FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2012

ACN 060 857 614

The Directors present their report together with the consolidated financial statements of the Consolidated entity Gindalbie Metals Ltd ('the Company') and its subsidiaries and the Consolidated entity's interest in joint ventures accounted for using the equity method for the financial year ended 30 June 2012 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	**Experience and Special Responsibilities**
Mr George F Jones AM	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 Committee and Audit Committee (until May 2011)
	Director since September 2005. Resigned as Chairman August 2009
	Re-appointed as Chairman June 2010
Mr Timothy C Netscher	Non-Executive Director of Industrea Ltd
BSc(Eng), 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 and Operations Oversight Committee
	Appointed Managing Director and CEO April 2011
Mr Michael J O'Neill	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 Committee
	Director since April 2006
Mr Yu Wanyuan	Vice President & CFO of Anshan Iron and Steel Group Complex
B.Eng	Manager of Ansteel Finance Company
Non-Executive Director	Former Assistant General Manager of Anshan Iron and Steel Group Complex
	Former Deputy Chief Accountant of Anshan Iron and Steel Group Complex
	Member of the Remuneration and Nomination Committee
	Director since June 2009
Mr Chen Ping	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	General Manager of Ansteel Consolidated entity Mining Company
Non-Executive 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 May 2011)
	Director since March 2011

Name & Qualifications	Experience and Special Responsibilities
Mr Andrew R Marshall	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 & Operations Oversight Committee
	Director since December 2010
Mr Paul D Hallam	Former Director - Operations of Fortescue Metals Group Limited
BE (Hons) Mining, MAICD, Grad Cert Mineral Economics	Former Executive General Manager – Development & Projects of Newcrest Mining Limited
Independent Non Executive Director	Former Director - Victorian Operations of Alcoa
	Former Executive General Manager – Base and Precious Metals of North Limited
	Former General Manager - Gold of North Limited
	Chair of the Operations Oversight Committee and Project Oversight Committee
	Director since 14 December 2011
Mr Wang Heng	General Manager of Ansteel Group International Trade Company
M.Eng	Former General Manager of Angang Hong Kong (Holdings) Ltd
Non-Executive Director	Member of the Audit Committee
	Appointed November 2007. Resigned 16 August 2011

2. COMPANY SECRETARY

Mr Ian E. Gregory B.Bus., FCIS, FCSA, FFIN, MAICD, was appointed to the position of Company Secretary on 23 March 2012.

Mr Gregory has worked as full time secretary of Iluka Resources Limited, IBJ Australia Bank Limited and the Griffin Coal Mining Group of companies. He has more than 28 years' experience and has provided company secretarial services to companies involved in a variety of industries, including exploration, mining, mineral processing, oil and gas, banking and insurance. He consults on company secretarial matters to a number of listed and unlisted companies and is a past Chairman of the WA State Council of Chartered Secretaries Australia.

Mr David J Stokes LLB, ACIS, B Bus resigned as Company Secretary on 23 March 2012.

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's primary mining activities related to its 50% joint venture interest in the Karara Iron Ore Project (KIOP), and exploration and development of its 100% owned iron ore projects. There has been no significant change in the nature of these activities during the year.

4. RESULTS

The loss after tax of the Consolidated entity for the financial year was $27,217,000 (2011: profit $13,946,000).

5. REVIEW OF OPERATIONS

During the year the consolidated entity's main activity has been the continued development of the Karara Iron Ore Project (KIOP) in conjunction with our joint venture partner Ansteel, China's second largest steel maker and biggest iron ore producer. Commissioning of key elements of the beneficiation plant located at the mine site had commenced at the date of this report, with first shipments of magnetite concentrate scheduled for the last quarter of 2012. All key items of infrastructure servicing the KIOP including the 85km rail spur interconnecting with the existing rail network, the 180km long 330kV power line, and the 140km water pipeline have been successfully completed and commissioned as at the date of this report.

Since April 2011, 380,000 tonnes of DSO hematite has been shipped under the contract with Sino Midwest Corporation, and the first test shipment of DSO was made to Ansteel in December 2011. DSO shipments are scheduled to recommence in September 2012, representing the first time the project's integrated mine, rail and port logistics chain will be used.

5. REVIEW OF OPERATIONS (Continued)

Project funding requirements for the KIOP were satisfied with the completion of a A$209 million equity raising, the draw down of the tranche 1 US$1.2 billion project loan facility, and finalization and partial draw down of a US$336 million working capital facility. A mandate letter and term sheet was recently signed with China Development Bank for an additional US$250 million project debt facility to cover the expected funding shortfall in relation to the conversion of the US dollar debt facilities.
During the year Gindalbie's exploration focus has been in relation to potential hematite-goethite deposits close to the KIOP infrastructure, with the intention of building a pipeline of DSO deposits for future mining operations.

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 & Risk Committee Meetings		Remuneration & Nomination Committee Meetings		Project Oversight Committee (POC) Meetings		Operations Oversight Committee (OOC) Meetings	
	A	B	A	B	A	B	A	B	A	B
Mr GF Jones	8	8	-	-	4	5	-	-	-	-
MR T Netscher	8	8	-	-	-	-	8	9	3	4
Mr MJ O'Neill	6	8	5	5	4	5	-	-	-	-
Mr Y Wanyuan	8	8	-	-	5	5	-	-	-	-
Mr C Ping	8	8	-	-	-	-	-	-	-	-
Mr W Heng	0	1	-	-	-	-	-	-	-	-
MR S A Lin	8	8	4	5	-	-	-	-	-	-
Mr R Marshall	8	8	5	5	-	-	9	9	4	4
Mr P Hallam	4	5	-	-	-	-	4	5	4	4

A - Number of meetings attended

B - Number of meetings held during the time the director held office during the year

C - Mr Jones attended 2 OOC meetings and 5 POC meetings as an invitee,& Mr O'Neil attended 3 OOC meetings and 6 POC meetings as an invitee.

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 has established parameters for its mining operations. These 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.

9. ENVIRONMENTAL REGULATION (Continued)

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

In August 2012 the joint venture entity Karara Mining Ltd received a conditional term loan facility offer of $250 million USD for the purpose of funding part of the Karara Iron Ore Project construction costs. The terms and conditions of this offer including security arrangements, are substantially similar to the terms and conditions applying to the existing project financing facility (refer Note 17).

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.

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	
	2012	2011
	$	$
Audit services:		
Auditors of the Company and Consolidated entity– *KPMG Australia*		
- audit and review of financial reports	79,258	102,845
Other services:		
Auditors of the Company and Consolidated entity– *KPMG Australia*		
- taxation services	49,012	63,350
	128,270	166,195

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 T C Netscher - Managing Director & CEO
Non-executive directors
Mr G F Jones – Chairman
Mr A R Marshall
Mr S An Lin
Mr M J O'Neill
Mr Y Wanyuan
Mr C Ping
Mr P D Hallam (commenced 14 December 2011)
Mr W Heng (Resigned 16 August 2011)
Executives
Mr D Richardson - Chief Financial Officer
Mr C Gerrard - General Counsel (commenced 1 May 2012)
Mr DJ Stokes - General Counsel & Company Secretary (resigned 23 March 2012)

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 Consolidated entity. Key management personnel include the directors of the company and senior executives for the Consolidated entity, in accordance with S300A of the *Corporations Act 2001*.

Compensation levels for directors and key management personnel of the Consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration and Nomination Committee obtains independent data on compensation packages and trends in comparative companies, and this information is used as one of the determinants in deciding the appropriateness of the Consolidated entity'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 management personnel;
- the key management personnel's assessed contribution to the Consolidated entity's financial and operational 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 may be used to provide benchmark data to the committee who ensure that key management personnel compensation is competitive in the market place. Key management personnel compensation is also reviewed on promotion.

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 (including performance hurdles related to the development of the KIOP) payable in cash.

12. REMUNERATION REPORT – Audited (Continued)

12.2 Principles of compensation (continued)

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 Consolidated entity meeting its business objectives for the financial year. In addition, it also provides clear alignment between personal and business performance and remuneration. Consolidated entity and individual objectives are used to determine the performance rating. The Managing Director evaluates the Consolidated entity's strategic goals for the forthcoming financial year and identifies Measurable Performance Objectives (MPOs) which are deemed to be critical to the Consolidated entity achieving its mission each financial year. For performance linked compensation purposes the Consolidated entity is defined to include the Karara Iron Ore project (KIOP), a 50% owned joint venture of the Consolidated entity. These objectives are reviewed and if considered appropriate approved by the Nominations and Remuneration Committee.

At the end of the financial year the Managing Director assesses the Consolidated entity's performance against the Consolidated entity MPOs to determine the overall business score. Both the Consolidated entity and individual performance ratings are applied against the ratio of Consolidated entity 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 8% and 25% of Total Fixed Remuneration (base salary plus superannuation) dependent on their role and responsibilities within the Consolidated entity.

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

- Achieving critical approvals for the 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 2011/12 short term incentives occurred in July 2012.

Effective from 1 July 2012 STI objectives will be based purely on the achievement of designated consolidated entity objectives (excluding personal objectives). This change is to ensure that every employee in the organization is focused on the same set of goals, which are commensurate with the strategic goals endorsed by the Board.

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 1,000,000 options granted to key management personnel during the year ended 30 June 2012 (2011 – 3,000,000 options granted).

Specific performance hurdles:

- KIOP completes its first magnetite concentrate shipment;
- 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;

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, as such arrangements have been prohibited by law since 1 July 2011. Hedging is permitted in respect of any performance shares or options that have vested.

No share options issued under the Employee Share Option Plan vested during 2012, as the designated performance hurdles were not achieved.

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.

12. REMUNERATION REPORT – Audited (Continued)

12.2 Principles of compensation (continued)

The key criteria for achievement of the long term incentive 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.

The current project based LTI scheme involving cash payments concluded on 30 June 2012. Effective from 1 July 2012 a new deferred compensation scheme has been introduced. The new deferred compensation scheme does not include any cash payments. 100% of entitlements will be satisfied via the issue of share options. Entitlements will vest over a three year period, subject to the satisfactory achievement of designated consolidated entity objectives. This change is in recognition of the progression of the KIOP from the development phase to production phase during the financial year ending 30 June 2013.

Short-term and long-term incentive structure
Each year the Managing Director recommends the KPIs for the key management personnel, which are approved by the Nomination and Remuneration Committee. 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 during the year ended 30 June 2012, the Board believed that at the current stage of the development of the Karara Iron Ore Project there is not a relevant direct link between revenue and profitability and the advancement of shareholder wealth. The Board 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, completion of construction and commencement of operations 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.

	2012	2011	2010	2009	2008
Profit attributable to owners of the company ($000)	(36,247)	13,946	(2,534)	26,218	44,521
Change in share price ($)	(0.39)	(0.20)	0.26	(0.68)	0.43
Return on capital employed	-5.0%	2.5%	-0.5%	15.0%	30.7%

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
CEO (Mr T Netscher)	Fixed term (27 April 11 - 1 July 13)	1 months	Balance of contract term salary
CFO (Mr D Richardson)	Unlimited	8 weeks	6 months salary
General Counsel (Mr C Gerrard) (commenced 1/5/2012)	Unlimited	8 weeks	6 months salary
General Counsel & Company Secretary (Mr D Stokes) (resigned 23/3/2012)	Unlimited	4 weeks	12 months salary

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.

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.

12. REMUNERATION REPORT – Audited (Continued)

12.3 Analysis of bonuses included in remuneration – audited

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 2012 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.

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 Consolidated entity's development no further options will be issued to non-executive directors.

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, 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	320,310	65%	35%	15%	85%
Executives					
Mr C Gerrard	15,201	75%	25%	29%	71%
Mr D Richardson	132,805	78%	22%	15%	85%

* The performance conditions for the long term incentive bonus vested unevenly over a two year period ending on 30 June 2012. Percentages indicated as vested and forfeited represent percentages vested and forfeited over the entire two year period.

The Short-term incentive bonus had been paid on 12 July 2012, and the Long-term incentive bonus had been paid on 14 August 2012.

12. REMUNERATION REPORT – Audited (Continued)

12.4 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 key management personnel of the Company and the Consolidated entity are listed below. Directors and executive officers remuneration amounts include the accrual of cash bonuses and long term, accruals of annual leave and long service leave.

		Short term		Post-employment	Other long term			Other compensation			Value of options as proportion of remuneration	Total performance related remuneration
					Long term incentive	Other long term (LSL)	Share based payments					
		Salary & fees	Cash bonus	Superannuation benefits			Value of options (b)	Termination benefits	Insurance premiums (c)	Total		
		$	$	$	$		$	$	$	$	%	%
Directors												
Non-executive directors												
Mr GF Jones (Chairman)	2012	220,183	-	19,817	-	-	-	-	3,085	243,085	-	-
	2011	220,183	-	19,817	-	-	-	-	3,021	243,021	-	-
Mr MJ O'Neill	2012	119,551	-	-	-	-	-	-	3,085	122,636	-	-
	2011	109,243	20,000	-	-	-	-	-	3,021	132,265	-	15%
MR A Marshall (commenced 16 December 2010)	2012	99,782	-	8,980					3,085	111,848	-	-
	2011	55,799	-	5,022	-	-	-	-	1,399	62,220	-	-
Mr C Ping	2012	75,000	-	-	-	-	-	-	3,085	78,085	-	-
	2011	72,500	-	-	-	-	-	-	3,021	75,521	-	-
Mr SA Lin (commenced 15 March 2011)	2012	75,000	-	-	-	-	-	-	3,085	78,085	-	-
	2011	21,875	-	-	-	-	-	-	894	22,769	-	-
Mr Y Wanyuan	2012	75,000	-	-	-	-	-	-	3,085	78,085	-	-
	2011	72,500	-	-	-	-	-	-	3,021	75,521	-	-
Mr P Hallam (commenced 14 December 2011)	2012	58,868	-	5,298	-	-	-	-	1,691	65,857		
	2011	-	-	-	-	-	-	-	-	-		
Mr W Heng (resigned on 16 August 2011)	2012	9,375	-	-	-	-	-	-	414	9,789	-	-
	2011	72,500	-	-	-	-	-	-	3,021	75,521	-	-
MrGLW Wedlock**	2012	-							-	-	-	-
(ceased 19 June 2010)	2011	-	-	-	-	-	-	240,000	-	240,000	-	-
Mr TYBT Abdullah (ceased 30 November 2010)	2012	-	-	-	-	-	-	-	-	-	-	-
	2011	23,125	-	-	-	-	-	-	1,266	24,391	-	-
Sub-total non-executive directors remuneration	2012	732,760	-	34,095	-	-	-	-	20,618	787,473	-	-
	2011	647,725	20,000	24,839	-	-	-	240,000	18,665	951,229	-	-
Executive director						-				-		
Mr T Netscher (Managing Director & CEO)*	2012	1,074,002	170,940	15,775	149,370	-	-	-	3,085	1,413,173		23%
(Commenced position 27 April 2011)	2011	258,556	-	2,533	94,247	-	-	-	2,434	357,770	-	26%
Mr GJ Dixon (Managing Director & CEO)	2012	-	-	-	-	-	-	-	-	-	-	-
(ceased position 5 May 2011)	2011	668,621	-	52,470		-	-	635,470	2,558	1,359,119	-	-
Total, all directors	2012	1,806,762	170,940	49,870	149,370	-	-	-	23,703	2,200,645	-	-
	2011	1,574,903	20,000	79,843	94,247	-	-	875,470	23,656	2,668,119	-	-

		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 (b)	Termination benefits	Insurance premiums	Total		
		$	$	$	$		$	$	$	$		
Executives												
Mr C Gerrard (General Counsel)	2012	24,999	10,246	29,851	4,955		-		516	70,567		22%
(commenced 1 May 2012)	2011	-	-	-	-	-	-	-	-	-		
Mr D Richardson (Chief Financial Officer)	2012	351,047	72,491	35,800	60,314				1,099	520,751		26%
(commenced 21 February 2011)	2011	124,121	19,944	8,333	39,058	-	-	-	1,076	192,532	-	31%
Mr DJ Stokes (General Counsel & Company Secretary)	2012	206,308	-	15,349	-	-	-	-	2,257	223,914	-	-
(ceased employment 16 March 2012)	2011	253,625	39,088	26,698	9,705	12,829	-	-	3,021	344,966	-	14%
Mr DC Southam (Chief Financial Officer)	2012	-	-	-	-	-	-	-	-	-		
(ceased employment 12 November 2010)	2011	139,851	-	11,046	-	-	(173,985)	-	1,117	(21,970)	-793%	-793%
Total, all executives	2012	582,354	82,737	81,000	65,269	-	-	-	3,872	815,232	-	-
	2011	517,597	59,032	46,078	48,763	12,829	(173,985)	-	5,215	515,528	-	-
Total, all key management personnel	2012	2,389,116	253,677	130,870	214,639	-	-	-	27,575	3,015,877	-	-
	2011	2,092,500	79,032	125,920	143,010	12,829	(173,985)	875,470	28,871	3,183,647	-	-

***** Mr T Netscher commenced as a Non-executive director on 9 September 2010 and the Managing Director & CEO on the 27 April 2011. The 2011 remuneration under executive director includes the following fees earned as a Non-executive director - 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 $240,000 to Mr Wedlock's estate.

12. REMUNERATION REPORT – Audited (Continued)

12.4 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 the Binomial model 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
17-Nov-11	9-May-16	$0.2645	$1.17	$0.50	32%	3.38%	Black Scholes
17-Nov-11	9-May-16	$0.0011	$1.17	$0.50	32%	3.38%	Binomial
17-Nov-11	9-May-16	$0.0007	$1.17	$0.50	32%	3.38%	Binomial

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

12.5 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.

12.6 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 2012	Grant Date	Number of options vested during 2012	Number of options lapsed during 2012	Number of options forfeited during 2012	Fair value per option at grant date($)	Exercise price per option ($)	Expiry Date
Executive :-								
Mr D Richardson	400,000	17-Nov-11	-	400,000		$0.2645	$1.17	9-May-16
	300,000	17-Nov-11	-	-	300,000	$0.0011	$1.17	9-May-16
	300,000	17-Nov-11	-	-	300,000	$0.0007	$1.17	9-May-16

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

The options forfeited during the year were done so on a voluntary relinquishment basis.

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 28 to the financial statements.

12.7 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.

12.8 Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

12. REMUNERATION REPORT – Audited (Continued)

12.9 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	Value of Options exercised in year	Value of Options lapsed/forfeited in year
	$(a)	$(b)	$(c)
Mr D Richardson	15,679	-	20,925

(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 Binomial 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 Securities 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
9 May 2016	$1.17	600,000
8 October 2015	$1.12	250,000
		850,000

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.

Shares issued on exercise of options
During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options (there were no amounts unpaid on the shares issued).

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 G F Jones	19,000,000	-
Mr M J O'Neill	1,437,655	-
Mr T C Netscher	100,000	-
Mr A R Marshall	100,000	-
Mr P D Hallam	100,000	-

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 15 and forms part of the Directors' Report for the year ended 30 June 2012.

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. INDEMNIFICATION AND INSURANCE 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 $27,575 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 20 September 2012.

T Netscher	GF Jones
Director	Director

KPMG

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

To: the directors of Gindalbie Metals Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 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

20 September 2012

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

Report on the financial report

We have audited the accompanying financial report of Gindalbie Metals Ltd (the company), which comprises the consolidated balance sheet as at 30 June 2012, 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 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 Group 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 Group'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*.

KPMG

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 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 the directors' report for the year ended 30 June 2012. 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 Ltd for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

20 September 2012

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

   (a) the Consolidated financial statements and notes, and the Remuneration Report set out in section 12 of the directors' report, 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 2012 and of its performance, for the financial year ended on that date; and

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

   (b) 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 2012.

3. The directors draw attention to Note (2a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Perth this 20th day of September 2012.

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 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000 Restated*
Other income	6(a)	48	702
Administration expenses	6(b)	(7,218)	(7,839)
Other expenses	6(c)	(2,785)	(1,085)
Results from operating activities		(9,955)	(8,222)
Finance income	6(d)	9,167	9,370
Net financing income		9,167	9,370
Share of (loss)/profit from equity accounted Joint Venture (net of tax)		(26,429)	12,798
(Loss)/profit before income tax		(27,217)	13,946
Income tax benefit/(expense)	7	-	-
(Loss)/profit for the period		(27,217)	13,946
Changes in fair value of cash flow hedges - equity accounted joint venture	2(f)	(9,030)	-
Income tax on other comprehensive income		-	-
Total other comprehensive income for the period net of tax		(9,030)	-
Total comprehensive (loss)/income		(36,247)	13,946
(Loss)/Profit attributable to:			
Owners of the Company		(27,217)	13,946
(Loss)/Profit for the year		(27,217)	13,946
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(36,247)	13,946
Total comprehensive (loss)/income for the year		(36,247)	13,946
Earnings per share			
Basic earnings/(loss) per share - cents	25	(2.32)	1.54
Diluted earnings/(loss) per share - cents	25	(2.32)	1.54

* See note 2(f) and note 18

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 23 to 60.

GINDALBIE METALS LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2012

	Consolidated			
	Issued capital	Retained earnings	Reserves	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2012				
Opening balance at 1 July 2011	488,301	56,405	7,823	552,529
Loss for the period	-	(27,217)	-	(27,217)
Changes in fair value of cash flow hedges - equity accounted joint venture	-	-	(9,030)	(9,030)
Total comprehensive income for the period	-	(27,217)	(9,030)	(36,247)
Transactions with owners of the Company, recognised directly in equity				
Shares issued				
- Issue of ordinary shares net of prepaid capital contributions	208,954	-	-	208,954
- Transaction costs	(4,081)	-	-	(4,081)
- Share based payments expense	-	-	6	6
Closing balance at 30 June 2012	693,174	29,188	(1,201)	721,161
Year ended 30 June 2011				
Opening balance at 1 July 2010	285,670	42,459	134,875	463,004
Profit for the period	-	13,946	-	13,946
Other comprehensive income from equity accounted Joint Venture	-	-	-	-
Total comprehensive income for the period	-	13,946	-	13,946
Transactions with owners of the Company, recognised directly in equity				
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
- Transaction costs	(1,177)	-	-	(1,177)
- Transaction costs of prepaid capital contributions transferred to issued capital	(4,932)	-	4,932	-
Closing balance at 30 June 2011	488,301	56,405	7,823	552,529

Amounts are stated net of tax, where applicable. Further details of issued capital and reserves are disclosed in Note 20.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 23 to 60.

GINDALBIE METALS LTD AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
For the year ended 30 June 2012

	Note	Consolidated 30 June 2012 $'000	30 June 2011 $'000 Restated*	1 July 2010 $'000 Restated*
ASSETS				
Cash and cash equivalents	9	40,517	149,335	145,514
Trade and Other receivables	10	1,434	1,181	971
Prepayments		3	24	8
Inventories	11	19	25	1
TOTAL CURRENT ASSETS		41,973	150,565	146,494
Other receivables	10	303	552	552
Property, plant and equipment	13	2,166	2,377	2,723
Exploration and evaluation assets	14	25,560	12,924	10,508
Joint venture accounted for using the equity method	17/18	654,126	389,586	304,351
TOTAL NON CURRENT ASSETS		682,155	405,439	318,134
TOTAL ASSETS		724,128	556,004	464,628
LIABILITIES				
Trade and other payables	15	1,769	2,716	1,054
Employee benefits	28	1,149	666	536
TOTAL CURRENT LIABILITIES		2,918	3,382	1,590
Employee benefits	28	49	93	34
TOTAL NON CURRENT LIABILITIES		49	93	34
TOTAL LIABILITIES		2,967	3,475	1,624
NET ASSETS		721,161	552,529	463,004
EQUITY				
Issued capital	20	693,174	488,301	285,670
Reserves	20	(1,201)	7,823	134,875
Retained earnings	19	29,188	56,405	42,459
TOTAL EQUITY		721,161	552,529	463,004

* See note 2(f) and note 18

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 23 to 60.

GINDALBIE METALS LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended 30 June 2012

	Note	Consolidated 30-Jun-12 $'000	30-Jun-11 $'000 *Restated
Cash flows from operating activities			
Cash receipts from customers		48	1,212
Cash payments to suppliers and employees		(8,130)	(5,796)
Interest received		9,797	8,650
Net cash used in operating activities	27	1,715	4,066
Cash flows from investing activities			
Exploration and evaluation expenditure		(15,201)	(3,475)
Proceeds from sale of property, plant and equipment		-	7
Acquisition of property, plant and equipment		(205)	(100)
Payments for investments in Joint Venture		(300,000)	(72,440)
Net cash used in investing activities		(315,406)	(76,008)
Cash flows from financing activities			
Proceeds from the issue of shares		208,954	74,500
Proceeds from exercise of share options		-	2,440
Payment of capital raising costs		(4,081)	(1,177)
Net cash used in financing activities		204,873	75,763
Net increase in cash and cash equivalents		(108,818)	3,821
Cash and cash equivalents at 1 July		149,335	145,514
Cash and cash equivalents at 30 June	9	40,517	149,335

* See note 2(f) and note 18

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 23 to 60**.**

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 2012 comprise the Company and its subsidiaries (together referred to as the Group or the "Consolidated entity")and the Group's interest in jointly controlled entities. The Consolidated Entity is a for-profit entity primarily 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 (AASBs) 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 20 September 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Going Concern - Joint Venture Entity

These financial statements of the consolidated entity have been prepared on the going concern basis. The primary asset of Gindalbie Metals Limited (Gindalbie) is a 50% joint venture equity interest in Karara Mining Ltd (KML), a special purpose entity established to develop and operate the Karara Iron Ore Project (KIOP) in Western Australia. The remaining 50% is owned by Anshan Iron and Steel Group Corporation. Full details on the consolidated entity investment in the joint venture, including contingent liabilities related to guarantees provided in relation to KML are disclosed in note 17.

On 20 August 2012, Gindalbie announced that KML had received a conditional term loan facility offer of US$250m "Tranche 3" to complete construction of the KIOP from China Development Bank (refer Note 32). The terms and conditions are similar to the existing project debt facility and require Chinese regulatory approval for the drawdown of funds. KML is proceeding to finalise the facility agreement, with the Directors of KML and the consolidated entity confident of accessing the funds during October 2012.

The Directors of the consolidated entity have identified inherent uncertainties regarding the potential future funding requirements of KML. The uncertainties primarily relate to the KIOP achieving production quantities in accordance with the planned ramp up schedule and the recovery from present Australian dollar iron ore prices to forecast market consensus prices.

In the event that one or more uncertainties adversely impact KML's funding requirements such that a deficiency in working capital emerges, KML may be required to make further cash calls upon its two joint venture shareholders to ensure that KML has sufficient funds to pay its debts as and when they become payable. As a contingency both shareholders have indicated their intent to fund cash calls, if required. Beyond the next twelve months, KML is scheduled to make a principal debt repayment of $63.3 million USD in November 2013.

At 31 August 2012, the consolidated entity had cash reserves of $35.1 million. Should the consolidated entity receive one or more requests from KML for funding during the course of the next 12 months, the consolidated entity may need to raise additional capital to meet KML funding calls, maintain its ownership interest in the KIOP, and continue as a going concern.

The Directors acknowledge the present volatility in debt and equity markets, however, based on historical success at sourcing debt and equity funding for the development of the KIOP the Directors of the consolidated entity are confident that in the event that additional funding should be required, the consolidated entity has the ability to source additional funds through equity markets.

The going concern basis largely depends on the factors set out above, and accordingly these financial statements do not include any adjustments relating to the recoverability of the carrying value of the consolidated entity investment in KML, or the carrying value of other consolidated entity assets that might be necessary should KML, or the consolidated entity not be able to continue as a going concern.

2. BASIS OF PREPARATION (continued)

(d) 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.

(e) 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

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 26 – Financial Instruments
- Note 28(b) – Share-Based Payments
- Note 30 – Contingent Liabilities

(f) Change in accounting policies

Accounting for investments in jointly controlled entities

On 1 July 2011 the consolidated entity early adopted AASB 11 *Joint Arrangements* in accounting for investments in jointly controlled entities. AASB 11 introduces a new joint control model and removes the option to proportionally consolidate. The change in the accounting policy was made to provide more relevant information to users and was done in accordance with AASB 11 transitional provisions. Note 18 highlights the adjustment on the opening statement of financial position at 1 July 2010, which is the beginning of the earliest comparative period presented.

As part of the adoption of AASB 11, the consolidated entity is also required to early adopt AASB 10 *Consolidated Financial Statements,* AASB 12 *Disclosures of Interests in Other Entities,* AASB 127 *Separate Financial Statements* (August 2011), and AASB 128 *Investments in Associates and Joint Ventures* (August 2011).

AASB 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

AASB 12 *Disclosures of Interests in Other Entities* prescribes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

AASB 127 *Separate Financial Statements* (August 2011) prescribes the accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required to present separate financial statements.

AASB 128 *Investments in Associates and Joint Ventures* (August 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

AASB 10, AASB 127 (August 2011), and AASB 128 (August 2011) have had no impact on these Consolidated Financial Statements. The early adoption of AASB 12 results in additional disclosures and those considered significant for these Consolidated Financial Statements are included in notes 17 and 18.

There has been no impact on consolidated earnings per share as a result of the early adoption of these standards.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangements. A joint venturer recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

2. BASIS OF PREPARATION (continued)

(f) Changes in accounting policies (continued)

On transition from proportionate consolidation to the equity method, the initial investment is measured as the aggregate of the carrying amounts of the assets and liabilities that were previously proportionally consolidated. This deemed cost is then tested for indicators of impairment as per the consolidated entity's policy for impairment of financial assets. If indicators exist then the deemed cost is tested for impairment as per the consolidated entity's policy for impairment of non-current assets.

The consolidated financial statements include the consolidated entity's share of the profit or loss and other comprehensive income of the joint venture, after adjustments to align the accounting policies with those of the consolidated entity, from the date that joint control commences until the date that joint control ceases.

When the consolidated entity's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest, including any long term investment, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the investee.

Impact of change in accounting policy

The change in accounting policy was applied retrospectively and has had an impact on the financial statements, as is shown in the below table, and Note 18 quantifies the impact of the changes:

Financial statements	Effect due to the accounting change
Statement of financial position	• Reported figures will decline to the extent of the entity's previously recognised share in the individual assets and liabilities of the joint venture and therefore total assets and total liabilities will decrease • The investment in the joint venture will be captured in a single line item.
Statement of comprehensive income	• Reported figures will decline to the extent of the entity's previously recognised share of revenue and expenses of the joint venture and therefore total revenue and total expenses will decrease. • No changes in net income.
Statement of changes in equity	• No changes in the statement of changes in equity.
Statement of cash flow	• Reported operating, investing and financing cash flow figures will decline to the extent of the entity's previously recognised share in the cash flows of the joint venture. • Dividends (when received) from joint ventures will be presented as cash flows.

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 arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangements. A joint venturer recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

The consolidated financial statements include the consolidated entity's share of the profit or loss and other comprehensive income of the joint venture, after adjustments to align the accounting policies with those of the consolidated entity, from the date that joint control commences until the date that joint control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

When the consolidated entity's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest, including any long term investment, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the investee.

(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 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.

Cash and cash equivalents comprise cash balances and call deposits.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

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

(ii) 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.

(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

(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.

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

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

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment (continued)

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.

(f) 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.

(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.

(g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income Tax (continued)

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.

(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.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

(ii) MRRT

MRRT is considered for accounting purposes, to be a tax based on income and is applicable to the equity accounted joint venture entity. Accordingly current and deferred MRRT expense if applicable is measured and disclosed on the same basis as income tax.

On 29 March 2012 the Mineral Resource Rent Tax (MRRT) legislation achieved Royal Assent and became law in Australia. The MRRT is effective from 1 July 2012, however financial reporting considerations with respect to new this legislation must be made from the date of Royal Assent. The Consolidated Entity currently does not generate “mining revenue” or supply “taxable resources” as defined in the legislation, and therefore no deferred tax assets or liabilities arising from the MRRT have been recognized.

(m) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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.

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.

(p) 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.

(q) 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 2012, 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 2016 financial statements. Retrospective application is generally required. The Consolidated Entity has not yet determined the potential effect of the standard

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) New standards and interpretations not yet adopted (Continued)

(ii) 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.

(iii) Amended AASB 101 which becomes mandatory for the Consolidated entity's 30 June 2013 financial statements and is likely to result in minor amendments to the presentation of the statement of comprehensive income.

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 including risks resulting from its investment in equity accounted joint venture ("Joint Venture"). 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 cash and cash equivalents.

(c) Guarantees

The Consolidated entity's policy is to provide financial guarantees where contractually necessary to certain suppliers or behalf of wholly-owned subsidiaries and equity accounted joint ventures. Refer to Note 31 for a list of outstanding performance guarantees at balance date.

5. FINANCIAL RISK MANAGEMENT (Continued)

(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 26.

(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 180 days, including the servicing of financial obligations. Refer to note 15 and 26 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 via its Joint Venture on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Joint Venture, 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 Joint Venture may hedge its estimated foreign currency exposure in respect of forecast sales and purchases over the following months. The Joint Venture may also hedge a percentage of all trade receivables and trade payables denominated in a foreign currency. The Joint Venture 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 (IRS) contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. No IRS contacts were entered into during the year. The Joint Venture has entered into IRS contracts during the period.

(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 equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 20 and 19 respectively.

During 2012 the Consolidated entity has maintained the capital base through a clear cash management strategy 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.

5. FINANCIAL RISK MANAGEMENT (Continued)

(j) Price risk

The consolidated entity is exposed to iron ore commodity price risk, through its Joint Venture investment.

	Consolidated	
	2012	2011
	$'000	$'000
6 REVENUE AND EXPENSES		* restated
(a) Other income		
Profit on Joint venture office fees	-	297
Profit on Joint venture labour fees	-	242
Other income	48	163
Total other income	48	702
(b) Administration expenses		
Salary and on costs expenses	(4,236)	(4,949)
Corporate and consultant costs	(661)	(624)
Office and marketing costs	(898)	(1,850)
Other administration costs	(1,423)	(416)
Total administration expenses	(7,218)	(7,839)
(c) Other expenses		
Depreciation		
Property, plant & equipment	(214)	(210)
Equity-settled share-based payments transactions	(6)	184
Impairment of exploration & evaluation assets	(2,565)	(1,059)
Total other expenses	(2,785)	(1,085)
(d) Net financing income		
Interest income	9,167	9,370
Financial income	9,167	9,370
Net financing income	9,167	9,370
(e) Personnel expenses		
Wages and salaries	(2,314)	(1,755)
Other associated personnel expenses	(220)	(187)
Redundancy payments	-	(635)
Ex gratia payments	-	(254)
Contributions to defined contribution superannuation funds	(173)	(162)
Increase in liability for annual leave	(192)	(156)
Increase in liability for long service leave	(1)	(16)
Increase in liability for bonuses	(548)	(745)
Equity Settled share based payment transaction	(6)	184
	(3,454)	(3,726)
(f) Expenses by nature		
Employee benefits expense	(3,454)	(3,726)
Depreciation and amortisation expense	(214)	(210)
Corporate and Consultancy expense	(661)	(624)
Impairment of exploration & evaluation assets	(2,565)	(1,059)
Office and Marketing expense	(898)	(1,850)
Other expenses	(2,211)	(1,455)
	(10,003)	(8,924)

7. INCOME TAX EXPENSE

	2012	2011
	$'000	$'000
Current tax expense		Restated*
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(4,134)	(955)
Adjustments in relation to prior periods		
Benefit of tax losses and other deferred tax benefits not recognised	4,134	955
Total income tax expense/(benefit)	-	-
Numerical reconciliation between current tax expense/(benefit) and pre-tax net profit/(loss)		
Profit/(loss) before tax	(27,217)	13,946
Income tax using the domestic corporation tax rate of 30% (2011: 30%)	(8,165)	4,184
Increase in income tax expense due to:		
Non-deductible expenses/assessable income	12	(25)
Decrease in income tax expense due to:		
Non-assessable income		
Equity accounting for share of (profit)/loss of joint venture	7,929	(3,840)
Losses (recognised)/not recognised	224	(319)
Total income tax expense/(benefit)	-	-

The Gindalbie Metals Ltd tax consolidated group has estimated unrecouped tax losses of $98,517,747 (2011: $83,050,071) 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. A deferred tax asset has not been recognised in equity in respect to the consolidated entity's share of the change in fair value of cash flow hedges of the joint venture of $2,079,000 (2011: nil).

Tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	30 June 2012	30 June 2011	1 July 2010	30 June 2012	30 June 2011	1 July 2010	30 June 2012	30 June 2011	1 July 2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
		Restated*	Restated*		Restated*	Restated*		Restated*	Restated*
Accrued interest	-	-	-	41	231	15	41	231	15
Diesel fuel rebate	-	-	-	6	8		6	8	-
Property, plant & equipment	-	-	-	196	193	223	196	193	223
Exploration expenditure	-	-	-	7,667	3,877	3,153	7,667	3,877	3,153
Capital raising costs	(615)	(1,223)	(1,311)	-	-		(615)	(1,223)	(1,311)
Provisions	(360)	(228)	(173)	-	-		(360)	(228)	(173)
Accrued superannuation	(2)	(9)	(6)	-	-		(2)	(9)	(6)
Accrued expenditure	(13)	(17)	(11)	-	-		(13)	(17)	(11)
Tax loss carry forward	(6,920)	(2,832)	(1,890)	-	-		(6,920)	(2,832)	(1,890)
Tax (assets)/liabilities	(7,910)	(4,309)	(3,391)	7,910	4,309	3,391	-	-	-
Set off of tax	7,910	4,309	3,391	(7,910)	(4,309)	(3,391)	-	-	-
Net tax (assets)/liabilities	-	-	-	-	-		-	-	-

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		
	30 June 2012	30 June 2011	1 July 2010
	$'000	$'000	$'000
		Restated*	Restated*
Net carrying forward tax losses (30%)	22,635	22,083	22,319

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	
	30 June 2012	30 June 2011
	$'000	$'000
Audit services:		Restated*
Auditors of the Company and Consolidated entity– *KPMG Australia*		
- audit and review of financial reports	79,258	102,845
Other services:		
Auditors of the Company and Consolidated entity– *KPMG Australia*		
- taxation services	49,012	63,350
Auditor's Remuneration	128,270	166,195

9. CASH AND CASH EQUIVALENTS

	Consolidated		
	30 June 2012	30 June 2011	1 July 2010
	$'000	$'000	$'000
		Restated*	Restated*
Bank balances	5,517	4,156	128,637
Term deposits	35,000	145,179	16,877
Cash and cash equivalents	40,517	149,335	145,514

10. TRADE AND OTHER RECEIVABLES

	30 June 2012	30 June 2011	1 July 2010
Current			
Interest receivable	138	768	48
Trade receivables	926	275	531
Other receivables	370	138	392
	1,434	1,181	971
Non-current			
Cash security for performance bonds	303	552	552
	303	552	552

11. INVENTORIES

	30 June 2012	30 June 2011	1 July 2010
Current			
Raw materials and consumables	19	25	1
	19	25	1

12. INVESTMENTS

The Company holds investments in the following two controlled entities: Gindalbie (Anketell) Ltd ($5) (2011: $5) and Karara Pellet Plant Ltd (HK$2).(2011: HK$2).

13. PROPERTY, PLANT AND EQUIPMENT

	30 June 2012	30 June 2011	1 July 2010
	$'000	$'000	$'000
		Restated*	Restated*
Land & buildings			
At cost	1,854	1,854	1,854
Accumulated depreciation	(416)	(344)	(272)
	1,438	1,510	1,582
Plant & equipment			
At cost	2,513	2,469	2,403
Accumulated depreciation	(1,968)	(1,675)	(1,394)
	545	794	1,009
Mine infrastructure			
At cost	357	357	357
Accumulated depreciation	(335)	(284)	(225)
	22	73	132
Under construction	161	-	-
Total property, plant and equipment	2,166	2,377	2,723

Reconciliations

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

Land & buildings			
Carrying amount at beginning of year *	1,510	1,582	1,582
Additions	-	-	-
Depreciation	(72)	(72)	-
Carrying amount at end of year	1,438	1,510	1,582
Plant & equipment			
Carrying amount at beginning of year *	794	1,009	1,009
Additions	44	100	-
Depreciation	(293)	(315)	-
Disposals – at cost	-	(35)	-
Disposals – accumulated depreciation	-	35	-
Carrying amount at end of year	545	794	1,009
Mine Infrastructure			
Carrying amount at beginning of year *	73	132	132
Additions	-	-	-
Depreciation	(51)	(59)	-
Disposals – at cost	-	-	-
Disposals – accumulated depreciation	-	-	-
Carrying amount at end of year	22	73	132

* With regards to 1 July 2010 numbers the carrying amount at beginning year is 30 June 2010.

14. EXPLORATION AND EVALUATION ASSETS

	Consolidated		
Costs carried forward in respect of areas of interest in:	30 June 2012	30 June 2011	1 July 2010
Exploration and evaluation assets	$'000	$'000	$'000
		Restated*	Restated*
Carrying amount at beginning of year *	12,924	10,508	10,508
Additions	15,201	3,475	-
Impairment expense of exploration and evaluation assets (ii)	(2,565)	(1,059)	-
Carrying amount at end of year (i)	25,560	12,924	10,508

* With regards to 1 July 2010 numbers the carrying amount at beginning year is 30 June 2010.

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.

(i)The asset impairment expense represents the difference between the carrying value of exploration assets identified by project/tenement, less the estimated fair value of the tenements(s), after taking into account the costs to sell (where applicable) the tenement (s) or, there has been no budgeted future expenditure on tenements.

(ii) At balance date the Board have reviewed the company's exploration assets and determined that certain areas of interest have been impaired to nil. Accordingly $2,565,000 has been recognised as an impairment expense.

15. TRADE AND OTHER PAYABLES

	30 June 2012	30 June 2011	1 July 2010
	$'000	$'000	$'000
		Restated*	Restated*
Current			
Trade creditors	905	586	348
Other creditors and accruals	864	2,130	706
	1,769	2,716	1,054

16. CONSOLIDATED ENTITIES

	Ownership interest	
	2012	2011
Parent entity	%	%
Gindalbie Metals Ltd		
Subsidiaries		
Karara Pellet Plant Ltd	100	100
Gindalbie (Anketell) Ltd	100	100

In the financial statements of the Company, investments in controlled entities are measured at cost. Joint venture operations are disclosed at Note 23.

17 INVESTMENT IN JOINT VENTURE

Major shareholdings in jointly controlled entities	Country of incorporation	Principal activities	Reporting date	Ownership interest	
				2012 %	2011 %
Karara Mining Ltd	Australia	Iron ore development	30-Jun	50	50
Subsidiaries of Karara Mining Ltd:					
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	Port Infrastructure	30-Jun	50	50
Karara Energy Pty Ltd	Australia	Electricity Wholesaler	30-Jun	50	50
Karara Rail Pty Ltd	Australia	Rail Infrastructure	30-Jun	50	50
Karara Power Pty Ltd	Australia	Electricity transmission Infrastructure	30-Jun	50	50

Karara Mining Limited (joint venture) is a company domiciled in Australia.

The principal activities of the joint venture and its subsidiaries during the course of the year were the exploration, development and operation of iron ore projects. There were no other significant changes in the nature of the activities of the joint venture during the year.

The consolidated entity's share of loss in Karara Mining Limited for the period to 30 June 2012 was a $26.43 million loss (2011 profit $12.8 million).

None of the consolidated entity's equity-accounted investees are publicly listed entities and consequentially do not have published price quotations.

The consolidated entity's has committed to contribute a further total $2.7 million in equity to its joint venture entity Karara Mining Ltd. This commitment was paid in July 2012, funded from existing cash reserves.

In terms of a secured senior syndicated debt facility (Facility) signed by Karara Mining Limited (KML) on 6 August 2010, KML is prohibited from paying dividends to shareholders or making loans to shareholders if the company is in breach of financial covenants related to the company's (i) debt equity ratio (ii) interest cover ratio, or (iii) life of loan cover ratio. In addition no dividend payments or loans to shareholders are permitted until after the fourth anniversary of the first utilization date (6 August 2010). No dividends have been received from KML during the year.

The 12 year Facility is being provided by a syndicate of banks led by China Development Bank and Bank of China. Interest is payable half yearly and the interest rate is variable, comprising of a fixed margin above the 6 month LIBOR with sculptured half yearly principal repayments commencing May 2013.

17 INVESTMENT IN JOINT VENTURE (cont)

Summary financial information for equity-accounted investees, not adjusted for the percentage ownership held by the consolidated entity:

Summarised financial information:

	30-Jun-12	30-Jun-11
	$'000	$'000
Current assets	481,178	216,182
Non-current assets	2,590,656	1,559,655
Current liabilities	(218,134)	(215,152)
Non-current liabilities (i) (Refer note 32)	(1,529,088)	(765,154)
Net assets	1,324,612	795,531
Consolidated entity's 50% interest	662,306	397,766
Less: intercompany eliminations*	8,180	8,180
Carrying value of Joint Venture net assets	654,126	389,586
Revenue - Iron ore sales	34,851	17,651
Expenses:		
Cost of Sales	(24,750)	(11,587)
Administration expenses	(4,835)	(516)
Take or pay obligations	(51,765)	(8,557)
Depreciation & Amortisation	(8,218)	(3,334)
Other Income/ (expense)	364	(417)
Net financing income/ (expense)	(21,160)	43,452
Total expenses	(110,364)	19,041
Profit/(loss) before income tax	(75,513)	36,692
Income tax credit/(charge)	22,654	(10,557)
Profit/ (loss) after income tax	(52,859)	26,135
Other comprehensive income	(18,060)	-
Total comprehensive income	(70,919)	26,135
Consolidated entity's 50% interest	(35,459)	13,067
Less: intercompany eliminations*	-	(269)
Carrying value of Joint Venture profit	(35,459)	12,798
Other material items:		
Cash and cash equivalents	400,321	174,596
Current financial liabilities - Loans and borrowings	(5,158)	-
Non-current financial liabilities - Loans, borrowings and derivatives	(1,456,580)	(723,410)
Depreciation and amortisation	(8,218)	(3,334)
Interest income	4,655	5,787
Interest expense	(1,215)	(174)
Income tax (expense)/ benefit	22,654	(10,557)

*eliminations are the elimination of profits on intercompany purchases

(i) The consolidated entity has the following contingent liabilities in relation to its joint venture entity Karara Mining Limited (KML):

17 INVESTMENT IN JOINT VENTURE (cont)

Pursuant to a $1.536 billion USD project financing facility provided to KML by a syndicate of Chinese banks, the company has provided a First Ranking Share Mortgage in favour of the banks over all shares in KML. The company has also provided a Second Ranking Share Mortgage to its joint venture partner in KML, Anshan Iron & Steel Joint Venture Complex ("Ansteel") in respect of 50% of the liability Ansteel may incur under a Sponsor Guarantee Ansteel has provided to the banks. In addition both of the shareholders of KML have provided unsecured guarantees to the Chinese banking syndicate for all of KML's liabilities under this facility, in accordance with their respective 50% equity interests in the company. The consolidated entity's liability under this commitment is unlimited, however the estimated maximum potential liability based on credit facilities provided as at 30 June 2012 is $768 million USD.

Furthermore Gindalbie and Ansteel provided a Cross Charge to each other over the shares each owns in KML, to secure each entity's obligations under the Joint Venture Development Agreement.

The consolidated entity has provided a parent company performance guarantee to the value of $7.5 million, in relation to a construction contract entered into by KML. Pursuant to the Joint Venture Development Agreement Ansteel has agreed to stand behind 50% of this contingent liability, pending Chinese regulatory approval.

The consolidated entity has provided several parent company performance guarantees to a combined value of $165 million, in terms of KML/contracts for rail haulage, electricity supply and a tailings management facility. Pursuant to the Joint Venture Development Agreement Ansteel has agreed to stand behind 50% of these liabilities, pending Chinese regulatory approval.

MRRT

The joint venture entity KML may in the future become liable for MRRT (see note 3(m) (ii)). Certain transitional measures are contained in the MRRT legislation which can give rise to deductions in future years. Based on preliminary modeling and valuations performed by KML for future deductions and industry based forecasts of future iron ore prices, KML does not expect to have any material MRRT liability in the foreseeable future.

18 IMPACT OF ADOPTING AASB 11 JOINT ARRANGEMENTS

On 1 July 2011, the consolidated entity early adopted AASB 11 Joint Arrangements in accounting for investments in jointly controlled entities. AASB 11 introduces a new joint control model and removes the option to proportionally consolidate.

The Consolidated Entity's investment in Karara Mining Limited at the date of initial application has been measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated. As at 1 July 2010 the net carrying amount was $304,351,000.

The below table represents the breakdown of the assets and liabilities that have been aggregated into the single line investment balance as at the beginning of the earliest period presented in the financial statements:

	1 July 2010 $000
Current Assets	82,763
Non Current Assets	273,946
TOTAL ASSETS	356,709
Current Liabilities	45,892
Non Current Liabilities	6,466
TOTAL LIABILITIES	52,358
NET ASSETS	304,351

18 IMPACT OF ADOPTING AASB 11 JOINT ARRANGEMENTS (Cont)

Restatement of the investment recognised, and the assets and liabilities de-recognised, at the beginning of the earliest period presented and the subsequent financial period.

Statement of Financial Position as at 30 June 2011

	Balance at 30 June 2011	Restated balance at 30 June 2011	Effect of change in accounting policy
	$'000	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	236,633	149,335	87,298
Trade and Other receivables	11,388	1,181	10,207
Prepayments	4,127	24	4,103
Inventories	6,440	25	6,415
TOTAL CURRENT ASSETS	258,588	150,565	108,023
NON CURRENT ASSETS			
Other receivables	60,490	552	59,938
Prepayment	6,459	-	6,459
Property, plant and equipment	697,945	2,377	695,568
Exploration and evaluation assets	22,602	12,924	9,678
Investments accounted for using the equity method	-	389,586	(389,586)
TOTAL NON CURRENT ASSETS	787,496	405,439	382,057
TOTAL ASSETS	1,046,085	556,004	490,081
CURRENT LIABILITIES			
Trade and other payables	108,095	2,716	105,379
Employee benefits	2,794	666	2,128
TOTAL CURRENT LIABILITIES	110,889	3,382	107,507
NON CURRENT LIABILITIES			
Provisions	9,619	-	9,619
Long term borrowings	361,704	-	361,704
Deferred tax liabilities	11,204	-	11,204
Employee benefits	140	93	47
TOTAL NON CURRENT LIABILITIES	382,667	93	382,574
TOTAL LIABILITIES	493,556	3,475	490,081
NET ASSETS	552,529	552,529	-
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	488,301	488,301	-
Reserves	7,823	7,823	-
Retained earnings	56,405	56,405	-
TOTAL EQUITY	552,529	552,529	-

18 IMPACT OF ADOPTING AASB 11 JOINT ARRANGEMENTS (Cont)

Statement of Financial Position as at 1 July 2010

	Balance at 1 July 2010	Restated balance at 1 July 2010	Effect of change in accounting policy
	$'000	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	219,949	145,514	74,435
Trade and Other receivables	5,796	971	4,825
Prepayments	3,448	8	3,440
Inventories	64	1	63
TOTAL CURRENT ASSETS	229,257	146,494	82,763
NON CURRENT ASSETS			
Other receivables	4,934	552	4,382
Property, plant and equipment	271,294	2,723	268,571
Exploration and evaluation assets	11,501	10,508	993
Investments accounted for using the equity method	-	304,351	(304,351)
TOTAL NON CURRENT ASSETS	287,729	318,134	(30,405)
TOTAL ASSETS	516,986	464,628	52,358
CURRENT LIABILITIES			
Trade and other payables	46,187	1,054	45,133
Employee benefits	1,295	536	759
TOTAL CURRENT LIABILITIES	47,482	1,590	45,892
NON CURRENT LIABILITIES			
Provisions	534	-	534
Long term borrowings	-	-	-
Deferred tax liabilities	5,925	-	5,925
Employee benefits	41	34	7
TOTAL NON CURRENT LIABILITIES	6,500	34	6,466
TOTAL LIABILITIES	53,982	1,624	52,358
NET ASSETS	463,004	463,004	-
EQUITY			
Equity attributable to owners of the parent:			
Issued Capital	285,670	285,670	-
Reserves	134,875	134,875	-
Retained earnings	42,459	42,459	-
TOTAL EQUITY	463,004	463,004	-

18 IMPACT OF ADOPTING AASB 11 JOINT ARRANGEMENTS (Cont)

Statement of Cash Flows as at 30 June 2011

	Amount for 12 months to 30 June 2011	Restated amount for 12 months to 30 June 2011	Effect of change in accounting policy
	$'000	$'000	$'000
Cash flows from operating activities			
Cash receipts from customers	5,740	510	5,230
Cash payments to suppliers and employees	(19,660)	(7,127)	(12,533)
Interest received	11,760	10,791	969
Net cash used in operating activities	(2,160)	4,174	(6,334)
Cash flows from investing activities			
Development expenditure	(97,824)	-	(97,824)
Exploration and evaluation expenditure	(3,157)	(3,474)	317
Proceeds from sale of property, plant and equipment	4	4	-
Acquisition of property, plant and equipment	(280,488)	(100)	(280,388)
Acquisition of interests in joint venture	-	(72,440)	72,440
Net cash used in investing activities	(381,465)	(76,010)	(305,455)
Cash flows from financing activities			
Proceeds from the issue of shares	74,500	74,500	-
Proceeds from borrowings	383,330	-	383,330
Proceeds from exercise of share options	2,440	2,440	-
Payment of capital raising costs	(1,283)	(1,283)	0
Return/(deposits) for security of performance bonds	(55,566)		(55,566)
Net cash used in financing activities	403,421	75,657	327,764
Net increase in cash and cash equivalents	19,796	3,821	15,975
Cash and cash equivalents at 1 July	219,949	145,514	74,435
Effect of exchange rate fluctuations on cash held	(3,112)	-	(3,112)
Cash and cash equivalents at 30 June	236,633	149,335	87,298

18 IMPACT OF ADOPTING AASB 11 JOINT ARRANGEMENTS (Cont)

Statement of Comprehensive Income 30 June 2011

	Amount for 12 months to 30 June 2011	Restated amount for 12 months to 30 June 2011	Effect of change in accounting policy
Continuing operations			
Revenue	8,825	-	8,825
Cost of sales	(6,907)	-	(6,907)
Gross profit	1,918	-	1,918
Other income	432	702	(270)
Administration expenses	(7,875)	(7,839)	(36)
Other expenses	(6,242)	(1,085)	(5,157)
Results from operating activities	(11,767)	(8,222)	(3,545)
Finance income	31,079	9,370	21,709
Finance expenses	(87)	-	(87)
Net financing income	30,992	9,370	21,622
Share of profit from equity accounted investments		12,798	(12,798)
Profit/(loss) before income tax	19,225	13,946	5,279
Income tax benefit/(expense)	(5,279)	-	(5,279)
Profit for the period: attributable to owners of the Company	**13,946**	**13,946**	-
Other comprehensive income	-	-	-
Total comprehensive income/(loss)	**13,946**	**13,946**	**-**
Earnings per share			
Basic earnings per share – cents	1.54	1.54	-
Diluted earnings per share – cents	1.54	1.54	-

	Consolidated 2012 $'000	2011 $'000
19. RETAINED EARNINGS		
Retained earnings at beginning of year	56,405	42,459
Net (loss)/profit attributable to members of the consolidated entity	(27,217)	13,946
Retained earnings at end of year	29,188	56,405
20. CAPITAL AND RESERVES		
(a) Issued Capital		
1,247,487,454 (2011: 935,615,590) Ordinary shares, fully paid	693,174	488,301
Ordinary shares		
Movements during the year		
Balance at beginning of year	488,301	285,670
Prepaid capital contributions transferred to issued capital	-	131,800
Shares issued		
- Issue of ordinary shares net of prepaid capital contributions	208,954	74,500
- Exercise of options	-	2,440
- Transaction costs of share issues	(4,081)	(6,109)
Balance at end of year	693,174	488,301

During the year the Company:

- Issued 111,922,105 shares at 67 cents to Ansteel raising $74,987,810.
- Issued 199,949,759 shares at 67 cents on a share purchase plan and institutional placement raising $133,966,338.

During the comparative 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.

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 28 provides details of shares issued on exercise of options.

20 CAPITAL AND RESERVES (continued)

	Consolidated	
	2012	2011
(b) Equity Settled Share Based Payments Reserve	$'000	$'000
Balance at beginning of year	7,823	8,007
Equity settled share based payments	6	(184)
Balance at end of year	7,829	7,823

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	
	2012	2011
(c) Prepaid Share Reserve	$'000	$'000
Balance at beginning of year	-	126,868
Shares issued	-	(131,800)
Transaction costs of capital raising	-	4,932
Balance at end of year	-	-

(d) Equity accounted joint venture other comprehensive income reserve		
Balance at beginning of year	-	-
Changes in fair value of cash flow hedges	(9,030)	-
Balance at end of year	(9,030)	-

21. CAPITAL AND OTHER COMMITMENTS

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:

Payable no later than one year:	Consolidated	
	2012	2011
	$'000	$'000
Rents and rates	100	94
Exploration	772	734
Total commitments	872	828

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

22. OPERATING LEASES

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

	2012	2011
Leases as lessee	$'000	$'000
		*restated
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,015	967
Between one and five years	1,066	2,081
	2,081	3,048

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

23. INTERESTS IN JOINT VENTURE OPERATIONS

The Consolidated entity has interests in the following unincorporated joint ventures, both operate out of Australia:

Tenement Area	Equity Interest 2012 %	2011 %	Activities
Mt Mulgine	30	30	Tungsten Exploration

24. 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	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
	$'000	$'000	$'000	$'000	$'000	$'000
		Restated*		Restated*		Restated*
External revenues	-	-	48	163	48	163
Inter-segment revenue	-	-	-	539	-	539
Interest income	-	-	9,167	9,370	9,167	9,370
Depreciation and amortisation	-	-	(214)	(210)	(214)	(210)
Reportable segment (loss)/ profit before tax	-	-	9,001	9,862	9,001	9,862
Share of profit of equity-accounted investee	(26,429)	12,798				12,798

	30-Jun-12	30-Jun-11
	$'000	$'000
Total profit or loss for reportable segments before tax	9,001	9,862
Unallocated amounts:		
Other corporate expenses	(9,789)	(8,714)
Income tax (expense)/benefit	-	-
Share of profit of equity-accounted investee	(26,429)	12,798
Net Profit/ (loss)	(27,217)	13,946

24. SEGMENT INFORMATION (continued)

Reconciliation of reportable segment assets and liabilities

	Karara Iron Ore Project		All other segments		Total	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
	$'000	$'000	$'000	$'000	$'000	$'000
Investment in Karara joint venture	654,126	389,586	-	-	654,126	389,586
Other assets	-	-	70,002	166,418	70,002	166,418
Liabilities	-	-	(2,967)	(3,475)	(2,967)	(3,475)
Reportable segment net assets	654,126	389,586	67,035	162,943	721,161	552,529

Other material items 2012	All other Reportable segment totals	Consolidated totals
Exploration and evaluation expenditure	15,245	15,245
Impairment losses on exploration and evaluation assets	(2,565)	(2,565)

Geographical information

The Iron Ore segment is managed and operates manufacturing facilities in Australia.

25. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of loss is $27,217,000 (2011: loss $13,946,022) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 1,171,909,612 (2011: 904,729,046) calculated as follows:

Basic earnings per share	Consolidated	
	2012	2011
	$'000	$'000
(Loss)/profit attributable to ordinary shareholders	(27,217)	13,946

Weighted average number of ordinary shares	2012	2011
	No. of shares	No. of shares
Issued ordinary shares at 1 July	935,615,590	707,757,674
Effect of share placement/ issue	236,294,022	192,857,536
Effect of shares issued on exercise of share options	-	4,113,836
Weighted average number of ordinary shares at 30 June	1,171,909,612	904,729,046

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of loss is $27,217, 000 (2011: loss 13,946,022) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 1,171,909,612(2011: 906,017,133) calculated as follows:

25. EARNINGS PER SHARE (Continued)

Diluted earnings per share

		Consolidated	
	Note	2012	2011
		$'000	$'000
(Loss)/profit attributable to ordinary shareholders (diluted)		(27,217)	13,946

Weighted average number of ordinary shares		2012	2011
		No. of shares	No. of shares
Weighted average number of ordinary shares (basic)		1,171,909,612	904,729,046
Effect of share options on issue	28	-	1,288,087
Weighted average number of ordinary shares (diluted) at 30 June		1,171,909,612	906,017,133

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 2011, as the potential ordinary shares on issue would decrease the loss per share, they are not considered dilutive.

26. 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. The Consolidated entity's maximum exposure to credit risk at the reporting date was:

			Consolidated	
	Note	30 June 2012	30 June 2011	1 July 2010
		$'000	$'000	$'000
			Restated*	Restated*
Interest receivable	10	138	768	48
Cash security for performance bonds (current and non-current)	10	303	552	552
Trade receivables	10	926	275	531
Other receivables	10	369	138	392
Cash and cash equivalents	9	40,517	149,335	145,514

The Consolidated entity cash and cash equivalents of $40,517 thousand at 30 June 2012 (2011: $149,335 thousand), which represents is maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AAA to BBB, based on rating agency UBS Warburg Australian Bank Bill Index ratings.

The Consolidated entity's most significant receivable accounts for $616 thousand of the receivables carrying amount at 30 June 2012 (2011: $109 thousand). Refer to Note 5 for the credit risk management process.

None of the Company's or Consolidated entity's receivables are past due (2011: nil).

Refer to Note 17 and 31 for disclosure of the consolidated entity's guarantees.

26. FINANCIAL INSTRUMENTS

Liquidity risk

The following are the contractual maturities of the Consolidated entity's 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:

Non-derivative financial liabilities	Consolidated 2012		Consolidated 2011 Restated *		Consolidated 2010 Restated *	
	Carrying amount	6 mths or less	Carrying amount	6 mths or less	Carrying amount	6 mths or less
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	1,769	(1,769)	2,716	(2,716)	1,054	(1,054)

Interest rate risk

Exposure to interest rate risk

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

Consolidated	30 June 2012	30 June 2011	1 July 2010
	$'000	$'000	$'000
Variable rate instruments		Restated*	Restated*
Financial Assets			
Cash performance bonds	303	552	552
Cash	40,517	149,335	145,514
	40,820	149,887	146,066

The consolidated entity invests 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 30 June 2012, the consolidated entity invested $35,000,000 into term deposits (2011: $ 145,178,911) at an weighted average interest rate of 4.62% (2011: 5.69%)

Sensitivity analysis

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

		Interest rate risk			
30 June 2012	Carrying amount	-100bps		+ 100 bps	
		Equity	Profit or loss	Equity	Profit or loss
	$'000	$'000	$'000	$'000	$'000
Cash performance bonds	303	-	(3)	-	3
Cash	40,517	-	(405)	-	405
Total increase/(Decrease)		-	(408)	-	408

		Interest rate risk			
30 June 2011	Carrying amount	-100bps		+ 100 bps	
Restated *		Equity	Profit or loss	Equity	Profit or loss
	$'000	$'000	$'000	$'000	$'000
Cash performance bonds	552	-	(6)	-	6
Cash	149,335	-	(1,493)	-	1,493
Total increase/(Decrease)		-	(1,499)	-	1,499

		Interest rate risk			
1 July 2010	Carrying amount	-100bps		+ 100 bps	
Restated *		Equity	Profit or loss	Equity	Profit or loss
	$'000	$'000	$'000	$'000	$'000
Cash performance bonds	552	-	(6)	-	6
Cash	145,514	-	(1,455)	-	1,455
Total increase/(Decrease)		-	(1,461)	-	1,461

26. FINANCIAL INSTRUMENTS (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:

		30 June 2012		30 June 2011		1 July 2010	
	Note	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
		$'000	$'000	$'000	$'000	$'000	$'000
				Restated*	Restated*	Restated*	Restated*
Interest receivable	10	138	138	768	768	48	48
Cash security for performance bonds	10	303	303	552	552	552	552
Trade receivables	10	926	926	275	275	531	531
Cash and cash equivalents	9	40,517	40,517	149,335	149,335	145,514	145,514
Trade and other payables	15	(1,769)	(1,769)	(2,716)	(2,716)	(1,054)	(1,054)
		40,115	40,115	148,214	148,214	145,591	145,591

27. NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated	
	2012	2011
Reconciliation of cash flows from operating activities	$'000	$'000
		Restated *
(Loss)/profit for the period after income tax (excl JV income)	(27,217)	13,946
Adjustments for:		
Share of loss/profit of equity accounted joint venture	26,429	(12,798)
Depreciation	416	442
Write off of carried forward exploration expenditure	2,565	1,059
Employee option expense	6	(184)
Operating profit before changes in working capital and provisions		
Decrease/ (increase) in receivables	(3)	(210)
Decrease/ (increase) in inventory	6	(24)
Decrease/(increase) in prepayments	21	(16)
Increase / (decrease) in payables	319	238
Increase/ (decrease) in provisions	439	189
Increase/ (decrease) in other creditors	(1,266)	1,424
Net cash (used in)/from operating activities	1,715	4,066

28. EMPLOYEE BENEFITS

	Consolidated		
	30 June 2012	30 June 2011	1 July 2010
	$'000	$'000	$'000
Current		Restated*	Restated*
Liability for long service leave	-	-	-
Liability for annual leave	310	246	255
Liability for employee bonuses	839	419	280
	1,149	666	536
Non Current			
Liability for long service leave	49	93	32
	1,198	759	568

(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 $404,783 for the financial year ended 30 June 2012 (2011: $311,181).

(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 Consolidated entity in relation to share options exercised during the year were:

		Consolidated	
	Note	2012	2011
		$'000	$'000
Issued ordinary share capital	20	-	2,440

28. EMPLOYEE BENEFITS (continued)

Terms and conditions of share-options programme

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions
Options granted to key management on 7 November 2006	1000	1 years service
	1500	2/3 years service
Options granted to senior employees on 23 Nov 2007	333	1 years service
	333	2 years service
	333	3 years service
Options granted to senior employees on 10 April 2008	333	1 years service
	333	2 years service
	333	3 years service
Options granted to senior employees on 10 April 2008	167	1 years service
	167	2 years service
	167	3 years service
Options granted to senior employees on 5 July 2008	100	1 years service
	100	2 years service
	100	3 years service
Options granted to senior employee on 8 October 2010	250	Karara Project concentrator commences commissioning
	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 senior employees on 4 May 2011	400	Karara Project completes its first magnetite concentrate shipment;
	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 employee on 4 May 2011	400	Karara Project completes its first magnetite concentrate shipment;
	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 senior employee on 1 July 2011	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 17 November 2011	400	Karara Project completes its first magnetite concentrate shipment;
	300	The Company share performance at 30 June 2012 are ranked relative to companies within the S&P/ASX300 Metals and Mining.
	300	The Company share performance at 30 June 2013 are ranked relative to companies within the S&P/ASX300 Metals and Mining.
Options granted to senior employee on 22 November 2011	500	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.
	11,050	

28. EMPLOYEE BENEFITS (continued)

(b) Share based payments (continued)

Reconciliation of outstanding share options:

Expiry date	Exercise price $	Number of options at beginning of year	Options granted	Options expired	Options lapsed	Options exercised	Options forfeited	Number of options on issue at end of year		Proceeds received $	Number of shares issued	Share price at date of exercise $
								Vested	Unvested			
Consolidated 2012												
6-Nov-11	$0.60	2,500,000	-	(2,500,000)	-	-	-	-	-	-	-	-
30-Jun-12	$1.82	300,000	-	(300,000)		-	-	-	-	-	-	-
1-Aug-12	$0.92	1,500,000	-	-	-	-	-	1,500,000	-	-	-	-
1-Aug-12	$1.28	1,000,000	-	-	-	-	-	1,000,000	-	-	-	-
8-Oct-15	$1.12	1,000,000	-	-	(750,000)	-	-	250,000	-	-	-	-
9-May-16	$1.17	2,000,000	-	-	(800,000)	-	(600,000)	-	600,000	-	-	-
8-Oct-15	$1.12	-	1,750,000	-	(1,750,000)	-	-	-	-	-	-	-
9-May-16	$1.17	-	1,000,000	-	(400,000)	-	(600,000)	-	-	-	-	-
		8,300,000	2,750,000	(2,800,000)	(3,700,000)	-	(1,200,000)	2,750,000	600,000	-	-	-
Consolidated 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	$0.92	1,500,000	-	-	-	-		1,500,000	-	-	-	-
1-Aug-12	$1.28	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-Jun-12	$1.82	300,000	-	-	-	-		200,000	100,000	-	-	-
8-Oct-15	$1.12	-	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	-

The market value of shares under these options at 30 June 2012 was $0.44 (30 June 2011: $0.83).

The options outstanding at 30 June 2012 have an exercise price in the range of $0.92 to $1.28 and a weighted average remaining contractual life of the options is 111 days.

Grant date	17-Nov-11	17-Nov-11	17-Nov-11
Fair value at measurement date (cents)	0.2645	0.0011	0.0007
Option pricing model	Black Scholes	Binomial	Binomial
Share price at grant date	$0.50	$0.50	$0.50
Exercise price	$1.17	$1.17	$1.17
Expected volatility (expressed as w eighted average volatility used in the pricing modelling) (%)	0.32	32	32
Option life (expressed as w eighted average life used in the pricing modelling) (years)	4.47	4.47	4.47
Expected dividends	Nil	Nil	Nil
Risk-free interest rate (based on national government bonds) (%)	3.38	4.75	4.75

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.

29. 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 T C Netscher - Managing Director & CEO
Non-executive directors
Mr G F Jones – Chairman
Mr A R Marshall
Mr S An Lin
Mr M J O'Neill
Mr Y Wanyuan
Mr C Ping
Mr P D Hallam (commenced 14 December 2011)
Mr W Heng (Resigned 16 August 2011)
Executives
Mr D Richardson - Chief Financial Officer
Mr C Gerrard - General Counsel (commenced 1 May 2012)
Mr DJ Stokes - General Counsel & Company Secretary (resigned 23 March 2012)

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see Note 6(e)), or capitalised under exploration and evaluation assets per accounting policy Note 3(o) are as follows:

	2012	2011
Short-term employee benefits	2,642,793	2,171,532
Long-term employee benefits	214,639	155,839
Post-employment benefits	130,870	125,920
Termination benefits	-	875,470
Equity compensation benefits	-	(173,985)
	2,988,302	3,154,776

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 2012	Held at 1-Jul-11	Purchases or held at date of employment	Received on exercise of options	Sales	Less balance held upon resignation	Held at 30-Jun 2012
Directors						
Mr GF Jones	18,600,000	400,000	-	-	-	19,000,000
Mr MJ O'Neill	1,228,241	209,414	-	-	-	1,437,655
Mr T C Netscher	-	100,000	-	-	-	100,000
Mr A R Marshall	-	100,000	-	-	-	100,000
Mr P D Hallam	-	100,000	-	-	-	100,000
Executives						
Mr D Richardson	8,000	2,000	-	-	-	10,000

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 DC Southam	8,000	-	1,000,000	-	(1,008,000)	-
Mr D Richardson	-	8,000	-	-	-	8,000

29. RELATED PARTIES DISCLOSURES (continued)

* 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.

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 options 2012	Held at 1-Jul-11	Granted as remuneration	Exercised	Other Changes*	Held at 30-Jun 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors		-					
Mr GJ Dixon	2,500,000	-		(2,500,000)	-	-	-
Executives							
Mr D Richardson		1,000,000	-	(1,000,000)	-	-	-

Number of options 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 DJ Stokes	-	-	-	-	-	-	-
Mr DC Southam	1,000,000	-	1,000,000	(500,000)	-	-	-

* Other changes in 2012 and 2011 represent options that lapsed as the options had not been exercised within 3 months of ceasing employment (Mr G J Dixon and Mr P J McBain) or options that were voluntarily forfeited (Mr D Richardson).

No options held by key management personnel are vested but not exercisable as at 30 June 2012.

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 related parties, hold positions in other entities that result in them having control or significant influence over the financial and/or 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 related parties were $nil (2011: $23,872). Details of the transactions are as follows:

29. RELATED PARTIES DISCLOSURES (Continued)

Other transactions with key management personnel (continued)

			Consolidated 2012	Consolidated 2011
		Note	$	$
Directors	**Transaction**			
Mr R Marshall	Consulting services	(a)	-	23,872
			-	23,872

(a) 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:

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. During the financial year ended 30 June 2012, such loans to subsidiaries totalled $6,854 (2011 $nil).

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. During the period equity contributions of $300,000,000 (2011: $72,440,000) were made to the Joint venture.

An office cost recovery fee was charged by the Company to the Karara Iron Ore Project Joint Venture totalling $2,422,820 (2011: $710,375) representing recharge of office and administrative costs to the project. Of this amount $1,211,410 (2011: $355,187) 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 $1,474,182 (2011: $1,579,987) representing recharge at market rates of employees seconded to the project. Of this amount $737,091 (2011: $786,994) related to the Company's share in the joint venture.

There is an jointly controlled entity balance of $925,720 outstanding as at 30 June 2012 (2011: $137,498).

30. CONTINGENT LIABILITIES

Details of contingent liabilities are set out below. Refer to note 17 for contingent liabilities associated with the consolidated entity's equity accounted investment in KML.

	Consolidated 2012	Consolidated 2011
	$'000	$'000
		Restated *
Not otherwise provided for in the Financial report	-	-

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2012 the parent company of the Consolidated entity was Gindalbie Metals Ltd.

Result of the parent entity

	Consolidated	
	2012	2011
	$'000	$'000
		Restated*
Profit/(Loss) for the period	(27,217)	13,946
Other comprehensive income	(9,030)	-
Total comprehensive Profit/(Loss) for the period	(36,247)	13,946
Financial position of parent entity at year end		
Current assets	41,972	150,566
Total assets	724,128	556,005
Current liabilities	2,918	3,382
Total liabilities	2,967	3,475
Total equity of the parent entity comprising of:		
Share capital	693,174	488,301
Reserve for own shares	(1,201)	7,823
Retained earnings	29,188	56,405
Total Equity	721,161	552,529

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	
	2012	2011
	$'000	$'000
Rents and rates	100	94
Exploration	772	734
Total commitments	872	828

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 $48,000 (2011: $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 (2011: $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 $231,000 (2011: $500,000). These guarantees are secured by term deposits

31. PARENT ENTITY DISCLOSURES (Continued)

Parent entity contingent liabilities

Pursuant to a $1.536 billion USD project financing facility provided to KML by a syndicate of Chinese banks, the company has provided a First Ranking Share Mortgage in favour of the banks over all shares in KML. The company has also provided a Second Ranking Share Mortgage to its joint venture partner in KML, Anshan Iron & Steel Joint Venture Complex ("Ansteel") in respect of 50% of the liability Ansteel may incur under a Sponsor Guarantee Ansteel has provided to the banks. The company's liability under this commitment is unlimited, however the estimated maximum potential liability based on credit facilities provided as at 30 June 2012 is $768 million USD.

Furthermore Gindalbie and Ansteel provided a Cross Charge to each other over the shares each owns in KML, to secure each entity's obligations under the Joint Venture Development Agreement.

The consolidated entity has provided a parent company performance guarantee to the value of $7.5 million, in relation to a construction contract entered into by KML. Pursuant to the Joint Venture Development Agreement Ansteel has agreed to stand behind 50% of this contingent liability, pending Chinese regulatory approval.

The consolidated entity has provided several parent company performance guarantees to a combined value of $165 million, in terms of KML/contracts for rail haulage, electricity supply and a tailings management facility. Pursuant to the Joint Venture Development Agreement Ansteel has agreed to stand behind 50% of these liabilities, pending Chinese regulatory approval.

32. EVENTS SUBSEQUENT TO REPORTING DATE

In August 2012 the joint venture entity Karara Mining Ltd received a conditional term loan facility offer of $250 million USD for the purpose of funding part of the Karara Iron Ore Project construction costs. The terms and conditions of this offer including security arrangements, are substantially similar to the terms and conditions applying to the existing project financing facility (refer Note 17).