

Key Points

- At 30 June 2016, Gindalbie had term deposits of AUD\$25 million and cash reserves of AUD\$13.9 million.
- Production of magnetite concentrate by Karara Mining Limited (KML) (Gindalbie 47.84%, Ansteel 52.16%) from the Karara Project (Karara) during the June Quarter shows a decrease of 9.3% over March 2015 Quarter production of 1.788 million WMT.

Average magnetite production unit cash cost by KML was approximately USD(1) \$ 63(2) per WMT (March 2016 Quarter: approximately USD \$58 per WMT). KML continues to focus on reduction of its production costs amid continuing volatility of iron ore prices



CORPORATE

New Bank Loan Facility for KML

KML has executed documentation with Shanghai Pudong Development Bank to provide a loan facility for an additional US\$200 million on terms consistent with KML's existing loan facilities for a period of 35 months (maturing in March 2019). Ansteel has provided a guarantee for this facility and Gindalbie provides a limited recourse counter Guarantee in alignment with guarantees given under the senior debt facility, limited to shares held by Gindalbie in Karara.

The new loan facility provides KML with additional working capital support.

Appointment of CEO - Terms of Appointment

Mr Chris Stevens, previously Acting CEO, has been appointed as the CEO of Gindalbie. Mr Stevens transitioned from Acting CEO to CEO on the 23rd May 2016. Gindalbie's Chairman, Mr Keith Jones, said he was delighted at the appointment of Mr Stevens to the Gindalbie CEO role.

The material terms of the Executive Services Agreement between Chris Stevens and Gindalbie Metals Limited (the Company) for the role of Chief Executive Officer were released to the market on the 10th May 2016.

Strategic Development

Gindalbie continues to focus on strategic business development with the intent to enter projects which will drive the growth of shareholder value through deployment of the existing cash assets. Over the past quarter, Gindalbie has continued to refine its preferred strategy and understanding of opportunities in the market and is currently undertaking due diligence on a small number of selected projects.

Shareholder Information

As at 30 June 2016, Gindalbie had 1,495,622,940 shares on issue and 14,256 shareholders.

The Top 20 shareholders held 58.6% of the issued share capital of Gindalbie.

Cash Reserves

At 30 June 2016, Gindalbie had term deposits of AUD\$25 million and cash reserves of AUD\$13.9 million.

KARARA PROJECT

Overview

The Karara Project (Karara), located 200km east of Geraldton, is a joint venture with Ansteel, one of China's largest steel-makers. Karara consists of a long-life, magnetite concentrate operation with a smaller-scale supporting hematite operation.

Production

During the June 2016 Quarter KML produced approximately 1.621 million wet metric tonnes ('WMT') of magnetite concentrate at Karara, a decrease of 9.3% over March 2016 Quarter production of 1.788 million WMT. The decrease in concentrate is due to planned and unplanned maintenance of the crushing circuit

A total of 25 shipments were completed by KML from the Karara Export Terminal at Geraldton totalling approximately 1.52 million WMT of magnetite concentrate.

Magnetite production grade quality during the June 2016 Quarter averaged 65.4% Fe.

Karara Magnetite Unit '000 WMT			
Quarter (Qtr)	Dec-15 Qtr	Mar-16 Qtr	Jun-16 Qtr
Ore Mined	4,941	4,021	3,957
Concentrate Product	1,839	1,788	1,621
Concentrate Shipped	1,858	1,820	1,519

Karara Hematite Unit '000 WMT			
Quarter (Qtr)	Dec-15 Qtr	Mar-16 Qtr	Jun-16 Qtr
Ore Mined			
High Grade	323	-	-
Medium Grade	-	-	-
Low Grade	-	-	-
Total Mined	323	-	-
Hematite Shipped	424	420	-

For the June 2016 Quarter, average magnetite C1 unit cash cost (mining, processing, maintenance, rail, port and site administration excluding depreciation and amortisation, corporate administration, sale, royalties, ocean freight, interest and financing costs) was approximately USD(1) \$ 63 per WMT (March 2016 Quarter: approximately USD \$58 per WMT). The increase in the C1 unit cash costs is due to lower concentrate production and higher strip ratio during the quarter.

KML continues to focus on reduction of its production costs amid continuing volatility of iron ore prices.

Sales

The realised price for Karara magnetite concentrate is represented by the published benchmark assessment of the spot price of a standard specification of iron ore fines with 65% iron (Platts IODEX 65% Fe) adjusted for its higher iron grade relative to the benchmark (June 2016 Quarter – average of approximately 65.3% Fe) plus a premium for the greater value in use of magnetite concentrate (2) (June 2016 Quarter – average of approximately USD \$0.85 per WMT; March 2016 Quarter: average of approximately USD \$0.7 per WMT) less a penalty for impurities.

The average realised CFR (3) price for the June 2016 Quarter was approximately USD \$64.5 per WMT (4) on provisional basis (March 2016 Quarter: approximately USD \$47.5 per WMT).

GINDALBIE REGIONAL EXPLORATION

Exploration during the June 2016 Quarter comprised annual statutory technical reporting and review work on project targets. Exploration activities during the September 2016 Quarter will focus on updating the JORC status on tenure and work to refine and optimise existing targets.

1 The average daily USD/AUD exchange rate as published by the RBA during the June 2016 Quarter was 0.7455 which has been used to convert AUD to USD in this report.

2 The KML share of premium on sale of magnetite concentrate: June 2016 Quarter – average USD \$0.85/WMT; March 2016 Quarter – average USD \$0.7/WMT.

3 Cost and freight (CFR) indicates that all costs related to transportation of goods to a named port of destination are paid by the seller of the goods.

4 Average price is based on provisional payments received as final price for June 2016 cargoes are not settled yet. Pricing formulas contained in KML sale contracts are based on the final price being determined in the month after the month of shipment. A reconciliation and settlement takes place once a final price is known in the actual month of settlement.