

### Key Points

- Production from the Karara Project increased 35.5% compared to the June 2014 Quarter.
- A total of 35 shipments were completed during the September Quarter, comprising 18 magnetite concentrate shipments totaling 1.14 million wet metric tonnes (wmt) and 17 shipments of hematite DSO totaling 1.04 million wmt.
- Development of the Hinge Iron Ore Project (“HIOP”) is on schedule with first ore on rail expected in the December Quarter 2014.
- A new US\$400 million Fixed Term Loan Facility for additional working capital was concluded by Karara Mining Ltd (“KML”) with China Development Bank and Bank of China. The US\$130 million Term Loan Facility due for repayment in September 2014 by KML was extended by Bank of China to September 2015.
- Sale of the 330kV transmission line to Western Power was completed by KML for a net sale price of A\$82.6 million.
- Gindalbie Metals Ltd (“Gindalbie” or “Company”) recorded an impairment of A\$592.3 million in its annual statutory accounts with respect to its investment in KML (see ASX Release – 23 September 2014).



## 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 and the country’s biggest iron ore producer. The project consists of a long-life, magnetite concentrate operation with a smaller-scale supporting hematite Direct Shipping Ore (“DSO”) operation.

### Production

Karara produced 1.26 million wmt of magnetite concentrate during the September Quarter which is an increase of 35.5% when compared to the June 2014 Quarter production of 930,000 wmt.

A total of 35 shipments were completed during the September Quarter totalling approximately 2.18 million wmt of combined magnetite concentrate and hematite DSO. Magnetite production quality averaged 66.2% Fe and 6.9% silica during the Quarter.

Karara Magnetite		
<i>Unit '000 wmt</i>	Jun-14 Qtr	Sep-14 Qtr
Ore mined	2,742	2,885
Concentrate Produced	930	1,260
Concentrate Shipped	895	1,142

Karara Hematite DSO		
Unit '000 wmt	Jun-14 Qtr	Sep-14 Qtr
Ore Mined:		
High Grade	0	56
Medium Grade	0	0
Low Grade	0	51
Total	0	107
Hematite DSO Shipped	1,149	1,040

As previously advised, some shipments included hematite DSO purchased by KML from third parties to maximise the use of installed rail and port capacity. During the Quarter, third party hematite DSO purchases amounted to approximately 1.03 million wmt.

Given the ongoing work to assess and improve the production capacity and performance of the Karara operation, the Gindalbie Board is not in a position to provide accurate production guidance or forecast when the Project will achieve positive cash flow. Actual production will continue to be reported on a quarterly basis.

### Remedial Actions and Technical Review

Remedial actions (including upgrade of tailings filters, the temporary wet tailings facility and thickener optimisation) to enhance capacity of the concentrator circuit, combined with a series of operational improvements (including feed blending of ore and optimisation of wear liners) to increase throughput of the crushing circuit, have resulted in a sizable boost in production of magnetite concentrate for the Quarter (+35.5% above the June 2014 Quarter).

The comprehensive technical review of Karara has continued to assess the design and operation of the magnetite process plant to maximise plant production. Engineering studies and projects were progressed during the Quarter and KML will continue to focus on optimising the plant.

### Hinge Project

As advised in the June 2014 Quarterly Report, KML proceeded with development of the HIOP after receiving environmental approval. The HIOP is located 23km north-east of the Karara Project and is forecast to produce approximately 3.5 million wmt of hematite DSO.

Hematite DSO will be crushed and screened at the HIOP, with material trucked to the existing rail load-out facility located at Karara. The HIOP is currently being commissioned with first ore expected to be delivered to the Karara rail head during the December Quarter 2014.

During the Quarter KML executed a contract with MACA Limited for the provision of civil, mining and drill & blast services for the HIOP.

### Karara Project Exploration

During the September Quarter, environmental and heritage surveys were completed to obtain the necessary approvals to undertake drilling programs to test several near-mine targets during the December Quarter 2014.

### Funding

During the Quarter, KML executed a binding Facility Agreement with China Development Bank and Bank of China for a new US\$400 million Fixed Term Loan Facility (see ASX Release – 28 August 2014) to provide additional working capital.

The date for repayment of KML's US\$130 million term loan facility provided by the Bank of China in September 2013 (see ASX Release - 18 October 2013) was extended by 12 months to September 2015 on similar terms and conditions.

Karara Power Pty Ltd (a wholly owned subsidiary of KML) completed the sale of the 330kV transmission line to Western Power (see ASX Release – 7 August 2014). The net sale price was A\$82.6 million. KML provided a A\$95 million bank guarantee as security for the long term access rights to the electricity supply network.

## **GINDALBIE REGIONAL EXPLORATION**

Exploration activities during the September Quarter centred on the Windine Well target located approximately 2.5 kilometres south south-east of the Shine Deposit.

Activities included geological mapping, rock chip sampling, environmental and heritage surveys required to gain the necessary approvals to undertake a drilling program to test the surface iron-enrichment previously identified.

Work was also undertaken to complete annual statutory technical reporting on tenure, completion of rehabilitation and environmental and heritage surveys required to undertake focused exploration programs during 2014-15.

## **CORPORATE**

### **Financial Report for the Year ended 30 June 2014**

Following the completion of a review of the carrying value of the Company's investment in KML the Company recorded an impairment loss of A\$592.3 million in its annual statutory accounts. The impairment recognised the lower than forecast production levels at Karara, lower than forecast iron ore price and higher than anticipated Australian Dollar exchange rate.

Gindalbie released its financial accounts for the year ending 30 June 2014 on 23 September 2014 (see ASX Release – 23 September 2014).

### **Shareholder Information**

As at 30 September 2014, the Company had 1,495,306,811 shares on issue and 16,464 shareholders. The Top 20 shareholders held 52.06% of the Company.

### **Voluntary Suspension**

At the request of the Company its shares were placed in voluntary suspension for a period of 11 days (31 July 2014 to 11 August 2014) whilst the review of the carrying value of its investment in KML was completed (see ASX Release 11 August 2014).

### **Competent Person Compliance Statement**

*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.*