

Key Points

- As at 31 December 2015, Gindalbie Metals Ltd (Gindalbie) had term deposits of AUD\$38.5 million and cash reserves of AUD\$973 thousand.
- Production of magnetite concentrate by Karara Mining Limited (KML) (Gindalbie 47.84%, Ansteel 52.16%) from the Karara Project (Karara) during the December 2015 Quarter remained stable, with output equal to the September 2015 Quarter.
- Average magnetite production unit cash cost by KML has remained stable during the December 2015 Quarter.
- Ansteel is reviewing their strategy and investment options in relation to Karara .



CORPORATE

Annual General Meeting

Gindalbie held its Annual General Meeting on 27 November 2015.

Resolutions 1-4 were passed by a show of hands at the meeting. Mr Paul Hallam was re-elected as a Director and Mr Li Ge and Mr Anlin Shao were all elected as Directors of the Company. Resolution 5 relating to the Approval of Grant of Share Mortgage was not passed.

Board Structure

During the Quarter Mr Chen Ping resigned as a Director and Vice Chairman of Gindalbie.

Mr Michael O'Neill passed away in October 2015. Mr O'Neill was a highly respected member of the Australian business community who made an enormous contribution to the development and growth of Gindalbie. He was an Independent Non-Executive Director of the Company since April 2006, and the Company's Acting Managing Director since April 2014.

The Company has reduced the number directors on the board during the quarter. The Board of Gindalbie currently consists of Mr Keith Jones who is the Chairman, Mr Andrew (Robin) Marshall, Mr Paul Hallam Mr Li Ge and Mr Anlin Shao.

Gindalbie Executive changes

Mr Chris Stevens has been appointed as Business Development Manager, and due to the passing of Mr Michael O'Neill, Mr Stevens has assumed the role of Acting CEO effective from 23 November 2015 for an initial six-month contract.

Shareholder Information

As at 31 December 2015, Gindalbie had 1,495,622,940 shares on issue and 14,883 shareholders.

Ms Linlin Li has become a substantial shareholder in the company during the quarter. The Top 20 shareholders held 55.57% of the issued share capital of Gindalbie.

Cash Reserves

At 31 December 2015, Gindalbie had term deposits of AUD\$38.5 million and cash reserves of AUD\$973 thousand.

KARARA PROJECT

Overview

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

Ansteel review of the Karara Iron Ore Project

In light of the current market conditions, Ansteel is reviewing their strategy and investment options in relation to Karara. The primary focus is on strengthening management practices and reporting, as well as continued cost cutting efforts across key operational areas. The CEO of KML has also stated in an email to KML staff that Ansteel is unable to continue to provide funding support to KML due to the economic and industry downturn.

Karara Executive changes

During the quarter Mr Dale Harris left KML as part of the leadership transition of KML to Ansteel Mining. Mr. Harris was succeeded as CEO of KML by Mr Zhang Zhao Yuan. Mr Zhang is currently Chief Operating Officer of KML and has held a range of senior technical and operational leadership roles with Ansteel over his career.

Mr Paul Smith left KML during the quarter and was succeeded as CFO by Mr Li Shuwang

Production

During the December 2015 Quarter KML produced approximately 1.839 million wet metric tonnes ('WMT') of magnetite concentrate at Karara, a decrease of 0.3% over September 2015 Quarter production of 1.845 million WMT. KML produced approximately 323,111 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 2.28 million WMT of magnetite concentrate and hematite.

Magnetite production grade quality during the December 2015 Quarter averaged 65.8% Fe.

Karara Magnetite Unit '000 WMT			
Quarter (Qtr)	June-15 Qtr	Sep-15 Qtr	Dec-15 Qtr
Ore Mined	4,440	4,394	4,941
Concentrate Produced	1,702	1,845	1,839
Concentrate Shipped	1,689	1,820	1,858

Karara Hematite Unit '000 WMT			
Quarter (Qtr)	Mar-15 Qtr	June-15 Qtr	Dec-15 Qtr
Ore Mined			
High Grade	391	559	323
Medium Grade	0	0	0
Low Grade	113	0	0
Total Mined	504	559	323
Hematite Shipped	922	751	424

For the December 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 USD¹ \$59² per WMT (September 2015 Quarter: approximately USD \$58 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 (December 2015 Quarter – average of approximately 66% Fe) plus a premium for the greater value in use of magnetite concentrate³ (December 2015 Quarter – average of approximately USD \$2.20 per WMT; September 2015 Quarter: average of approximately USD \$3.46 per WMT) less a penalty for impurities.

The average realised CFR⁴ price for the December 2015 Quarter was approximately USD \$52 per WMT⁵ (September 2015 Quarter: approximately USD \$56 per WMT).

GINDALBIE REGIONAL EXPLORATION

Exploration during the December 2015 Quarter comprised annual statutory technical reporting and review work on project targets. Exploration activities during the December 2015 Quarter will focus on completing annual statutory reporting on tenure and project target work.

¹ The average daily USD/AUD exchange rate as published by the RBA during the December 2015 Quarter was 0.7204 which has been used to convert AUD to USD in this report.

² Fixed costs are allocated between magnetite concentrate and hematite on the basis of WMT. Hematite production finished in December 2015 quarter 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.

³ The full value in use premium on sale of magnetite concentrate (December 2015 Quarter – average USD \$2.20/WMT; September 2015 Quarter – average USD \$3.45/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: December 2015 Quarter – average USD \$1.32/WMT; September 2015 Quarter – average USD \$2.08/WMT.

⁴ 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.

⁵ Average price is based on provisional payments received as final price for December 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.