



ABN 24 060 857 614

GINDALBIE METALS LTD

**INTERIM FINANCIAL REPORT
31 DECEMBER 2017**

GINDALBIE METALS LTD

DIRECTORS' REPORT

The directors present their report together with the financial report for the half-year ended 31 December 2017 and the auditor's review report thereon.

DIRECTORS

The Directors of the Company during or since the end of the half-year are:

Name & Qualifications	Period of Directorship
Mr Keith F Jones B.Bus, FCA, FAICD Non-Executive Chairman	Director since March 2013 Appointed as Chairman April 2013
Mr Andrew (Robin) Marshall I. Eng, MAICD Independent Non-Executive Director	Director since December 2010
Mr Paul D Hallam BE (Hons) Mining, Grad Cert Mineral Economics, FAICD, FAUSIMM Independent Non-Executive Director	Director since December 2011
Mr Shao An Lin PHD Mining Non-Executive Director	Director since March 2015
Mr Li Ge B.Fin Non-Executive Director	Director since March 2015

GINDALBIE METALS LTD

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Key events for the half year ended 31 December 2017:

- During the last six months Gindalbie completed the drilling program at the Mount Gunson Copper-Cobalt Project, initiated a regional exploration assessment of the Mt Gunson tenements, initiated a metallurgical testwork programme and continued to progress the update the Mt Gunson Copper-Cobalt Project scoping study which includes additional flowsheet design and testwork, mining studies and critical infrastructure studies.
- Gindalbie no longer has a contingent liability with respect to the shareholder guarantee provided by the company to Ansteel for the Facility Agreement with China Development Bank and Bank of China –US\$400 million Fixed Term Loan Facility
- As at 31 December 2017, Gindalbie had term deposits of AUD\$34.9 million and cash and cash equivalents of AUD\$1.3 million.

RESULTS OF OPERATIONS

The net loss for the six months ended 31 December 2017 was \$515 thousand, compared with a net loss of \$593 thousand for the six months ended 31 December 2016.

MT GUNSON COPPER-COBALT PROJECT

Following the completion of all conditions precedent to the Farm-in and Joint Venture Agreement on 19th May 2017, Phase One of the Farm-in has commenced. Activities are progressing as scheduled with the completion of the initial study phase expected in the first half of 2018.

Following the receipt of Native Title clearance to proceed, a drilling program was successfully completed in September 2017. While drilling was in progress, representatives from Gindalbie Metals and Torrens completed a site visit to inspect drilling operations and site conditions. The appointed resource geologist also completed a site visit during the drilling program to inspect drilling and drill core sampling as required by JORC standards.

The drill core samples were packaged on-site and sent to a storage facility in Perth. On site drill core assessment was completed with a handheld Bruker XRF scanner and standard specific gravity equipment. The drill core underwent Minalyzer and CoreScan analysis to provide detailed mineralogical composition analysis. Bureau Veritas Minerals was engaged to complete initial core analysis including core logging, specific gravity testing, assaying and general sample preparation. These results were used to update the JORC Resource information to JORC 2012 standards and to inform updates to the scoping study and related decision support models.

A preliminary study of metallurgical options has been undertaken to assess all potential processing flowsheets for the ore at Mt Gunson and to form the basis of the detailed scope for metallurgical test work which is progressing on time and on budget and currently in the optimisation and flowsheet design and update phase. The metallurgical options study included a high-level concentrate marketing study which has provided inputs to the scope for the next stage of metallurgical testwork based on updated information on current market conditions and forecasts for the marketability of copper and cobalt concentrates.

GINDALBIE METALS LTD

DIRECTORS' REPORT

The metallurgical testwork started after the completion of the JORC resource update. The Company has appointed Strategic Metallurgy to manage and undertake the metallurgical testwork programme.

In addition to the metallurgical testwork programme, work is progressing to update mining studies and critical infrastructure studies, including the mining of the larger Windabout deposit. The company has appointed Mining and Process Solutions (MPS) to undertake the study update.

Update on Phase Two Study Timeframe

Phase One of the farm-in is currently progressing according to schedule with expected completion during the first half of 2018. The work during Phase one is primarily focused on reducing critical uncertainty by narrowing the processing and mining options for the Mt Gunson copper-cobalt ore down to those suitable for taking through into a pre-feasibility study. During Phase One, detailed planning will also be undertaken with regards to the expected scope and schedule for Phase Two. A summary of the schedule will be released to the market at the appropriate time should the board of Gindalbie approve continuation into Phase 2 of the farm-in (see market release 17th March 2017 for more detail on the farm-in structure).

The Company notes that the time-frames referred to in the Joint Venture and Farm-in Agreement are sunset clauses for the maximum time allowed for the expenditure of farm-in commitments only and are in no way indicative of an expected development schedule for the project. Such clauses are considered standard in agreements of this nature to define the maximum period in which expenditure commitments must be honoured.

Strategic Development

Gindalbie remains actively engaged in the evaluation of strategic development opportunities both organically within the Mt Gunson Copper-Cobalt Project as well as potential growth through acquisition outside of the Project to leverage its remaining cash assets and drive shareholder value.

The Company continues its focus on projects in the post-scoping study to decision-to-mine phase, primarily in the gold and base metals sectors. Gindalbie is in a strong position to act and is conducting due diligence on several potential growth opportunities.

GINDALBIE METALS LTD

DIRECTORS' REPORT

KARARA PROJECT (Ansteel 52.16%, Gindalbie 47.84%)

The Karara Project, which is located 200km east of Geraldton in Western Australia, is owned and operated by Karara Mining Limited ("KML", "Karara"), which is a joint venture between Gindalbie Metals Ltd ("Gindalbie") and Anshan Iron and Steel Group Corporation (Ansteel), one of the largest steel-makers and the biggest iron ore producer in China. The Karara Project consists of a long-life, magnetite concentrate operation with a smaller-scale supporting hematite Direct Shipping Ore ("DSO") operation.

Since late 2013, Gindalbie has maintained its interest in Karara Mining as a minority investor with management activities now under the guidance of Ansteel. Gindalbie regularly reviews the value of its investment in Karara Mining, the current holding value of the asset is at a nil value driven primarily by high gearing of Karara and the current iron ore price environment.

Production

A total of 67 shipments were made during the half year totalling 3,946 million wet metric tonnes (wmt) of combined magnetite concentrate.

Karara Magnetite			
<i>Unit '000 wmt</i>	Sep-17 Qtr	Dec-17 Qtr	Total
Ore mined	5,023	5,613	10,636
Concentrate Produced	1,830	2,128	3,958
Concentrate Shipped	1,851	2,095	3,946

GINDALBIE METALS LTD

DIRECTORS' REPORT

GINDALBIE REGIONAL EXPLORATION

Exploration during the reporting period continued focus on review and reporting of recent exploration work as well as follow up work to identify the potential for coarse grain magnetite within the existing Lodestone Magnetite Resource.

CORPORATE

Cash Reserves

As at 31 December 2017, Gindalbie had term deposits of AUD\$34.9 million and cash and cash equivalents of AUD\$1.3 million

Shareholder Information

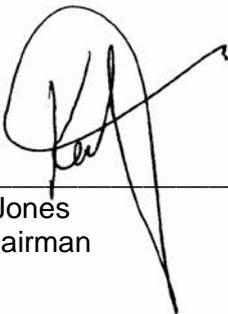
As at 31 December 2017, the Company had 1,496,512,060 shares on issue and 13,140 shareholders. The Top 20 shareholders held 58.78% of the Company.

Subsequent Events

There have been no events subsequent to reporting date which would have a material effect on the Company's financial statements at 31 December 2017.

Dated this 12th day of March 2018.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'K Jones', written over a horizontal line. The signature is stylized and includes a long, sweeping tail that extends downwards and to the right.

K Jones
Chairman



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 review for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Matthew Beevers

Partner

Perth

12 March 2018



Independent Auditor's Review Report

To the members of Gindalbie Metals Ltd

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Gindalbie Metals Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Gindalbie Metals Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed statement of financial position as at 31 December 2017
- Condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 1(d), "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 1(d), indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Gindalbie Metals Ltd, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

Matthew Beevers
Partner

Perth
12 March 2018

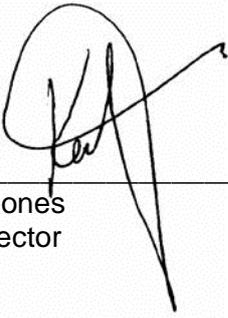
**GINDALBIE METALS LTD
DIRECTORS' DECLARATIONS**

In the opinion of the Directors of Gindalbie Metals Ltd ("the Company"):

1. the financial statements and notes set out on pages 10 to 18 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Company as at 31 December 2017 and of its performance for the six months period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. for the reasons set out in note 1(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 12th day of March 2018.

Signed in accordance with a resolution of the directors.



K Jones
Director

GINDALBIE METALS LTD
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2017

	Note	31-Dec-17	31-Dec-16
		\$'000	\$'000
Other income	3(a)	-	-
Administration expenses		(960)	(940)
Other expenses	3(b)	(16)	(145)
Results from operating activities		(976)	(1,085)
Finance income		461	492
Net financing income	4	461	492
Loss before income tax		(515)	(593)
Income tax expense		-	-
Loss for the period		(515)	(593)
Total comprehensive loss		(515)	(593)
Loss attributable to:			
Owners of the Company		(515)	(593)
Loss for the period		(515)	(593)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(515)	(593)
Total comprehensive loss for the period		(515)	(593)
Loss per share			
Basic loss per share – cents		(0.03)	(0.04)
Diluted loss per share – cents		(0.03)	(0.04)

The condensed notes on pages 14 to 17 are an integral part of these interim financial statements.

GINDALBIE METALS LTD
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2017

	Issued capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
Six months ended 31 December 2017				
Opening balance at 1 July 2017	753,965	(725,147)	9,408	38,226
Loss for the period	-	(515)	-	(515)
Transactions with owners in their capacity as owners:				
- Employee share based payment options	-	-	46	-
Closing balance at 31 December 2017	<u>753,965</u>	<u>(725,662)</u>	<u>9,454</u>	<u>37,757</u>
Six months ended 31 December 2016				
Opening balance at 1 July 2016	753,965	(723,902)	9,408	39,471
Loss for the period	-	(593)	-	(593)
Closing balance at 31 December 2016	<u>753,965</u>	<u>(724,495)</u>	<u>9,408</u>	<u>38,878</u>

The condensed notes on pages 14 to 17 are an integral part of these interim financial statements.

GINDALBIE METALS LTD
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31-Dec-17 \$'000	30-Jun-17 \$'000
ASSETS			
Cash and cash equivalents		1,300	3,757
Term Deposits		34,900	33,600
Other receivables		406	436
Prepayments		119	16
TOTAL CURRENT ASSETS		36,725	37,809
Other receivables			
		50	50
Property, plant and equipment		63	64
Exploration and evaluation assets	5	2,015	1,441
Intangible Asset		191	197
TOTAL NON CURRENT ASSETS		2,319	1,752
TOTAL ASSETS		39,044	39,561
LIABILITIES			
Trade and other payables		1,231	1,284
Employee benefits		7	15
TOTAL CURRENT LIABILITIES		1,238	1,299
Employee benefits			
		49	35
TOTAL NON CURRENT LIABILITIES		49	35
TOTAL LIABILITIES		1,287	1,334
NET ASSETS		37,757	38,227
EQUITY			
Issued capital	6	753,965	753,965
Reserves		9,454	9,408
Accumulated losses		(725,662)	(725,146)
TOTAL EQUITY		37,757	38,227

The condensed notes on pages 14 to 17 are an integral part of these interim financial statements.

GINDALBIE METALS LTD
CONDENSED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2017

	31-Dec-17 \$'000	31-Dec-16 \$'000
Cash flows from operating activities		
Cash payments to suppliers and employees	(1,033)	(895)
Interest received	420	548
Cash receipts from customers	-	-
Net cash used in operating activities	(613)	(347)
Cash flows from investing activities		
Receipts/(Payments) for term deposits	(1,300)	(12,500)
Payments for Exploration and evaluation	(537)	(106)
Receipts/(Payments) for investments	-	(24)
Purchases of Property, plant and equipment	(7)	(9)
Net cash used in investing activities	(1,844)	(12,639)
Cash flows from financing activities		
Proceeds from the issue of shares	-	-
Payment of capital raising costs	-	-
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(2,457)	(12,986)
Cash and cash equivalents at 1 July	3,757	13,913
Cash and cash equivalents at 31 December	1,300	927

The condensed notes on pages 14 to 17 are an integral part of these interim financial statements

GINDALBIE METALS LTD
Notes to the condensed interim financial statements
For the six months ended 31 December 2017

1) BASIS OF PREPARATION

(a) Reporting Company

Gindalbie Metals Ltd (the “Company”) is a company domiciled in Australia. The condensed interim financial report of the Company as at and for the six months ended 31 December 2017 comprises the Company and its investments.

The annual financial report of the Company as at and for the year ended 30 June 2017 is available upon request from the Company’s registered office at 6 Altona Street, West Perth WA or at www.gindalbie.com.au.

(b) Statement of compliance

The condensed interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2017.

This condensed interim financial report was approved by the Board of Directors on 12th March 2018.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to ‘rounding off’. Amounts in this financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Basis of measurement

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

(d) Going Concern

Gindalbie has a 47.84% investment in Karara Mining Limited (KML), a special purpose entity established to develop and operate the Karara Iron Ore Project in Western Australia. The remaining 52.16% is ultimately owned by Ansteel Group Corporation (Ansteel). Gindalbie does not have joint control or the ability to significantly influence KML and the investment has been recorded at fair value.

The investment in KML is valued at \$nil (2016: \$nil).

The Company has contingent liabilities with respect to shareholders’ guarantees provided by the Company to Ansteel and KML contractors. Refer to note 8.

For the guarantees to be called upon, it would require a default by KML on the loans provided by Ansteel or any other contracts where a shareholder’s guarantee has been provided by Gindalbie, and for the holder of a guarantee or Ansteel to enforce their rights under the relevant guarantees. The Directors of the company review KML performance and at the date of this report, the Directors are unaware of any guarantees being called. There remains a risk that Ansteel may not continue to fund or support KML which could lead to guarantees being called upon. If Gindalbie is required to repay its proportional share of the

shareholders' guarantees to Ansteel, the potential obligation is currently in excess of the value of the shares in KML and net assets of Gindalbie.

The Directors of the Company have identified that inherent uncertainties exist, being the contingent liabilities of the potential shareholders' guarantees. In the event the Company becomes liable under these guarantees, the inherent uncertainty casts significant doubt on Gindalbie's ability to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Nevertheless after making enquiries and considering the uncertainties described above the directors have a reasonable expectation that the guarantees will not be called upon and the company have adequate resources to continue in operational existence for the foreseeable future and pay its debts as and when they are due. For these reasons they continue to adopt the going concern basis in preparing the financial report.

2) SIGNIFICANT POLICIES

(a) Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 30 June 2017.

(b) Estimates

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2017.

3) INCOME AND EXPENSES

	31-Dec-17 \$'000	31-Dec-16 \$'000
(a) Other income		
Other income	-	-
Total other income	-	-
(b) Other expenses		
Impairment of assets - property, plant and equipment	-	(112)
Bad debt write off	-	(27)
Depreciation – property, plant & equipment	(10)	(6)
Amortisation - Intangible asset	(6)	-
Total other expenses	(16)	(145)
4) NET FINANCING INCOME		
Interest income	461	492
Net finance income	461	492

5) EXPLORATION AND EVALUATION ASSETS

Costs carried forward in respect of areas of interest in: <i>Exploration and evaluation assets</i>	31-Dec-17 \$'000	30-Jun-17 \$'000
Carrying amount at beginning of period	1,441	1,046
Additions	574	395
Expenditure written off	-	-
	<u>2,015</u>	<u>1,441</u>

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

In order to maintain current rights to exploration tenements, the Company is required to perform minimum exploration work to meet expenditure requirements specified by the West Australian state government. These requirements are subject to renegotiation when an application for a mining lease is made and at other times.

Exploration expenditure commitments

	31-Dec-17 \$'000	30-Jun-17 \$'000
Payable no later than one year :-		
Rents and rates	20	25
Exploration	109	99
	<u>129</u>	<u>124</u>

6) ISSUED Capital

	Ordinary shares		Share capital	
	31-Dec-17 No.	30-Jun-17 No.	31-Dec-17 \$'000	30-Jun-17 \$'000
On issue at 1 July	1,496,512,060	1,495,622,940	753,965	753,965
Exercise of options	-	889,120	-	-
On issue at 31 December	<u>1,496,512,060</u>	<u>1,496,512,060</u>	<u>753,965</u>	<u>753,965</u>

Nil ordinary shares were issued due to the exercise of employee options.

7) OPERATING SEGMENTS

The Company has one reportable segment.

8) CONTINGENT LIABILITIES

As at 31 December 2017, the Company has the following contingent liabilities with respect to potential shareholders' guarantees provided by the Company in relation to certain liabilities and obligations of KML.

Under the Agreement for the Joint Development of the Karara Iron Ore Project between Ansteel and Gindalbie ("the Joint Development Agreement"), Gindalbie has provided a shareholder guarantee to Ansteel whereby, with prior consent of Gindalbie, any guarantees given by Ansteel to third party in respect of any liabilities or obligations of KML will be guaranteed by Gindalbie for its proportionate participating interest. As at 31 December 2017, Gindalbie has provided shareholder guarantees totalling \$400 million in relation to term loans that have been provided to KML by various banks and bank guarantees provided to suppliers of KML. Gindalbie has accepted its proportionate share of the liability under the guarantees, which at the date of this report has not been triggered.

9) INVESTMENT IN KML

Ansteel Funding and Options for Equity Conversion and Subscription

Ansteel has the option to purchase new KML equity share capital to Ansteel at \$3.02 per share. The potential impact of the conversion is KML issuing 80,848,132 new shares to Ansteel which would decrease Gindalbie's equity by 9.60%.

Any further equity contribution to KML from Ansteel could further dilute Gindalbie's ownership percentage of KML.

10) RELATED PARTIES

During the period, the Company has granted 9,375,000 units over options in Gindalbie under the Gindalbie Metals Ltd Employee Option Share Trust (EOST) to certain key management personal. The units have a nil exercise price and vest equally in 3 tranches with continuous employment required until 01/07/2018, 01/07/2019 and 01/07/2020. The fair value of each unit is \$0.016.

Other than the matter above, related parties were of a similar nature to those disclosed in the financial statements as at and for the year ended 30 June 2017.

11) SUBSEQUENT EVENTS

There have been no events subsequent to reporting date which would have a material effect on the Company's financial statements at 31 December 2017.