

Key Points

- Total shipments through the Karara Export Terminal at Geraldton were 36 at a 8.88 million tonnes per annum rate during the Quarter
- 15 magnetite shipments were made for 911,000 wet metric tonnes (wmt)
- On a dry tonne basis magnetite concentrate grade averaged 65.27% Fe for the Quarter
- 21 shipments of hematite direct shipping ore (DSO) were made for 1.28 million wmt.



Executive Summary

- A total of 36 shipments were made during the March Quarter totalling 2.19 million wmt, made up of 911,000 wmt of magnetite concentrate and 1.28 million wmt of hematite DSO;
- Gindalbie's joint venture partner, Ansteel, exercised its right to convert two shareholder loans of A\$60 million in total, to new shares in Karara Mining Limited (KML), resulting in Ansteel increasing its ownership of KML from 50% to 52.16%, with Gindalbie owning 47.84%;
- Mr Chen Ping, a Gindalbie non-executive Director, an Ansteel nominee Director of KML and current Chairman of the KML Board, was appointed as Managing Director of KML. Mr Dale Harris was seconded from his role as Managing Director of Gindalbie to become Chief Executive Officer (CEO) of KML to directly oversee KML's operation;
- The completion of the tailings remedial action work, including upgrade and refurbishment of the tailings filters, construction of a temporary wet tailings facility and thickener optimization works, means the Karara concentrator circuit is now capable of producing at approximately 75% of its nameplate capacity and operated at or above this level for several days during March. The grade of the concentrate during March averaged 65.14%;
- The Karara Technical Review recommended the installation of an additional 55m diameter tailings thickener, construction of a second wet tailings storage facility, and installation of de-watering cyclones to help achieve sustainable production at nameplate capacity of 8.8 million wet tonnes per annum. The estimated capital expenditure to complete these works and some additional minor works is \$123.6 million, of which \$111.1 million is forecast to be spent in the 2014 year;
- Plant performance and investigations undertaken as part of the technical review identified certain zones of the magnetite orebody to be significantly harder and more abrasive than anticipated, impacting the crushing circuit performance and capacity. Further technical assessment is in progress;
- Subsequent to the end of the Quarter the Gindalbie Board implemented a corporate rationalisation and cost-reduction program;
- At 31 March 2014, Gindalbie Metals Ltd had cash reserves of A\$45.2 million.

KARARA PROJECT (Ansteel 52.16%: Gindalbie 47.84%)

Overview

The Karara Project, 200km east of Geraldton, is a joint venture with Ansteel, one of China's largest steel makers and the biggest iron ore producer.

The project consists of a long-life, magnetite concentrate operation with a smaller-scale supporting hematite operation.

Project Ownership

During the Quarter Gindalbie's joint venture partner, Ansteel, exercised its right to convert two shareholder loans of A\$60 million in total, to new shares in Karara Mining Limited (KML). This resulted in Ansteel increasing its ownership of KML from 50% to 52.16%, with Gindalbie owning 47.84%.

Ansteel also has the right to subscribe for new equity in KML to provide KML, if required, with sufficient funds to repay additional bank debt and concentrate presales agreements totaling US\$230 million. This debt-to-equity conversion, if exercised, would increase Ansteel's stake in KML to approximately 62% with Gindalbie retaining approximately 38%.

Karara Joint Development Agreement and Management Changes

In recognition of the change of ownership structure at KML, Ansteel and Gindalbie have previously agreed to amend various terms of the Karara Joint Development Agreement. While these amendments have yet to be formalised, it has been agreed that:

1. The KML Board will be increased in number from 4 to 5 Directors – 3 from Ansteel and 2 from Gindalbie
2. The Chairman of KML will be one of the three Directors appointed by Ansteel and will have a casting vote at KML Board meetings;
3. All Board decisions are to be made by ordinary resolution of the Board apart from decisions concerning the pricing and quality of product sold by KML to Ansteel, concerning any amendment to existing offtake sales agreements and concerning the pricing policy of KML product. These matters require unanimous resolution of the Directors of KML.

Mr Chen Ping, a Gindalbie non-executive Director, an Ansteel nominee Director of KML and current Chairman of the KML Board, has also been appointed as Managing Director of KML.

In addition, KML has recently appointed Mr Neil Meadows as Chief Operating Officer. Mr Meadows has over 30 years of mining industry experience in a range of senior operational roles.

Subsequent to the end of the period Mr Dale Harris was seconded from his role as Managing Director of Gindalbie to become Chief Executive Officer (CEO) of KML to directly oversee KML's operation, the continued debottlenecking and ramp-up of production at the Karara Project.

Mr Paul Sims, who was acting CEO, has resigned from KML, however, at the Board's request, he has agreed to remain an employee of KML until July 2014 and will support Mr Harris and the broader KML team during this period.

Production

A total of 36 shipments were made during the March Quarter totalling 2.19 million wmt of combined magnetite concentrate and hematite DSO. Magnetite production quality averaged 65.27% Fe and 7.1% silica during the Quarter.

Karara Magnetite				
Unit '000 wmt	Sep-13 Qtr	Dec-13 Qtr	Mar-14 Qtr	YTD Total
Ore mined	1,815	2,265	1,773	5,853
Concentrate Produced	657	829	901	2,387
Concentrate Shipped	685	897	911	2,493

Hematite production was completed at the Terapod deposit. The KML Board has approved the development of the Hinge deposit to provide supplementary DSO production, starting in the December Quarter 2014. As previously advised, shipments included purchases of third party ore to maximise the use of installed rail and port capacity. During the period third party purchases amounted to approximately 909,000 million wmt.

Karara Hematite DSO				
Unit '000 wmt	Sep-13 Qtr	Dec-13 Qtr	Mar-14 Qtr	YTD total
Ore Mined:				
High Grade	786	593	137	1,516
Medium Grade	49	87	167	303
Low Grade	203	76	63	342
Total	1,038	756	367	2,161
DSO Shipped	1,042	1,495	1,276	3,813

Given the ongoing assessment of crushing circuit capacity and performance at Karara, the Gindalbie Board is not in a position to provide accurate production guidance or forecast when the Project will achieve positive cashflow. Actual production will be reported Quarterly.

Update on Tailings Remediation

The Board of KML advised during the Quarter that the remedial actions which were approved previously as part of the first phase of debottlenecking have now been completed. These include:

- The refurbishment and upgrade of the tailings filters;
- Construction of a temporary wet tailings facility to allow partial by-pass of the tailings filters when required; and
- Thickener optimisation works.

The completion of these remedial actions means the Karara concentrator circuit is now capable of producing at approximately 75% of its nameplate capacity – a nominal production rate of 6.6 million wet metric tonnes per annum (Mtpa). This rate of production was exceeded on 7 days during March, while the grade of the concentrate during the month averaged 65.14%.

Technical Review: Sustainable Production and Further Plant Debottlenecking to 8.8Mtpa

The Karara Technical Review looked at the KML process flowsheet and plant capability to achieve sustainable production at nameplate capacity of 8.8Mtpa of magnetite concentrate.

The following plant modifications were confirmed during the review:

- Installation of an additional 55m diameter tailings thickener;
- Construction of a second wet tailings storage facility with approximately 2.5 years of tailings storage capacity; and
- Installation of de-watering cyclones after the rougher magnetic separation stage.

The estimated capital expenditure to complete these works and some additional minor works is \$123.6 million, of which \$111.1 million is forecast to be spent in the 2014 year.

The additional thickener and the dewatering cyclones have already been approved by the KML Board and these projects are scheduled to be completed by the end of 2014. Design work and the environmental approval process for the wet tailings storage facility is currently in progress and it is expected that the capital for this project will be presented to the KML Board for approval during the June Quarter 2014.

It is KML's intention to maximise the utilisation of the dry tailings system in order to maintain environmental best practice. The additional wet tailings facilities provide flexibility in the circuit to bypass the tailings filters under certain operating circumstances to maintain plant throughput in a controlled manner. The review also identified a medium-term requirement to increase tailings filtration capacity, which will be needed by the time the two tailings dams have been filled. An engineering study will establish the requirements, schedule and cost with respect to additional tailings filter capacity. Expenditure in 2014 will be limited to the engineering study.

Plant performance and investigations undertaken as part of the technical review identified certain zones of the magnetite orebody to be significantly harder and more abrasive than anticipated. This has resulted in higher wear rates and higher crushing power consumption requirements and as a result during March the crushing circuit has on a number of occasions constrained throughput through the concentrator.

Immediate rectification work being initiated and requiring minimal capital expenditure includes:

- Increasing mine blasting powder factor levels to reduce the load on the crushing system;
- Trialling blends of harder and softer ores ex-pit to maximise crushing and concentrator circuit performance;
- Ongoing trialling and optimisation work for wear liners on crushing equipment; and
- Assessing options to mobilise additional short term crushing capacity.

In addition to the above further technical assessment of the crushing circuit performance and capacity is in progress.

Karara Project Exploration

Drilling programs to test a series of exploration targets were undertaken during the March Quarter. Assay results have been received for some of these programs, including encouraging results returned from the Spyder Prospect, located around 500m to the north-west of the Terapod Mine.

At the Spyder Prospect, 13 Reverse Circulation (RC) holes were completed for 1,306m over 700m strike length of Banded Iron Formation (BIF). Significant intercepts ($\geq 3\text{m}$ at 55% Fe) were recorded in 4 holes on 3 sections spaced nominally 50m apart with holes at nominally 30m spacing along sections. Mineralisation intersected occurs over 100m in strike length and corresponds with a mapped zone of goethite-hematite enrichment within the BIF. Mineralisation is interpreted, based on the limited drilling, to have a true-width of around 10m to 15m and to extend to a vertical depth below surface of up to 100m. Best intersections from this first stage program are included:

- 22m @ 60.8% Fe from 14m in hole SPYC003
- 26m @ 62.1% Fe from 0m in hole SPYC004
- 18m @ 57.9% Fe from 60m in hole SPYC005
- 20m at 65.6% Fe from 68m in hole SPYC016

The Spyder Prospect has a Hematite DSO Exploration Target of 0.3 million to 0.7 million tonnes with an iron grade between 57% Fe and 62% Fe. The Exploration Target size and grade range is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource. It is proposed to undertake additional drilling, dependant on receipt of regulatory approvals, during the second half of 2014. A detailed explanation of the material information relating to these exploration results is included in Appendices A and B.

Assay results are pending for the other programs. Any significant intersections will be reported in the June 2014 Quarter.

GINDALBIE REGIONAL EXPLORATION

Drilling programs to test a series of exploration targets were undertaken during the March Quarter. All assay results are pending.

CORPORATE**Sale of Shine**

The previously announced sale of the 100% GBG-owned Shine Hematite DSO Deposit, located 40km north-east of the Karara Project, to Mount Gibson Iron Limited (ASX: MGX) was completed during the Quarter, with Gindalbie receiving the \$12 million cash consideration.

Mt Gibson reached agreement to acquire the iron ore rights over the Shine tenements in December last year for total consideration of \$15 million plus a trailing price participation royalty. In addition to the \$12 million upfront payment, a further milestone payment of \$3 million is due on the first commercial sale of iron ore – effectively a non-refundable pre-payment on the price participation royalty.

Under this royalty, on a month average for every A\$1 the Platt's 62% price is above A\$115 per tonne Gindalbie will receive an additional A\$0.20 per tonne sold with the \$3 million to be prepaid under the milestone payment.

Acting Managing Director

Following the secondment of Mr Dale Harris from his role as Managing Director of Gindalbie to become CEO of KML, Mr Michael O'Neill has been appointed as Acting Managing Director of Gindalbie. Mr O'Neill has been a Director of Gindalbie since April 2006 and held a number of senior positions with ANZ over a career spanning 39 years. Mr O'Neill is an independent director of the Perth Market Authority and P&N Bank Ltd.

Rationalisation and Cost Reduction Program

While the Company's highest priority remains its support for its investment in KML and the Karara Project's continued ramp-up, it must take account of the current market and operating environment. Subsequent to the end of the quarter, the Gindalbie Board implemented a corporate rationalisation and cost reduction program. Staffing levels will be consolidated into the areas of Finance, Company Secretarial and Administration and it is intended to endeavour to manage the consolidation via normal staff attrition.

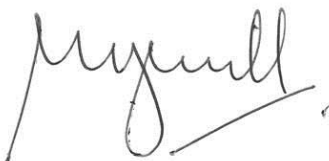
Gindalbie will retain its significant Mid West tenement holding, including the Lodestone Magnetite Project and continue work on highly prospective targets.

Cash Reserves

At 31 March 2014, Gindalbie Metals Ltd had cash reserves of A\$45.2 million.

Shareholder Information

As at 31 March 2014, the Company had 1,493,660,842 shares on issue and 17,557 shareholders. The Top 40 shareholders held 54.04% of the Company.

GINDALBIE METALS LTD

MICHAEL O'NEILL
Acting Managing Director

Competent Person Compliance Statements

The information in this report that relates to Exploration Results is based on information compiled by Mr Ian Shackleton who is a Member of the Australasian Institute of Geoscientists. Mr Shackleton is a full-time employee of Gindalbie Metals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Shackleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix A – Additional Information

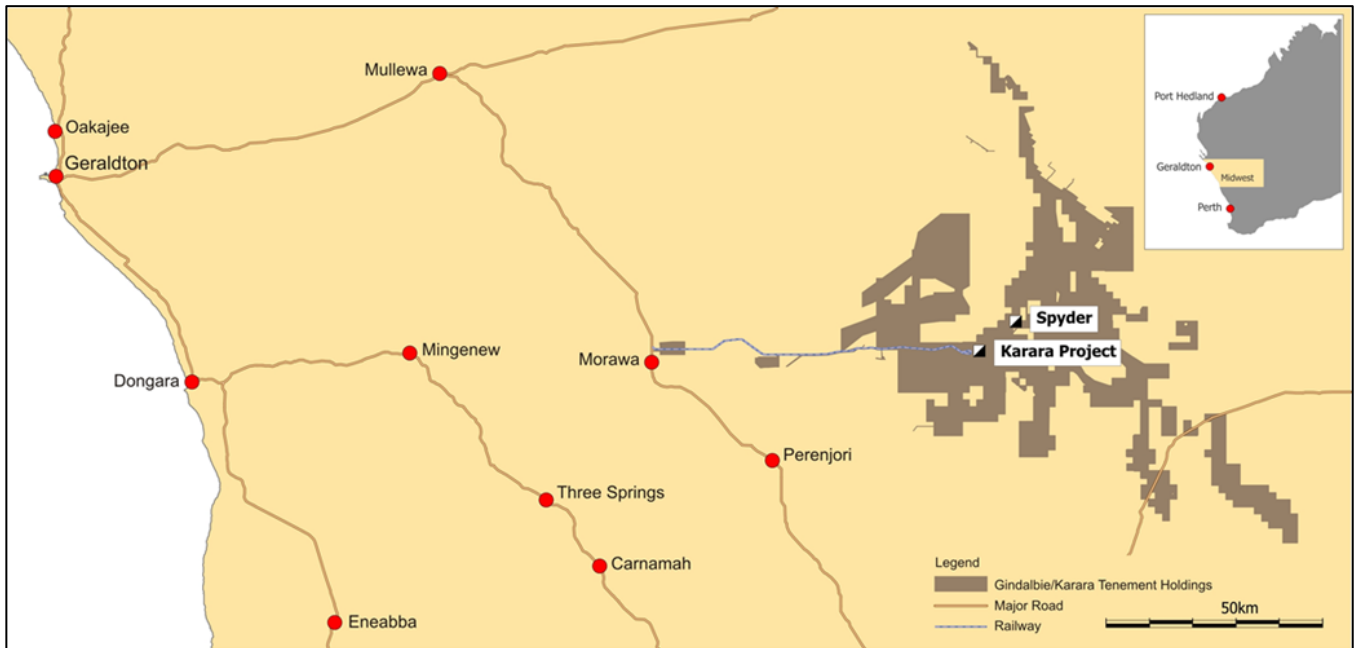


Figure 1: Regional location of the Spyder Prospect relative to Gindalbie Metals Limited (GBG) and Karara Mining Limited (KML) tenements and Karara Project.

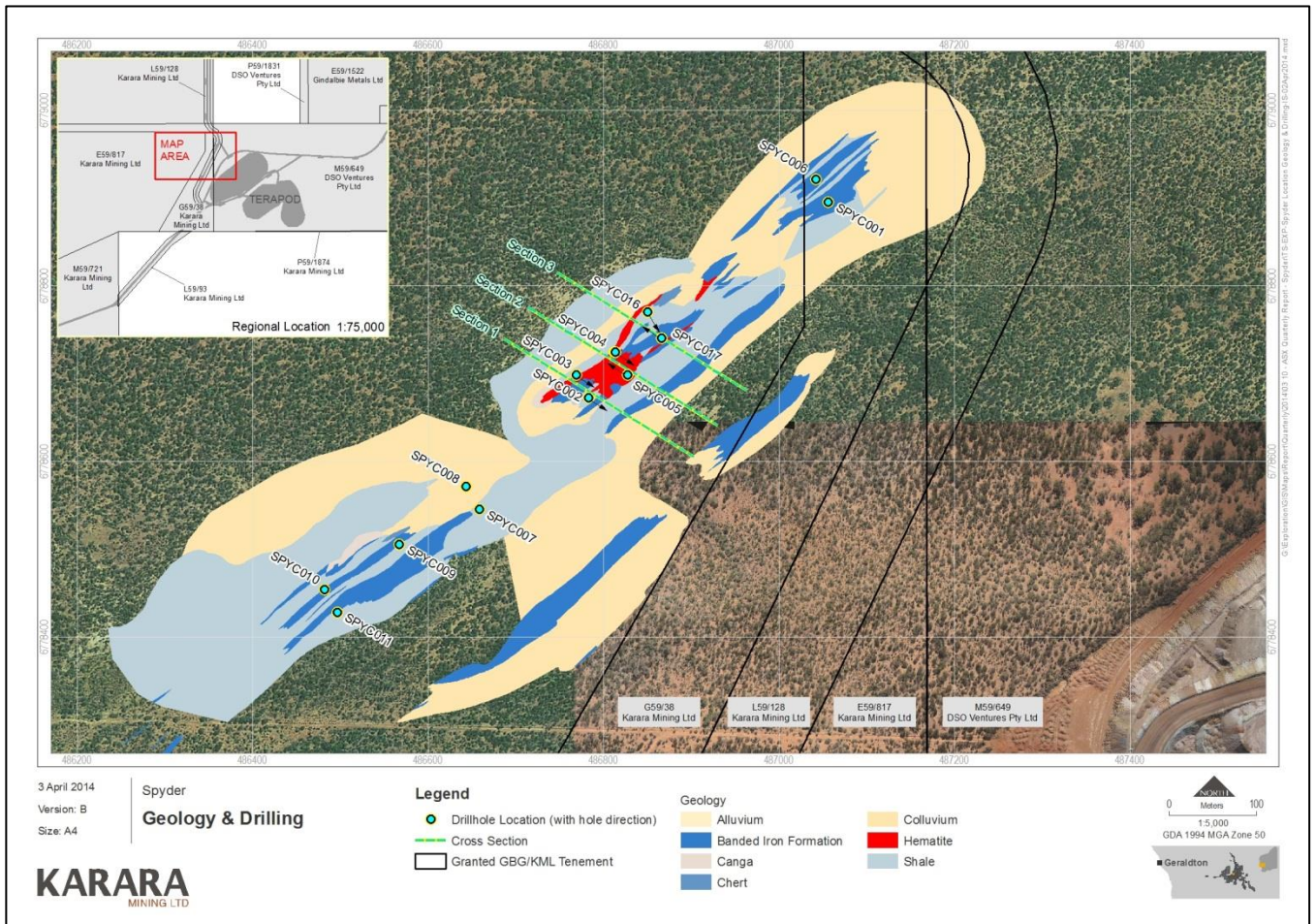


Figure 2: Location of drilling at the Spyder Prospect in relation interpreted geology, KML Terapod Mine, and tenements (GBG, KML and DSO Ventures Pty Ltd - 100% owned subsidiary of KML). The Exploration Target size and grade implied in this figure are conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.

The cross sections included below as Figures 3-5 are schematic interpretations of the geology and mineralisation based on limited RC drilling and surface geological mapping and should not be used to make estimates of any potential Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.

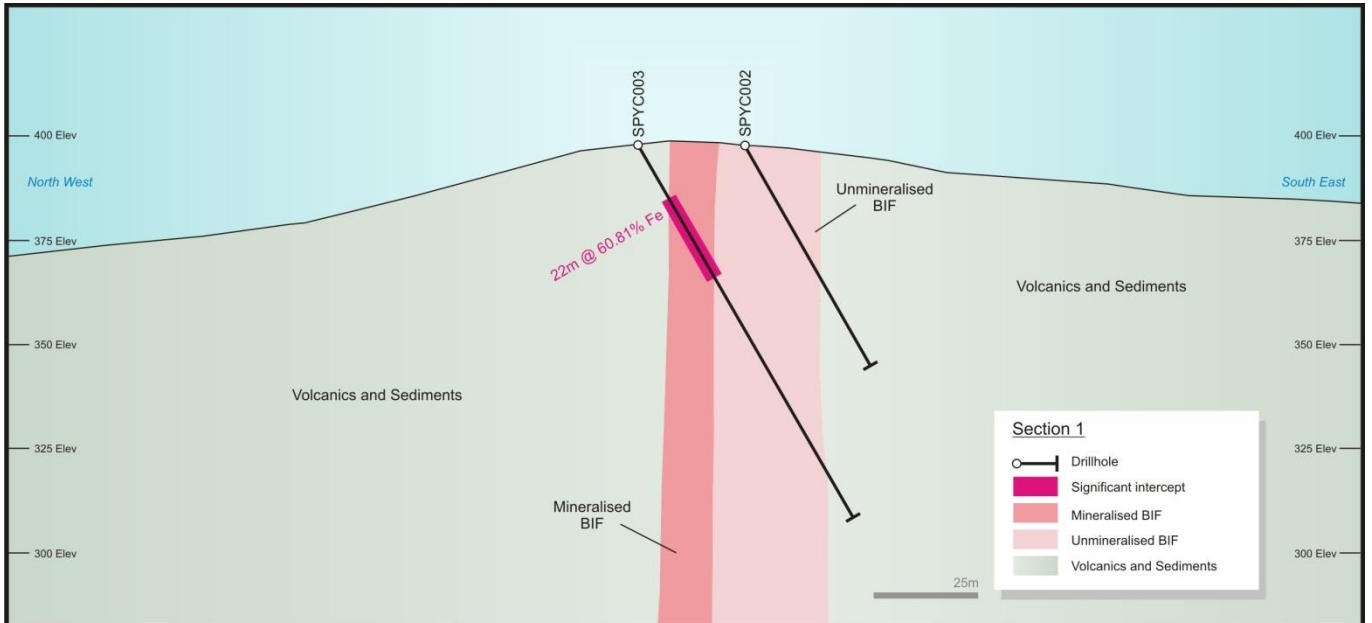


Figure 3: Cross section 1 (refer Figure 2) showing significant intercepts and interpreted stratigraphy at the Spyder Prospect.

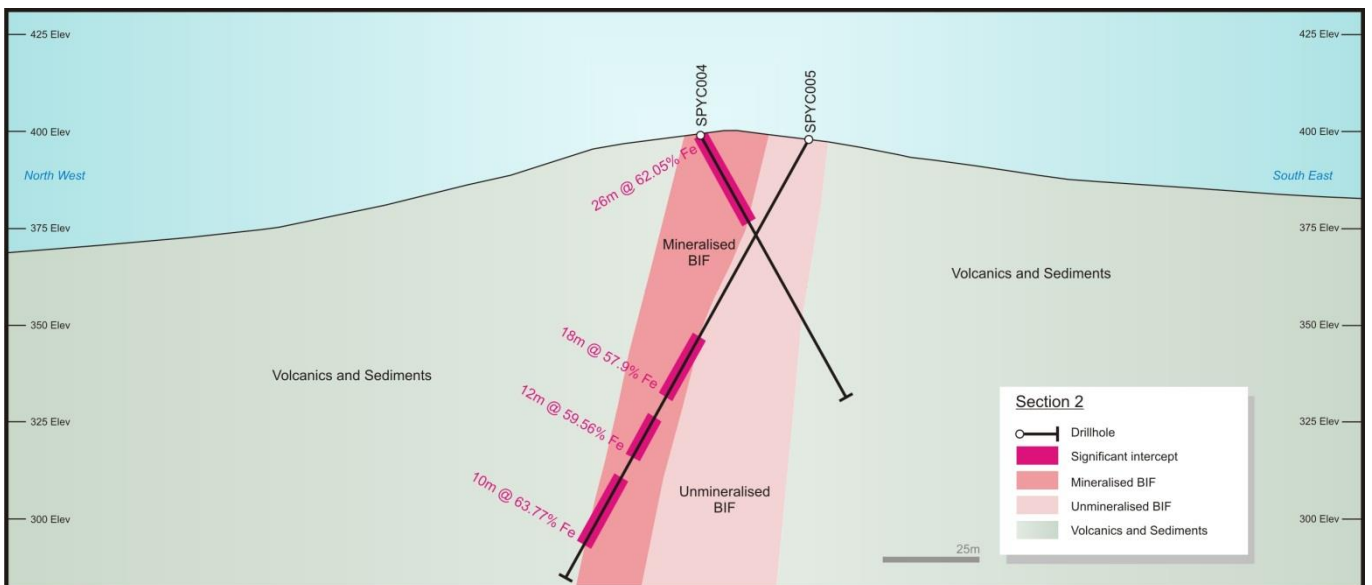


Figure 4: Cross section 2 (refer Figure 2) showing significant intercepts and interpreted stratigraphy at the Spyder Prospect.

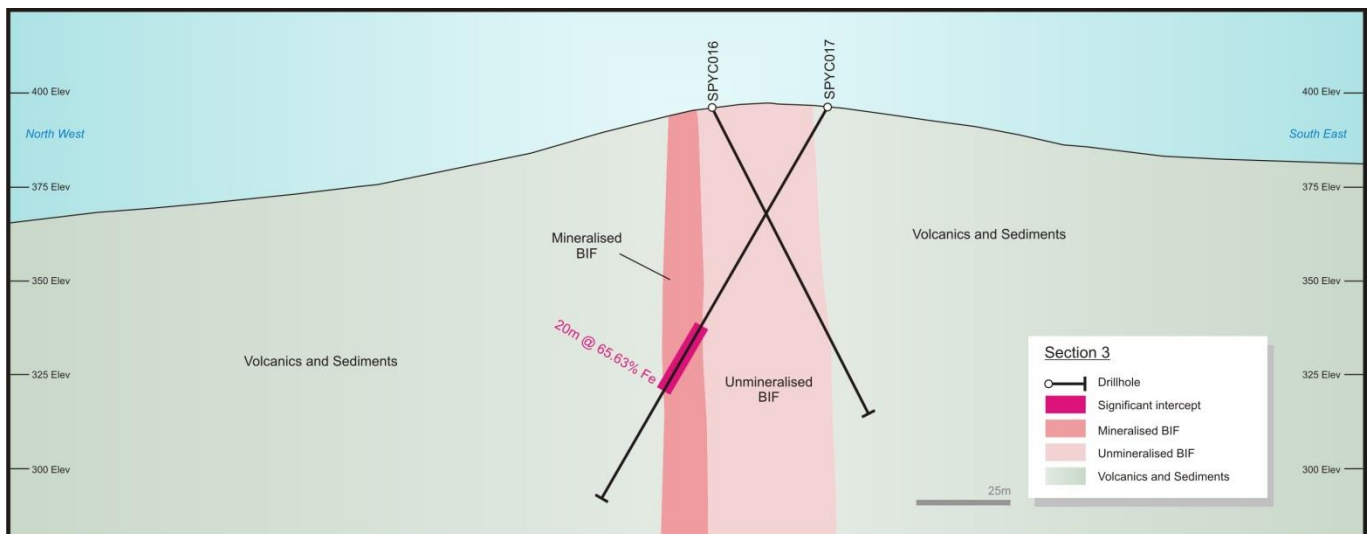


Figure 5: Cross section 3 (refer Figure 2) showing significant intercepts and interpreted stratigraphy at the Spyder Prospect.

The Spyder Prospect is situated around 500m to the north-west of the Karara Mining Limited (KML) Terapod DSO Mine (refer Figure 2). The prospect is located on KML's 100% owned Exploration Licence E59/817 within the Widi Mob Native Title Claim (NNTT# WC 97/92).

At the Spyder Prospect the hematite and goethite iron-mineralisation is interpreted to be supergene enrichment of primary magnetite mineralisation to hematite and goethite. The bedded hematite and goethite occurs as a single tabular body within a vertical to steeply north-west dipping Banded Iron Formation (BIF) of the Windaning Formation.

A total of 13 Reverse Circulation (RC) holes were completed for 1,306m with drill hole depths ranging between 60m and 148m (refer Table 1). Drilling was completed on 7 sections over a 700m strike length of the BIF. The spacing between the sections was nominally 100m in the south-west (SPYC007-SPYC011); 50m in the central portion (SPYC0002-SPYC005 & SPYC016-SPYC017) and a further 250m to the most north-east section (SPYC001 & SPYC006). Drill holes were nominally spaced at 30m centres east-west along each of the sections (refer Figure 2).

The aim of the program was to test the distribution of hematite-goethite mineralisation identified in the central portion of the prospect from geological mapping and rock chip sampling (13 grab samples) undertaken in 2006 and 2011. A total of 6 of the 13 holes completed targeted the mapped and sampled hematite-goethite mineralisation with the remainder testing the potential strike extent.

A total of 6 significant intersections grading in excess of 55% Fe were returned, with significant intercepts reported in 4 individual holes in the central portion of the prospect corresponding with the mapped iron-enrichment. Relevant drilling results are included in Table 2.

Mineralisation intersected occurs over 100m in strike length and is interpreted, based on the limited drilling, to be open for around 90m to the south-west and 120m to the north-east along its extrapolated strike. Drilling indicates that the mineralisation, based on the limited available data, extends to a vertical depth below surface of up to 100m and has an interpreted true-width of around 10m to 15m.

The prospect has a DSO (Hematite) Exploration Target of 0.3 million to 0.7 million tonnes with an iron grade between 57% Fe and 62% Fe. The Exploration Target size and grade range is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource. Assays have shown deleterious elements to be within acceptable limits and a density range similar to the nearby Terapod Mine.

It is proposed to undertake additional drilling, dependant on receipt of regulatory approvals, to test strike extent to the south-west and north-east. The additional drilling is planned to be undertaken during the second half of 2014.

Table 1: Drill Hole Information for Spyder Prospect

Hole ID	Hole Type	Hole Depth (m)	Easting	Northing	RL	Dip	Dip Direction
SPYC001	RC	148	487056	6778895	386	-60	300
SPYC002	RC	60	486783	6778672	397	-60	120
SPYC003	RC	102	486769	6778698	397	-60	120
SPYC004	RC	78	486813	6778724	399	-60	120
SPYC005	RC	132	486827	6778698	399	-60	300
SPYC006	RC	90	487042	6778921	384	-60	120
SPYC007	RC	102	486658	6778545	387	-60	300
SPYC008	RC	108	486643	6778571	384	-60	300
SPYC009	RC	84	486567	6778505	399	-60	300
SPYC010	RC	72	486482	6778454	398	-60	300
SPYC011	RC	120	486496	6778428	397	-60	300
SPYC016	RC	90	486850	6778770	393	-60	150
SPYC017	RC	120	486866	6778740	397	-60	300

All collar locations are recorded in GDA 1994 MGA Zone 50 derived from a Differential GPS.

Table 2: Significant assay results from recent program of RC drilling at Spyder Prospect

Hole ID	From (m)	To (m)	Width (m)	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %
SPYC003	14	36	22	60.81	2.15	6.79	0.06	0.01	3.75
SPYC004	0	26	26	62.05	1.27	5.44	0.05	0.01	4.15
SPYC005	60	78	18	57.9	2.3	11.81	0.08	0.04	2.73
SPYC005	84	96	12	59.56	2.19	11.38	0.02	<0.00	1.17
SPYC005	110	120	10	63.77	0.65	5.64	0.04	<0.00	2.2
SPYC017	68	88	20	65.63	1.08	2.15	0.12	<0.00	2.56

Significant intercepts are reported at a $\geq 55\%$ Fe cut-off grade, and include a maximum of 2m of consecutive internal dilution (<55% Fe) and a minimum 3m width of intersection. Table 1 includes additional holes and these are not included in Table 2 as they are not considered relevant in that they do not meet the significant intercept criteria.

Appendix B – Table 1 information in accordance with JORC 2012

Spyder Prospect, Karara Project

Section 1 Sampling Techniques and Data (criteria in this section apply to all succeeding sections)	
Criteria	Commentary
Sampling Technique	<ul style="list-style-type: none"> All data collected from the Spyder Prospect has been based on Reverse Circulation (RC) drilling program completed during February 2014. Samples (wet and dry) were collected at two metre intervals using a drill rig mounted static cone splitter. RC drilling was used to obtain 3-5kg of sample that was subsequently dried, riffle split down to approximately 5g for determination by XRF fusion at the laboratory. Laboratory accuracy and precision were assessed by the submission of Certified Reference Materials and duplicate samples. Determination of intervals to be sampled was carried out at the time of drilling using observed mineralisation and geological contacts. Not all drill intervals were sampled.
Drilling Techniques	<ul style="list-style-type: none"> A total of 13 RC holes completed at the Spyder Prospect using a face sampling hammer with a 130 mm diameter bit. All holes were drilled at either -60°/120, -60°/150 or -60°/300 orientation.
Drill Sample Recovery	<ul style="list-style-type: none"> Sample recovery information for the RC drilling is indicative only but suggests that the majority of samples have achieved a moderate to high sample recovery. Its is not possible to comment on the relationship between grade and recovery due to the subjective nature of the recovery information.
Logging	<ul style="list-style-type: none"> Qualitative logging of all drillholes in their entirety was completed. Logging of drillhole samples included lithology, texture, alteration and mineralisation was done bu a quaified geologist and was done with sufficient detail to meet the reporting requirements for exploration results.
Sub-sampling Techniques and Sample Preparation	<ul style="list-style-type: none"> RC drill samples (15% of mineralised samples recorded as damp or wet) were collected through a static cone splitter attached to the drill rig. Samples were submitted to a NATA certified laboratory where industry standard preparation including oven drying and crushing to approximately 3mm followed by pulverising to 90% passing 150 micron (Bureau Veritas method XRF202). Sampling operations on the rig was continually supervised by a qualified geologist. Issues adressed include sample recovery, cyclone/cone splitter cleaning and level operation of the sampling circuit. A gate sytem was used at the completion of each metre drilled to ensure gravity feed of the sample through the cone splitter. Sample sizes are considered representative based on the nature of the mineralisation tested and the thickness and consistency of the intersections. Grain size of the host rock (BIF) and mineralisation are comparable.

<p>Quality of Assay Data and Laboratory Results</p>	<ul style="list-style-type: none"> • Samples are analysed for a typical iron ore suite of elements and compounds by XRF (Bureau Veritas method XRF202). XRF is an industry standard technique used for determination of total iron content, i.e., oxidised and reduced forms. • Quality control included the use of Certified Reference Material (standards) submitted in the field at a rate of 1:50 samples. • Quality control data is analysed and reported at regular intervals based on the submission of field and laboratory standards and duplicates as mentioned above. The laboratory also utilised internal standards (1:25) and repeats (1:20). • Initiation of action for intervention are consistent with industry convention (i.e. 1 result outside 3 Standard Deviations or 2 consecutive samples outside 2 Standard Deviations). If assay results are outside the action limits of accuracy then re-testing of pulps is conducted.
<p>Verification of Sampling and Assaying</p>	<ul style="list-style-type: none"> • Significant intersections are reviewed in conjunction with geological logging by company geologists with sufficient experience in iron ore. • Data is recorded electronically into a centralised SQL database server located in Perth using Logchief software and standard Gindlabie logging codes. A database manager is employed to validate and back-up the database on a regular basis. • Assay data is loaded into the database without any adjustment to the data as received and reported from the laboratory.
<p>Location of Data Points</p>	<ul style="list-style-type: none"> • Drill hole locations were set out prior to drilling using a Differential GPS with an expected accuracy of approximately +/- 0.5-1m horizontal and +/- 1-3m vertical. • Drill hole locations have not been surveyed post-drilling and are anticipated to be with +/- 5m of the set-out position. • Down-hole surveys to determine deviation in dip and dip direction have not been completed at the time of reporting. • DGPS set-out of the hole positions was undertaken and reported with reference to GDA94 MGA Zone 50.
<p>Data Spacing and Distribution</p>	<ul style="list-style-type: none"> • Majority of drill spacing was a nominal 100m (northing) in the south-west (SPYC007-SPYC011); 50m (northing) in the central portion (SPYC0002-SPY005 & SPYC016-SPYC017) and a further 250m (northing) to the most north-east section (SPYC001 & SPYC006). Drill holes were nominally spaced at 30m (easting) centres along each of the sections. • Drill hole spacing for exploration results was based on field mapping of target unit outcrop and interpretation of aeromagnetic data. • Minimum drill hole spacing, both across and along strike, was based on experience gained from resource modelling and mining of similar iron ore deposits in the project area.
<p>Orientation of Data in Relation to Geological Structure</p>	<ul style="list-style-type: none"> • Exploration drilling tested relatively tabular mineralisation hosted by vertical to sub-vertical BIF units. Drill holes were designed, as closely as practicable, perpendicular to the BIF units and are considered appropriate for the style of mineralisation being tested. • As the drilling was orientated approximately perpendicular to mineralisation, no orientation based bias in intersection has been identified.

<p>Sample Security</p>	<ul style="list-style-type: none"> • Individually numbered samples were collected by Gindalbie staff within 3 days of drilling and stored in bulka bags at a secure location at the Karara Mine. • Sample security was not considered a significant risk to the project. Samples were transported to the laboratory using 'Chain of Custody' procedures by a single courier with sample submission documents outlining sample identification and number of samples.
<p>Audits or reviews</p>	<ul style="list-style-type: none"> • Sampling techniques and results were regularly reviewed by an experienced Senior Geologist and the Database Manager for consistency and relevance.

Section 2 Reporting of Exploration Results	
<i>Criteria</i>	<i>Commentary</i>
Mineral Tenement and Land Tenure Status	<ul style="list-style-type: none"> • Tenement E59/817 is held 100% by Karara Mining Limited. • E59/817 sits within the Widi Mob Native Title Claim (NNTT# WC 97/92). • E59/817 has an anniversary date of 2/04/2014 and is in good standing with no known encumbrances. A one year Extension of Terms has been lodged and awaiting approval by the Department of Mines and Petroleum.
Exploration Done by Other Parties	<ul style="list-style-type: none"> • Exploration for iron ore at the Spyder Prospect has only been conducted by Karara Mining Limited
Geology	<ul style="list-style-type: none"> • At the Spyder Prospect the hematite and goethite iron-mineralisation is interpreted to be supergene enrichment of primary magnetite mineralisation to hematite and goethite. The bedded hematite and goethite occurs as a single tabular body within a vertical to steeply north-west dipping Banded Iron Formation (BIF) of the Windaning Formation. • Mineralisation intersected occurs over 100m in strike length and corresponds with a mapped zone of goethite-hematite enrichment within the BIF. Mineralisation is interpreted, based on limited drilling, to be open for around 90m to the south-west and 120m to the north-east along its extrapolated strike.
Drill hole Information	<ul style="list-style-type: none"> • Information relating to the drill holes completed and significant intercepts returned is summarised in the body of the text as Table 1 and Table 2.
Data Aggregation Methods	<ul style="list-style-type: none"> • Exploration results reported are reported at a $\geq 55\%$ Fe cut-off grade, and include a maximum of 2m of consecutive internal dilution ($< 55\%$ Fe) and a minimum 3m width of intersection. • Length weighted averages were used to report the grades with no top cuts applied to the grades. • As iron is the target commodity, no metal equivalents were used for reporting exploration results.
Relationship between Mineralisation Widths and Intercept Lengths	<ul style="list-style-type: none"> • BIF hosted mineralisation is generally uniform and tabular with drill hole orientation adjusted to allow intersection angles with the mineralised zone to approximate true width. • As drilling is relatively close to perpendicular to mineralisation, reported intercepts would be close to true-width. As some variation in dip and strike of the BIF units may occur, reported intercepts are approximate. However, excessive over-estimation of true-widths is not expected.
Diagrams	<ul style="list-style-type: none"> • Included in body of text as Figure 1-5.
Balanced Reporting	<ul style="list-style-type: none"> • Exploration results reported are based on geological mapping and sampling a single phase of drilling conducted by Karara Mining Limited
Other Substantive Exploration Data	<ul style="list-style-type: none"> • All samples are assayed for a suite of elements including Fe (total), Al_2O_3, SiO_2, MgO, P, S, TiO_2 and LOI. • No potential deleterious substances have been identified.
Further Work	<ul style="list-style-type: none"> • Further drilling is planned, dependent on regulatory approvals, to test the lateral and strike extent of hematite mineralisation in the second half of 2014.