



ABN 24 060 857 614

GINDALBIE METALS LTD

**INTERIM FINANCIAL REPORT
31 DECEMBER 2016**

GINDALBIE METALS LTD

DIRECTORS' REPORT

The directors present their report together with the financial report for the half-year ended 31 December 2016 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 2016:

- Gindalbie is conducting in-depth due diligence on a number of projects primarily in the base metals sector and located in low-sovereign risk jurisdictions. Gindalbie's cash assets provide a strong platform to allow the company to acquire assets and to then add value through the feasibility process without the need for further equity or debt. Discussions with various parties are advanced and ongoing, Gindalbie will make an announcement at the appropriate time.
- Gindalbie has continued to reduce operating costs to a minimum and is now in a position to leverage the cash we hold and focus on new opportunities in the resource market.
- At 31 December 2016, Gindalbie had term deposits of AUD\$37.5 million and cash and cash equivalents of AUD\$927 thousand.

RESULTS OF OPERATIONS

The net loss for the six months ended 31 December 2016 was \$593 thousand, compared with a net loss of \$5.4 million for the six months ended 31 December 2015.

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 68 shipments were made during the half year totalling 4,124 million wet metric tonnes (wmt) of combined magnetite concentrate .

Karara Magnetite			
<i>Unit '000 wmt</i>	Sep-16 Qtr	Dec-16 Qtr	Total
Ore mined	4,680	5,528	10,208
Concentrate Produced	1,891	2,289	4,180
Concentrate Shipped	1,842	2,282	4,124

GINDALBIE METALS LTD

DIRECTORS' REPORT

GINDALBIE REGIONAL EXPLORATION

Exploration during the reporting period comprised of updating the JORC status on tenure and work to refine and optimise existing targets. Exploration activities during the March 2017 Quarter will continue focus on review and reporting of recent exploration work which included a detailed gravity survey over the Lodestone tenement and the optimisation of hematite targets for future exploration.

CORPORATE

Cash Reserves

At 31 December 2016, Gindalbie had term deposits of AUD\$37.5 million and cash and cash equivalents of AUD\$927 thousand.

Shareholder Information

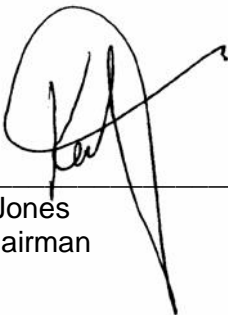
As at 31 December 2016, the Company had 1,496,512,060 shares on issue and 13,926 shareholders. The Top 20 shareholders held 58.28% of the Company.

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 2016.

Dated this 14th day of March 2017.

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 stroke that extends 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 2016 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

KPMG

R + S

Brent Steedman
Partner

Perth

14 March 2017



Independent auditor's review report to the members of Gindalbie Metals Ltd

Report on the financial report

We have reviewed the accompanying interim financial report of Gindalbie Metals Ltd (the company), which comprises the condensed statement of financial position as at 31 December 2016, 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 and the directors' declaration of the company.

Responsibility 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* and 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 2016 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.

Independence

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



Conclusion

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:

- (a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modification to the conclusion provided above, we draw attention to note 1(d) of the interim financial report regarding the ability of the company to continue as a going concern. As a result of the matters set out in note 1(d), a material uncertainty exists which may cast significant doubt about the ability of the company to continue as a going concern and whether the company is able to realise its assets and extinguish its liabilities at the amounts recorded in the interim financial report.

KPMG

KPMG

Brent Steedman
Partner

Perth

14 March 2017

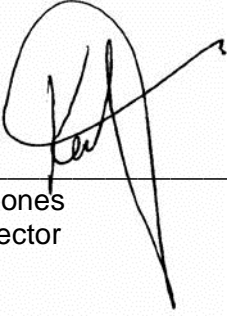
**GINDALBIE METALS LTD
DIRECTORS' DECLARATIONS**

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

1. the financial statements and notes set out on pages 12 to 15 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 2016 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 14th day of March 2017.

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 2016

	Note	31-Dec-16	31-Dec-15
		\$'000	\$'000
Other income	3(a)	-	200
Administration expenses		(940)	(1,532)
Other expenses	3(b)	(145)	(4,633)
Results from operating activities		(1,085)	(5,965)
Finance income		492	573
Net financing income	4	492	573
Loss before income tax		(593)	(5,392)
Income tax expense		-	-
Loss for the period		(593)	(5,392)
Total comprehensive loss		(593)	(5,392)
Loss attributable to:			
Owners of the Company		(593)	(5,392)
Loss for the period		(593)	(5,392)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(593)	(5,392)
Total comprehensive loss for the period		(593)	(5,392)
Loss per share			
Basic loss per share – cents		(0.04)	(0.36)
Diluted loss per share – cents		(0.04)	(0.36)

The condensed notes on pages 12 to 15 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 2016

	Issued capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
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	753,965	(724,495)	9,408	38,878
Six months ended 31 December 2015				
Opening balance at 1 July 2015	753,965	(717,642)	9,408	45,731
Loss for the period	-	(5,392)	-	(5,392)
Closing balance at 31 December 2015	753,965	(723,034)	9,408	40,339

The condensed notes on pages 12 to 15 are an integral part of these interim financial statements.

GINDALBIE METALS LTD
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31-Dec-16 \$'000	30-Jun-16 \$'000
ASSETS			
Cash and cash equivalents		7,527	13,913
Term Deposits		30,900	25,000
Other receivables		272	662
Prepayments		122	48
TOTAL CURRENT ASSETS		38,821	39,623
Other receivables		28	25
Property, plant and equipment		59	172
Exploration and evaluation assets	5	1,152	1,046
TOTAL NON CURRENT ASSETS		1,240	1,243
TOTAL ASSETS		40,061	40,866
LIABILITIES			
Trade and other payables		1,141	1,342
Employee benefits		11	24
TOTAL CURRENT LIABILITIES		1,152	1,366
Employee benefits		30	29
TOTAL NON CURRENT LIABILITIES		30	29
TOTAL LIABILITIES		1,183	1,395
NET ASSETS		38,878	39,471
EQUITY			
Issued capital	6	753,965	753,965
Reserves		9,408	9,408
Accumulated losses		(724,495)	(723,902)
TOTAL EQUITY		38,878	39,471

The condensed notes on pages 12 to 15 are an integral part of these interim financial statements.

GINDALBIE METALS LTD
CONDENSED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2016

	31-Dec-16 \$'000	31-Dec-15 \$'000
Cash flows from operating activities		
Cash payments to suppliers and employees	(895)	(1,857)
Interest received	548	689
Cash receipts from customers	-	115
Net cash used in operating activities	(347)	(1,053)
Cash flows from investing activities		
Receipts/(Payments) for term deposits	(12,500)	500
Payments for Exploration and evaluation	(106)	(75)
Receipts/(Payments) for investments	(24)	78
Purchases of Property, plant and equipment	(9)	-
Net cash used in investing activities	(12,639)	503
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	(12,986)	(550)
Cash and cash equivalents at 1 July	13,913	1,523
Cash and cash equivalents at 31 December	927	973

The condensed notes on pages 12 to 15 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 2016

1) BASIS OF PREPARATION

(a) Reporting Company

Gindalbie Metals Limited (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 2016 comprises the Company and its investments.

The annual financial report of the Company as at and for the year ended 30 June 2016 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 2016.

This condensed interim financial report was approved by the Board of Directors on 14th March 2017.

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 (2015: \$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 2016.

(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 2016.

3) INCOME AND EXPENSES

	31-Dec-16 \$'000	31-Dec-15 \$'000
(a) Other income		
Other income	-	200
Total other income	-	200
(b) Other expenses		
Impairment of assets - exploration and evaluation assets	-	(4,046)
Impairment of assets - property, plant and equipment	(112)	(554)
Bad debt write off	(27)	-
Depreciation – property, plant & equipment	(6)	(33)
Total other expenses	(145)	(4,633)
4) NET FINANCING INCOME		
Interest income	492	573
Net finance income	492	573

5) EXPLORATION AND EVALUATION ASSETS

Costs carried forward in respect of areas of interest in: <i>Exploration and evaluation assets</i>	31-Dec-16 \$'000	30-Jun-16 \$'000
Carrying amount at beginning of period	1,046	5,025
Additions	106	72
Expenditure written off (i)	-	(4,051)
	<u>1,152</u>	<u>1,046</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.

(i) At 30 June 2016, the Directors reviewed the company's exploration assets and determined that carrying value should be reduced to reflect current market pricing for exploration assets. Accordingly, \$4,051,000 has been recognised as an impairment expense as at 30 June 16.

Exploration expenditure commitments

	31-Dec-16 \$'000	30-Jun-16 \$'000
Payable no later than one year :-		
Rents and rates	31	55
Exploration	99	239
	<u>130</u>	<u>294</u>

6) ISSUED Capital

	Ordinary shares		Share capital	
	31-Dec-16 No.	30-Jun-16 No.	31-Dec-16 \$'000	30-Jun-16 \$'000
On issue at 1 July	1,495,622,940	1,495,448,025	753,965	753,965
Exercise of options	889,120	174,915		-
On issue at 31 December	<u>1,496,512,060</u>	<u>1,495,622,940</u>	<u>753,965</u>	<u>753,965</u>

889,120 ordinary shares were issued on the exercise of employee options. Options were exercised at a price of \$nil per share.

7) OPERATING SEGMENTS

The Company has one reportable segment.

8) CONTINGENT LIABILITIES

As at 31 December 2016, 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 2016, Gindalbie has provided shareholder guarantees totalling \$700 million in relation to term loans that have been provided to KML by various banks and bank guarantees provided to a supplier 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.

Gindalbie has also provided parent company performance guarantees to a combined value of \$70 million (30 June 2016- \$70 million), in terms of KML contract for rail haulage facility and tailings management facility.

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

Related party transactions were of a similar nature to those disclosed in the financial statements as at and for the year ended 30 June 2016.

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 2016.