



### Key Points

- At 31 March 2016, Gindalbie had term deposits of AUD\$38.5 million and cash reserves of AUD\$718 thousand.
- Production of magnetite concentrate by Karara Mining Limited (KML) (Gindalbie 47.84%, Ansteel 52.16%) from the Karara Project (Karara) during the March Quarter shows a decrease of 2.8% over December 2015 Quarter production of 1.839 million WMT.
- Average magnetite production unit cash cost by KML was approximately USD(1) \$ 58(2) per WMT (December 2015 Quarter: approximately USD \$59 per WMT). KML continues to focus on reduction of its production costs amid continuing volatility of iron ore prices.
- Ansteel is still reviewing their strategy and financial support to Karara.



### CORPORATE

#### **ASX Grants Listing Rule Waiver**

Following the vote against the Amended Share Mortgage at the November 2015 Annual General Meeting to support an unlimited recourse guarantee by the independent shareholders of Gindalbie, the guarantee provided to Ansteel remains limited to the shares held by Gindalbie in Karara Mining Limited ("KML") and any surplus received after the sale of Gindalbie's shares in KML. The ASX has granted Gindalbie a waiver to Listing Rule 10.1 which allows the Amended Share Mortgage, with a limited recourse guarantee to be provided in favour of Ansteel.

#### **Strategic Development**

Over the past five months, Gindalbie has undertaken a comprehensive strategic review with the goal of driving revenue creation and maximisation of shareholder returns. Gindalbie has a relatively strong cash position in the current market with approximately A\$ 39.2 million in cash and cash equivalent assets and the effective use of the cash assets to create value for shareholders has been the primary focus of the review.

Gindalbie is looking at opportunities to enter projects with a clear path to commercialisation or in advanced stages of feasibility where Gindalbie's strong cash position may provide a funding solution to the development of assets. The primary focus of business development has not been on iron ore or bulk commodities but rather with a preference to identify projects with an attractive cost curve position in commodities with a strong forecast long term supply demand profile. A number of opportunities, have been presented to the board and initial discussions are progressing. Gindalbie will make further announcements on progress to the market when appropriate based on the outcome of current negotiations.

## Shareholder Information

As at 31 March 2016, Gindalbie had 1,495,622,940 shares on issue and 14,545 shareholders.

The Top 20 shareholders held 57.6% of the issued share capital of Gindalbie.

## Cash Reserves

At 31 March 2016, Gindalbie had term deposits of AUD\$38.5 million and cash reserves of AUD\$718 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

Ansteel is still reviewing their strategy and financial support to Karara.

### Production

During the March 2016 Quarter KML produced approximately 1.788 million wet metric tonnes ('WMT') of magnetite concentrate at Karara, a decrease of 2.8% over December 2015 Quarter production of 1.839 million WMT.

A total of 37 shipments were completed by KML from the Karara Export Terminal at Geraldton totalling approximately 2.24 million WMT of magnetite concentrate and hematite.

Magnetite production grade quality during the March 2016 Quarter averaged 65.9% Fe.

<b>Karara Magnetite Unit '000 WMT</b>			
<b>Quarter (Qtr)</b>	<b>Sep-15 Qtr</b>	<b>Dec-15 Qtr</b>	<b>Mar-16 Qtr</b>
Ore Mined	4,394	4,941	<b>4,021</b>
Concentrate Produced	1,845	1,839	<b>1,788</b>
Concentrate Shipped	1,820	1,858	<b>1,820</b>

<b>Karara Hematite Unit '000 WMT</b>			
<b>Quarter (Qtr)</b>	<b>Sep-15 Qtr</b>	<b>Dec-15 Qtr</b>	<b>Mar-16 Qtr</b>
Ore Mined			
High Grade	602	323	<b>0</b>
Medium Grade	0	0	<b>0</b>
Low Grade	97		<b>0</b>
Total Mined	699	323	<b>0</b>
Hematite Shipped	651	424	<b>420</b>

The decline in the production rates over the past quarter is a result of scheduled and unscheduled maintenance in addition to upgrades of equipment.

For the March 2016 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 USD<sup>1</sup> \$58<sup>2</sup> per WMT (December 2015 Quarter: approximately USD \$59 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 (March 2016 Quarter – average of approximately 65.8% Fe) plus a premium for the greater value in use of magnetite concentrate<sup>3</sup> (March 2016 Quarter – average of approximately USD \$0.7 per WMT; December 2015 Quarter: average of approximately USD \$2.2 per WMT) less a penalty for impurities.

The average realised CFR<sup>4</sup> price for the March 2016 Quarter was approximately USD \$47.5 per WMT<sup>5</sup> on provisional basis (December 2015 Quarter: approximately USD \$52 per WMT).

### GINDALBIE REGIONAL EXPLORATION

Exploration during the March 2016 Quarter comprised annual statutory technical reporting and review work on project targets. Exploration activities during the June 2016 Quarter will focus on completing annual statutory reporting on tenure and project target work.

<sup>1</sup> The average daily USD/AUD exchange rate as published by the RBA during the March 2016 Quarter was 0.7215 which has been used to convert AUD to USD in this report.

<sup>2</sup> Fixed costs are allocated between magnetite concentrate and hematite on the basis of WMT. Hematite production finished in December 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.

<sup>3</sup> The KML share of premium on sale of magnetite concentrate: March 2016 Quarter – average USD \$0.7/WMT; December 2015 Quarter – average USD \$2.20/WMT.

<sup>4</sup> 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.

<sup>5</sup> Average price is based on provisional payments received as final price for March 2016 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.