

Key Points

- At 30 June 2015, Gindalbie Metals Ltd ('Gindalbie') had term deposits of AUD\$39 million and cash reserves of AUD\$1.5 million.
- Production of magnetite concentrate by Karara Mining Limited ('KML') from the Karara Project ('Karara') during the June 2015 Quarter increased by 14% to 1.7 million WMT compared to the March 2015 Quarter.
- KML secured an additional 3-year USD \$300 million bilateral term loan facility provided by China Guangfa Bank and refinanced its senior debt facilities with a new USD \$1,481,320,000 loan facility provided by a syndicate of Chinese banks.



Gindalbie Metals Limited (ASX: GBG) ('Gindalbie' or the 'Company') is pleased to present shareholders with its quarterly activities report for the three months ended 30 June 2015.

CORPORATE

On 19 May 2015 Gindalbie requested a voluntary suspension in the trading of its shares pending announcement of a long term financing transaction for KML on 24 May 2015 (see '**Financing**' below).

On 25 May 2015, the Company appointed Chief Financial Officer Ms Rebecca Moylan as an additional Company Secretary following resignation of Mrs Jan Horsman, previously Investor Relations and Company Secretary.

Effective from July 2015 annual fees paid to each director will be reduced by an average of 30%. The annual remuneration paid to the Acting Managing Director will be reduced by 40%.

Gindalbie reviewed its portfolio of exploration tenements and divested those it believed had little prospectivity. The divestment has enabled Gindalbie to continue its concentration on cost reduction and capital protection. The current budget has been set to meet minimum expenditure commitments for the remaining tenements.

Financing

As announced¹ on 24 May 2015 KML² refinanced its syndicated bank debt facilities by entry into a new USD \$1,481,320,000 loan facility used to repay all outstanding amounts under syndicated facilities which were due to be fully repaid by 2020 (see also '**KARARA PROJECT – Financing**' below).

Gindalbie's liability with respect to the KML refinancing facility is limited to a claim for ownership of Gindalbie's KML shares by exercise of the mortgagee's rights under new and varied guarantee and share mortgage securities given to the lenders and to Anshan Iron and Steel Group Corporation ('Anshan') (a subsidiary of Ansteel Group Corporation).

¹ Securities Exchange Announcement, 'Long Term Financing for Karara Mining Limited, 24 May 2015

² Gindalbie: 47.84%; Angang Group Investment (Australia) Pty Ltd (a subsidiary of Anshan Iron and Steel Group Corporation ('Anshan')): 52.16%

However, if approved by non-associated shareholders (see 'Events Subsequent to Quarter End' below) Gindalbie may have a contingent liability under the refinancing facility by reason of an indemnity given to Anshan so that if there is a loss after exercise of the Anshan's share mortgage, Anshan could seek to recover that loss from Gindalbie.

Events Subsequent to Quarter End

As announced³ on 17 July 2015, as part of security arrangements for KML's refinanced debt, Gindalbie agreed to vary an existing approved second-ranking mortgage of its KML shares to Anshan ('Anshan Share Mortgage') to secure its indemnity to Anshan in circumstances where Gindalbie does not meet its obligations under its new guarantee to KML's lenders.

In response to a request for an opinion by Gindalbie, ASX determined that approval of the variations to the Anshan Share Mortgage by non-associated shareholders is required by ASX Listing Rule 10.1. However, ASX granted a waiver of this requirement on usual conditions including that the Anshan Share Mortgage be amended so that in the event of enforcement neither Anshan nor any of its associates could acquire any interest in the mortgaged KML shares or any other asset of Gindalbie without prior shareholder approval.

As Anshan's consent to amendment to the Anshan Share Mortgage proposed by Gindalbie was not obtained, Gindalbie was unable to comply with the waiver condition and required to take corrective action by convening a general meeting of shareholders for approval of the variations to the Anshan Share Mortgage.

ASX has informed Gindalbie that if Anshan consents to the required amendment of the Anshan Share Mortgage prior to the meeting taking place, ASX would permit Gindalbie to withdraw its notice of meeting and operate under the terms of the waiver.

Shareholder Information

As at 30 June 2015, Gindalbie had 1,495,448,025 shares on issue and 15,398 shareholders.

The Top 20 shareholders held 52.06% of the issued share capital of Gindalbie. Substantial shareholders include Angang Group Hong Kong (Holdings) Limited (a subsidiary of Ansteel Group Corporation) (535,492,521 shares - 35.81%).

Cash Reserves

At 30 June 2015, Gindalbie had term deposits of AUD \$39 million and cash reserves of AUD \$1.5 million.

KARARA

Overview

The Karara Project (Karara), located 200 km east of Geraldton, consists of a long-life, magnetite concentrate operation with a smaller-scale supporting hematite operation. Karara is owned and operated by KML in which Gindalbie has an investment interest of 47.84%.

Production

KML continues to grow its production of magnetite concentrate, reduce overheads and extract savings to reduce its cost base.

³ Securities Exchange Announcement, 'Shareholder Approval for Share Mortgage', 17 July 2015

During the June 2015 Quarter KML produced approximately 1.7 million wet metric tonnes ('WMT') of magnetite concentrate at Karara, an increase of 14% over March 2015 Quarter production of 1.49 million WMT. KML produced approximately 559,000 WMT of hematite during the same period.

A total of 38 shipments were completed by KML from the Karara Export Terminal at Geraldton totalling approximately 2.4 million WMT of magnetite concentrate and hematite.

Magnetite production grade quality during the June 2015 Quarter averaged 65.6% Fe.

Karara Magnetite Unit '000 WMT			
Quarter (Qtr)	Dec-14 Qtr	Mar-15 Qtr	June-15 Qtr
Ore mined	3,208	2,947	4,440
Concentrate Produced	1,411	1,490	1,702
Concentrate Shipped	1,524	1,450	1,689

Karara Hematite Unit '000 WMT			
Quarter (Qtr)	Dec-14 Qtr	Mar-15 Qtr	June-15 Qtr
Ore Mined:			
High Grade	261	391	559
Medium Grade	0	0	0
Low Grade	151	113	0
Total Mined	412	504	559
Hematite Shipped	993	922	751

For the June 2015 Quarter, average magnetite C1 unit cash cost (mining, processing, maintenance, rail, port and site administration excluding depreciation and amortisation, corporate administration, sale, royalties, ocean freight, interest and financing costs) was approximately USD⁴ \$61⁵ per WMT (March 2015 Quarter: approximately USD \$75 per WMT).

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

Sales

The realised price for Karara magnetite concentrate is represented by the published benchmark assessment of the spot price of a standard specification of iron ore fines with 65% iron (Platts IODEX 65% Fe) adjusted for its higher iron grade relative to the benchmark (June 2015 Quarter – average of approximately 65.6% Fe) plus a premium for the greater value in use of magnetite concentrate⁶ (June 2015 Quarter – average of approximately USD \$2.00 per WMT; March 2015 Quarter: average of approximately USD \$2.38 per WMT) less a penalty for impurities.

The average realised CFR⁷ price for the June 2015 Quarter was approximately USD \$58 per WMT⁸ (March 2015 Quarter: approximately USD \$66 per WMT).

⁴ The average USD/AUD exchange rate during the June 2015 Quarter was 0.7789 which has been used to convert AUD to USD in this report

⁵ Fixed costs are allocated between magnetite concentrate and hematite on the basis of WMT. Hematite production is expected to reduce during the remainder of 2015 and the first half of 2016 resulting in allocation of a higher proportion of fixed costs to magnetite concentrate and (subject to any increase of magnetite production) a corresponding increase of magnetite unit cost.

⁶ The full value in use premium on sale of magnetite concentrate (June 2015 Quarter – average USD \$2.00/WMT; March 2015 Quarter – average USD \$2.38/WMT) is shared under an agreement for product marketing and sales between KML and Angang International Trade Corporation; KML's approximate entitlement to share of the premium was as follows: June 2015 Quarter – average USD \$1.20/WMT; March 2015 Quarter – average USD \$1.40/WMT.

⁷ Cost and freight (CFR) indicates that all costs related to transportation of goods to a named port of destination are paid by the seller of the goods

Financing

KML obtained an additional 3-year USD \$300 million bilateral term loan facility (maturing in April 2018) from China Guangfa Bank on terms consistent with its existing loan facilities.

A new USD \$1,481,320,000 syndicated loan facility was provided to KML by a syndicate of Chinese banks and used to repay the outstanding balance of three existing loan facilities (Tranche 1, Tranche 2 and Tranche 3). The new facility has a longer term than the refinanced facilities and will be repaid in accordance with a fixed schedule which continues until maturity in 2030.

GINDALBIE REGIONAL EXPLORATION

Exploration during the June 2015 Quarter comprised work undertaken to assist annual statutory technical reporting and the rehabilitation of access tracks and drill sites completed at the Lister Prospect.

Exploration activities during the September 2015 Quarter will focus on a review of project targets identified and work required to complete annual statutory reporting on tenure.

⁸ Average price is based on provisional payments received as final price for June 2015 cargoes are not settled yet. Pricing formulas contained in KML sale contracts are based on the final price being determined in the month after the month of shipment. A reconciliation and settlement takes place once a final price is known in the actual month of settlement.