-	-	-
30-Sep-13	$1.84	300,000	-	-	-	-	100,000	200,000	-	-	-
		15,800,000	-	-	(600,000)	2,570,000	11,180,000	1,450,000	1,150,500	2,570,000	

The market value of shares under these options at 30 June 2011 was $0.83 (30 June 2010: $1.035).

The options outstanding at 30 June 2011 have an exercise price in the range of $0.60 to $1.31 and a weighted average remaining contractual life of the options is 804 days.

The weighted average share price at the date of exercise for share options exercised in 2011 is in the range of $0.90 to $1.29.

27. EMPLOYEE BENEFITS (continued)

(b) Share based payments (continued)

Fair value of share options and assumptions:			
Grant date	8/10/2010	4/05/2011	4/05/2011
Fair value at measurement date (cents)	**61.28**	**64.76**	**40.2**
Option pricing model	Black Scholes	Black Scholes	Monte Carlo
Share price at grant date (cents)	0.99	1.04	1.04
Exercise price (cents)	1.14	1.19	1.19
Expected volatility (expressed as weighted average volatility used in the pricing modelling) (%)	75	75	75
Option life (expressed as weighted average life used in the pricing modelling) (years)	5	5	5
Expected dividends	Nil	Nil	Nil
Risk-free interest rate (based on national government bonds) (%)	4.97	5.22	5.22

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

28. RELATED PARTIES DISCLOSURES

Key management personnel disclosures
The following were key management personnel of the Consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive director
Mr GJ Dixon - Managing Director & CEO (ceased 5 May 2011)
Mr T C Netscher - Managing Director & CEO (commenced 27 April 2011)
Non-executive directors
Mr GF Jones – Chairman
Mr T C Netscher (Appointed 9 September 2010 and resigned as NED on 27 April 2011)
Mr R Marshall (Appointed 16 Dec 2010)
Mr S An Lin (Appointed 15 Mar 2011)
Mr TYBT Abdullah (Resigned 3 Nov 2010)
Mr MJ O'Neill
Mr Y Wanyuan
Mr C Ping
Mr W Heng (resigned 18 August 2011)
Executives
Mr S Abbott - General Manager Project Development (commenced 11 Aug 2010)
Mr DJ Stokes - General Counsel & Company Secretary
Mr D Richardson - Chief Financial Officer (commenced 21 February 2011)
Mr S Murdoch - Chief Operating Officer – Karara Mining Ltd
Mr P Sims – Chief Operating Officer – Karara Mining Ltd
Mr D Southam – Chief Financial Officer (resigned 12 November 2010)
Mr P McBain – General Manager Project Development (ceased 4 February 2011)

Key management personnel compensation
The key management personnel compensation included in 'personnel expenses' (see Note 6(g)), capitalised under exploration and evaluation assets per accounting policy Note 3(q) or capitalised under mine properties and development as per accounting policy note 3(d)(ii) are as follows:

	2011	2010
	$	$
Short-term employee benefits	3,742,021	3,205,618
Long-term employee benefits	347,946	548,116
Post-employment benefits	247,674	261,645
Termination benefits	875,470	798,995
Equity compensation benefits	(222,597)	944,968
	4,990,514	5,759,342

28. PARTIES DISCLOSURES (continued)

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Gindalbie Metals Ltd held, directly, indirectly, or beneficially by each key management person, including their related parties is as follows:

Number of shares 2011	Held at 1-Jul-10	Purchases or held at date of employment	Received on exercise of options	Sales	Less balance held upon resignation	Held at 30-Jun 2011
Directors						
Mr GJ Dixon	710,000	-	-	-	(710,000)	-
Mr GF Jones	14,600,000	-	4,000,000	-	-	18,600,000
Mr TYBT Abdullah*	600,000	-	-	-	(600,000)	-
Mr MJ O'Neill	1,008,241	-	600,000	(380,000)	-	1,228,241
Executives						
Mr PJ McBain	240,000	-	400,000	-	(640,000)	-
Mr DC Southam	8,000	-	1,000,000	-	(1,008,000)	-
Mr S Abbott	-	19,500	-	-	-	19,500
Mr D Richardson	-	8,000	-	-	-	8,000

Number of shares 2010	Held at 1-Jul-09	Purchases or held at date of employment	Received on exercise of options	Sales	Less balance held upon resignation	Held at 30-Jun 2010
Directors						
Mr GJ Dixon	710,000	-	-	-	-	710,000
Mr GF Jones	14,600,000	-	-	-	-	14,600,000
Mr GLW Wedlock	50,000	-	-	-	(50,000)	-
Mr TYBT Abdullah*	600,000	-	-	-	-	600,000
Mr MJ O'Neill	1,008,241	-	-	-	-	1,008,241
Mr DM Murcia	668,000	-	300,000	-	(968,000)	-
Executives						
Mr PJ McBain	240,000	-	-	-	-	240,000
Mr DJ Stokes	-	-	1,000,000	(1,000,000)	-	-
Mr DC Southam	8,000	-	-	-	-	8,000
Mr PE Freund	897,700	-	1,000,000	-	(1,897,700)	-

* Mr Tunku Ya'acob Bin Tunku Abdullah is the Managing Director of Melewar Steel Ventures Limited, a company which is 100% owned by Melewar Industrial Consolidated entity Berhad of which Mr Abdullah is also a director. Melewar Steel Ventures Limited and its associated entities held 28,000,000 shares of the Company's issued capital at 30 June 2010.The company sold all its shares in Gindalbie Metals Limited during the year ended 30 June 2011.

28. RELATED PARTIES DISCLOSURES (Continued)

Options and rights over equity instruments
The movement during the reporting period in the number of options over ordinary shares in Gindalbie Metals Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Number of shares 2011	Held at 1-Jul-10	Granted as remuneration	Exercised	Other Changes*	Held at 30-Jun 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors							
Mr GJ Dixon	2,500,000	-	-	-	2,500,000	-	2,500,000
Mr GF Jones	4,000,000	-	4,000,000	-	-	-	-
Mr MJ O'Neill	600,000	-	600,000	-	-	-	-
Executives							
Mr S Murdoch	-	1,000,000	-	-	1,000,000	250,000	750,000
Mr S Abbott		1,000,000	-	-	1,000,000	-	-
Mr PJ McBain	800,000	-	400,000	(400,000)	-	-	-
Mr DJ Stokes	-	-	-	-	-	-	-
Mr DC Southam	1,000,000	-	1,000,000	(500,000)	-	-	-
Mr PE Freund	-	-	-	-	-	-	-
Mr B Conrick	1,000,000	-	-	-	1,000,000	-	1,000,000

Number of shares 2010	Held at 1-Jul-09	Granted as remuneration	Exercised	Other Changes*	Held at 30-Jun 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
Mr GJ Dixon	2,500,000	-	-	-	2,500,000	1,500,000	2,500,000
Mr GF Jones	4,000,000	-	-	-	4,000,000	-	4,000,000
Mr MJ O'Neill	600,000	-	-	-	600,000	-	600,000
Mr DM Murcia	300,000	-	300,000	-	-	-	-
Executives							
Mr PJ McBain	1,200,000	-	-	-	1,200,000	400,000	800,000
Mr DJ Stokes	1,000,000	-	1,000,000	-	-	-	-
Mr DC Southam	1,500,000	-	-	-	1,500,000	500,000	1,000,000
Mr PE Freund	1,000,000	-	1,000,000	-	-	-	-
Mr B Conrick	1,000,000	-	-	-	1,000,000	400,000	1,000,000
Mr AT Munckton	600,000	-	-	(600,000)	-	-	-

* Other changes in 2011 and 2010 represent options that lapsed as the options had not been exercised within 3 months of ceasing employment.

No options held by key management personnel are vested but not exercisable as at 30 June 2011.

Individual directors and executives compensation disclosures
Information regarding individual directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Other transactions with key management personnel
A number of key management persons, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial operating policies of those entities.

A number of these entities transacted with the Consolidated entity in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their personally-related entities were $23,872 (2010: $81,929). Details of the transactions are as follows:

28. RELATED PARTIES DISCLOSURES (Continued)

Other transactions with key management personnel (continued)

			Consolidated	
			2011	2010
		Note	$	$
Directors	**Transaction**			
Mr DM Murcia	Legal fees	(a)	-	10,106
Mr GLW Wedlock	Consulting services	(b)	-	21,823
Mr GF Jones	Consulting services	(c)	-	50,000
Mr R Marshall	Consulting services	(d)	23,872	-
			23,872	81,929

(a) The Consolidated entity used the legal services of Murcia Pestell Hillard, a legal firm of which Mr DM Murcia is a principal, in relation to general legal advice of the Company. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.
(b) Mr GLW Wedlock provided consulting services to the Consolidated entity. Amounts were billed based upon agreed nominal market rates for such services and were due and payable under normal payment terms.
(c) Mr GF Jones provided consulting services to the Consolidated entity. Amounts were billed based upon agreed nominal market rates for such services and were due and payable under normal payment terms.
(d) Mr R Marshall provided consulting services to the Consolidated entity prior to his appointment as a director. Amounts were billed based upon agreed nominal market rates for such services and were due and payable under normal payment terms.

Amounts payable to key management personnel at reporting date arising from these transactions were as follows:

Liabilities arising from the above transactions	2011	2010
	$	$
Current payables		
Trade creditors	-	8,336

There were no loans made to key management personnel.

All additional required key management personnel disclosures are contained in the Remuneration Report section of the Directors' Report.

Other related party transactions

Subsidiaries

Loans to subsidiaries are non-interest bearing.

Joint venture
The Karara Joint Venture makes the results of its activities available to the Consolidated entity as well as to the other joint venturer. From time to time, to support the activities of the joint venture, the venturers increase their investment in the joint venture.

An office cost recovery fee was charged by the Company to the Karara Iron Ore Project Joint Venture totalling $297,249 (2010: $1,480,428) representing recharge of office and administrative costs to the project. Of this amount $148,625 (2010: $740,214) related to the Company's share in the joint venture.

A labour cost recovery fee was charged by the Company to the Karara Iron Ore Project Joint Venture totalling $241,747 (2010: $974,184) representing recharge at market rates of employees seconded to the project. Of this amount $120,874 (2010$487,082) related to the Company's share in the joint venture.

The is a intercompany balance of $137,498 outstanding as at 30 June 2011.

29. PROVISIONS

	Consolidated	
	2011	2010
	$'000	$'000
Minesite rehabilitation and restoration		
Balance as at 1 July	534	-
Provisions made during the period	8,998	448
Unwind of discount	87	86
Balance as at 30 June	9,619	534

In accordance with legislative requirements, a provision has been recognised for mine rehabilitation and restoration works throughout the life of the Karara Iron Ore Project. The provision has been made in full for all disturbed areas as at balance date, based on current estimates of costs to rehabilitate the area, discounted to their present value based on expected future cash flows.

30. LONG TERM BORROWINGS

This note provides information about the contractual terms of the Consolidated entity's proportional share of interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Consolidated entity's exposure to interest rate, foreign currency and liquidity risk, see note 25.

Non-current liabilities	Consolidated	
	2,011	2,010
	$'000	$'000
Senior debt loan - secured	(361,704)	-
Balance as at 30 June	(361,704)	-

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows

				30 June 2011		30 June 2010	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				AUD $'000	AUD $'000	AUD $'000	AUD $'000
Senior debt loan	USD	6-month LIBOR + margin*	2022	361,704	(361,704)	-	-

On 6 August 2010 Karara Mining Ltd achieved financial close for the US$ 1.2 billion secured debt facility for the project (Consolidated entity's proportional share – US$0.6 billion). The first drawdown of the loan facility was made on 16 August 2010.

The 12-year Karara Project Loan Facility is being provided by a syndicate of banks lead by China Development Bank and Bank of China. The interest rate is variable comprising a fixed margin above the 6 month London Interbank Offered Rate (LIBOR), with sculptured half yearly principal and interest payments. Security arrangements include Karara Mining Ltd granting a fixed and floating charge over all of its assets ("Karara Charge"). Ansteel provided the Sponsor Guarantee under which it guarantees Gindalbie's and Angang's shareholder guarantee obligations until project completion occurs. Gindalbie and Angang provided a First Ranking Share Mortgage in favour of the banks over all of their shares in Karara Mining Ltd. Gindalbie has provided as Second Ranking Share Mortgage to Ansteel in respect of 50% of the liability that Ansteel may incur under the Sponsor Guarantee. Furthermore, Gindalbie and Angang provided a Cross Charge to each other over the shares each owns in Karara Mining Ltd to secure each entity's obligations under the Joint Venture Development Agreement.

31. CONTINGENT LIABILITIES

Details of contingent liabilities are set out below.

	Consolidated	
	2011	2010
	$'000	$'000
Not otherwise provided for in the Financial report	32,150	-

Contingent liabilities relate to a number of claims and possible claims that have arisen in the course of business against Karara Mining Limited, the outcome of which cannot be foreseen at present.

Contingent liabilities considered remote

Performance guarantees
The Consolidated entity has performance guarantees in place with QR National Limited totalling $17,900,000 (2010: $nil) under a performance bond facility to secure payments for rail construction. The guarantee is secured by a term deposit.

The Consolidated entity has additional performance guarantees in place with the Department of Mines and Petroleum for $4,083,750 (2010: $1,665,625) representing security bonds over ground disturbance applications. These guarantees are secured by term deposits.

The Consolidated entity has a performance guarantee in place for $75,000 (2010: $75,000) to secure payment for a credit card facility. The guarantee is secured by a term deposit.

The Consolidated entity has performance guarantees in place for $10,000 (2010:$nil) to secure payments for the storage of concrete sleepers and rail. These guarantees are secured by term deposits.

The Consolidated entity has performance guarantees in place with Verve Energy totalling $4,750,000 (2010:$nil) to secure payments for the power. These guarantees are secured by term deposits.

The Consolidated entity has performance guarantees in place with Westnet Rail totalling $34,989,924 (2010:$nil) to secure payments for the rail network. These guarantees are secured by term deposits.

The Consolidated entity also has performance guarantees in place to secure payment of rent under the Consolidated entity's lease of premises at its office premises at 216 St Georges Terrace, Perth totalling $634,500 (2010: $500,000) and 256 St Georges Terrace, Perth totalling $268,621 (2010: $268,621). These guarantees are secured by term deposits.

32. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Consolidated entity was Gindalbie Metals Ltd.

Result of the parent entity

	Consolidated	
	2011	2010
	$'000	$'000
Profit/(Loss) for the period	1,148	(5,212)
Other comprehensive income	-	-
Total comprehensive Profit/(Loss) for the period	1,148	(5,212)
Financial position of parent entity at year end		
Current assets	150,566	146,495
Total assets	471,194	392,613
Current liabilities	3,382	1,590
Total liabilities	3,475	1,622
Total equity of the parent entity comprising of:		
Share capital	488,301	285,670
Reserve for own shares	5,956	134,874
Retained earnings	(26,538)	(29,553)
Total Equity	467,719	390,991

Parent entity exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These requirements are subject to renegotiation when application for a mining lease is made and at other times.

Payable no later than one year:	Consolidated	
	2011	2010
	$'000	$'000
Rents and rates	94	71
Exploration	734	501
Total commitments	828	572

Expenditure commitments for exploration programs beyond the next 12 months have not been determined by the company.

Performance guarantees
The Company has performance guarantees in place with the Department of Industry and Resources totalling $28,000 (2010: $28,000) under a performance bond facility with Macquarie Bank Limited. The guarantee is secured by a term deposit.

The Company has additional performance guarantees in place with the Department of Industry and Resources for $24,000 (2010: $24,000) representing security bonds over ground disturbance applications. These guarantees are secured by term deposits.

The Company also has performance guarantees in place to secure payment of rent under the Company's lease of premises at its office premises at 216 St Georges Terrace, Perth totalling $500,000 (2010: $500,000). These guarantees are secured by term deposits

33. EVENTS SUBSEQUENT TO REPORTING DATE

On 14 July 2011 the company announced that it had reached agreement with Royal Resources Limited to acquire Royal's 40% interest in the Warriedar Iron Ore Joint Venture, which consists of a number of tenements adjacent to the Karara Project in Western Australia. The consideration for this acquisition is $8M cash, and also includes Royal's 40% interest in the Warriedar Gold Joint Venture. The acquisition of the Iron Ore Joint Venture remains subject to State and Commonwealth regulatory approvals, while the Gold JV interest remains subject to regulatory approvals as well as completion of satisfactory due diligence, and waiver of the third party pre-emptive right held by the existing Gold JV joint venture party.

On 19th July 2011 the company announced a 1 for 3 non-renounceable accelerated pro-rata entitlement offer to eligible shareholders, at an issue price of $0.67 per share. The $209 million proceeds from this equity raising will be used to fund Gindalbie's share of the cost increase for the construction cost of the Karara Iron Ore Project. The company issued 53,095,149 shares to institutional shareholders and received funds of $35,573,750 on 2 August 2011, and issued 146,854,610 shares to retail shareholders, and received funds of $98,392,588 on 19 August 2011. The company's major shareholder Angang Group Hong Kong (Holdings) Limited was unable to take up its entitlement under the Entitlement Offer in terms of the ASX Listing Rules because of the time required to secure necessary regulatory approvals. Consequently the company has called an extraordinary general meeting of shareholders (EGM) on 9 September 2011 to approve a resolution to allot and issue up to 111,922,105 shares to Angang Group Hong Kong (Holdings) Limited or its nominee, pursuant to a placement at an issue price of $0.67 per share. This resolution was approved.

The company has signed a long-term agreement with WestNet Rail, the lease-holder and operator of the existing 200km rail narrow gauge rail line that runs from Morawa to Geraldton. The agreement is conditional on satisfaction of certain conditions precedent.

The agreement includes provision for WestNet Rail to undertake a major approximately $450 million upgrade of the existing 200km long Mid West rail line to Geraldton, providing capacity for Karara's Stage one production of 10Mtpa and the anticipated Stage Two expansion can be accommodated through Geraldton without the need for the Oakajee Port development.

Under the 15-year access agreement, WestNet Rail will undertake rail upgrade works including installation of dual gauge sleepers.

The Consolidated entity is required to provide $150 million in security and WestNet Rail is required to confirm its debt financing is in place prior to commencement of the agreement to support the upgrade works.

Other than the matters discussed above, there have been no events subsequent to reporting date which would have a material effect on the Consolidated entity's financial statements at 30 June 2011.