

## Key Points

- Gindalbie Metals Ltd (“Gindalbie” or the “Company”) held its Annual General Meeting on 21 November 2014. All resolutions were passed by shareholders.
- At 31 December 2014, Gindalbie Metals Ltd had term deposits of A\$40 million and cash reserves of A\$1.39 million.
- Production of magnetite concentrate from the Karara Project (Gindalbie 47.84%, Ansteel 52.16%) increased 12% compared to the September 2014 Quarter.
- Karara Mining Ltd (“KML”) made a total of 42 shipments in the December Quarter (compared to 35 in the September Quarter).



## CORPORATE

In light of the current market conditions, the production levels at Karara, and the Company's low share price, the Board is reviewing the Company's strategy and investment options.

Gindalbie is also reviewing its portfolio of exploration tenements and divesting those it believes have little prospectivity.

Further cost-cutting measures have been agreed including the reduction of administration overhead costs and the elimination of Committee Fees payable to Directors. All powers delegated to the Committees will now be exercised by the Directors as a Board.

### **Annual General Meeting**

Gindalbie held its Annual General Meeting on 21 November 2014.

All resolutions were passed by a show of hands at the meeting. Mr Andrew (Robin) Marshall, Mr Chen Ping and Mr Yu Wanyuan were all re-elected as Directors of the Company.

### **Karara Mining Ltd Board**

During the Quarter Mr Robin Marshall and Mr Paul Hallam resigned as directors of KML. The Company is currently considering its position with regard to KML nominee directors.

The Board of KML currently consists of Mr Chen Ping who is the Chairman, Mr Shao An Lin and Mr Xie Qichun.

## Shareholder Information

As at 31 December 2014, the Company had 1,495,306,811 shares on issue and 16,154 shareholders. The Top 20 shareholders held 52.01% of the Company.

## Cash Reserves

At 31 December 2014, Gindalbie Metals Ltd had term deposits of A\$40 million and cash reserves of A\$1.39 million.

## 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 1.41 million wmt of magnetite concentrate during the December Quarter which is an increase of 12% when compared to the September 2014 Quarter production of 1.26 million wmt.

A total of 42 shipments were completed during the December Quarter totalling approximately 2.51 million wmt of combined magnetite concentrate and hematite DSO. Magnetite production quality averaged 65.8% Fe during the Quarter.

<b>Karara Magnetite</b>			
<i>Unit '000 wmt</i>	<b>Jun-14 Qtr</b>	<b>Sep-14 Qtr</b>	<b>Dec-14 Qtr</b>
Ore mined	2,742	2,885	3,208
Concentrate Produced	930	1,260	1,411
Concentrate Shipped	895	1,142	1,524

<b>Karara Hematite DSO</b>			
<i>Unit '000 wmt</i>	<b>Jun-14 Qtr</b>	<b>Sep-14 Qtr</b>	<b>Dec-14 Qtr</b>
Ore Mined:			
High Grade	0	56	261
Medium Grade	0	0	0
Low Grade	0	51	151
Total Mined	0	107	412
Hematite DSO Shipped	1,149	1,040	993

To maximise the use of installed rail and port capacity some shipments included hematite DSO purchased by KML from third parties. During the Quarter, third party hematite DSO purchases amounted to approximately 0.65 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.

## Karara De-bottlenecking

KML continues to focus on optimising the plant and reducing operating costs. In light of the significant fall in iron ore prices, KML is focussed on low cost options to debottleneck the plant and capital expenditure will be kept to a minimum unless already approved.

During the Quarter the following work was progressed:

- The Stage 3 dewatering cyclone plant trial was commissioned;
- The engineering design work for the tails thickener was completed. The support structure and tank for the thickener have been erected on concrete foundations. Construction of the thickener is on schedule for completion in the second quarter of 2015.

## KML Facility Agreements

KML was covenant-compliant at the end of the December Quarter.

## GINDALBIE REGIONAL EXPLORATION

Exploration during the December Quarter comprised rock chip sampling and a reverse circulation drilling program to test an area of iron-enrichment. All assay results from the drilling program are pending, with any significant results to be reported in the March 2015 Quarter.

### WINDINE WELL (GBG AND MINJAR GOLD M59/421 & E59/1329)

A program of rock chip sampling was undertaken at the Windine Well Prospect located around 2.5 kilometres south of the Shine Deposit (*Mount Gibson Iron Limited ASX Announcement 9 December 2013*) during July 2014 (refer Figure 1).

A total of 36 rock chip samples were collected from a package of Banded Iron Formation outcropping discontinuously over 100 metres in width and 500 metre strike length. Assay results ranged from 25.9% Fe to 66.2% Fe, including 18 results greater than 60% Fe, with an average grade of 56.6% Fe (refer Table 1 and Figure 2).

Mineralisation comprises surface hematite-goethite enrichment occurring as a series of discontinuous pods ranging in size from 2 metres to 3 metres in thickness over strike lengths of up to 10 metres along mainly the western portion of the Banded Iron Formation. Mineralisation is interpreted to be a combination of hypogene style martite-veining and bedding controlled platy hematite-magnetite.

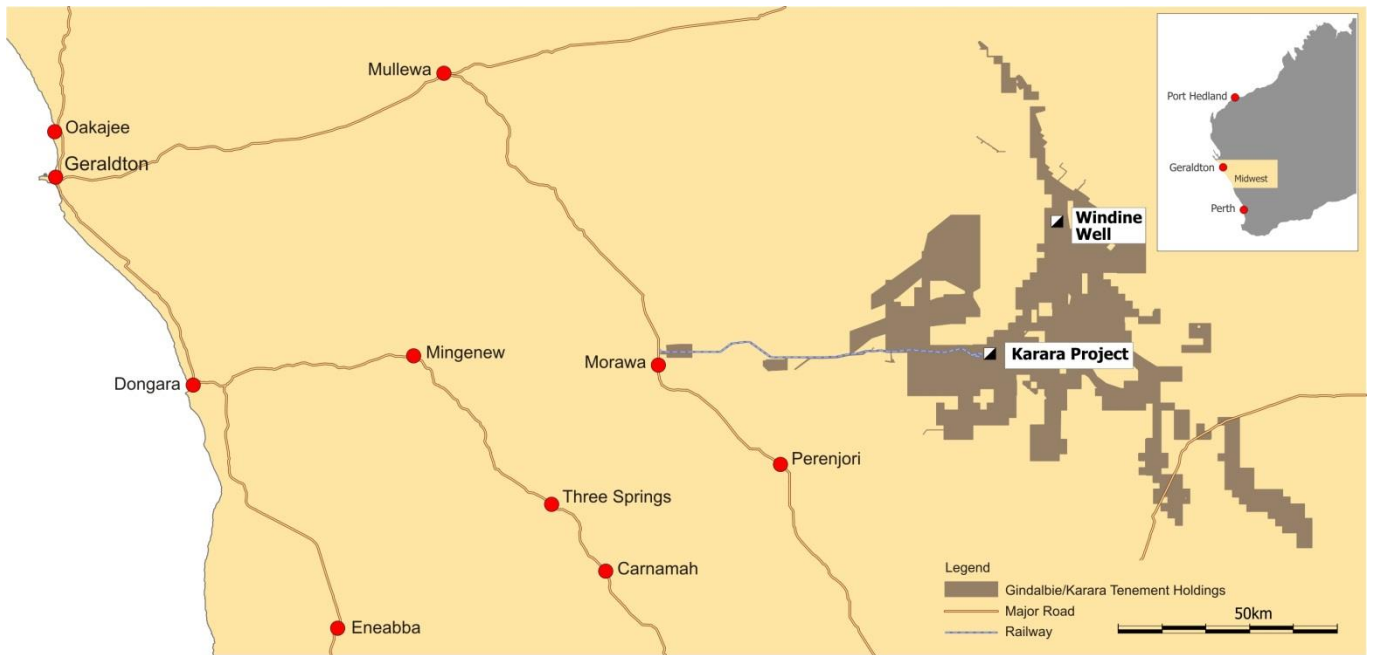
A reverse circulation drilling program to test for the depth extensions of the identified surface enrichment commenced during December 2014. A total of 6 reverse circulation holes for 732 metres were completed during the December Quarter. Data compilation and interpretation will be undertaken on receipt of the assays results, which are pending at the time of reporting.

A detailed explanation of the material information relating to these exploration results is included in Appendix A.

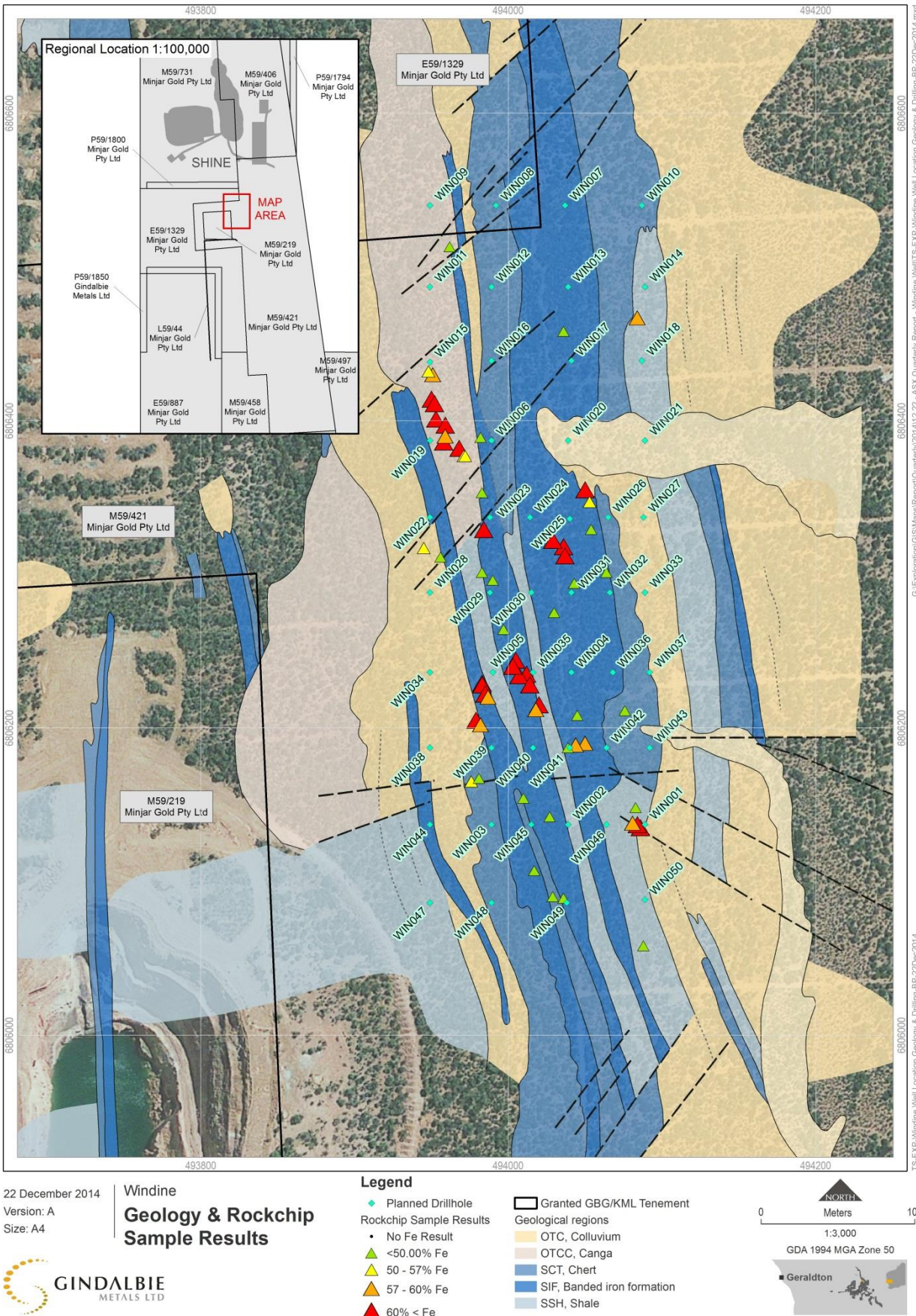
## Competent Person Compliance Statement

*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 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



**Figure 1:** Regional location of the Windine target relative to Gindalbie and KML's tenements and the Karara Project.



**Figure 2:** Location of drilling at the Windine target in relation interpreted geology, the Shine Project and tenements (managed by Minjar Gold Pty Ltd).

**TABLE 1: ROCK CHIP SAMPLE INFORMATION FOR WINDINE TARGET**

Sample ID	Easting	Northing	Fe%	SiO2%	Al2O3%	P%	S%	LOI%
GR5765	493983	6806228	61.87	5.01	0.32	0.147	0.007	5.67
GR5766	493983	6806229	62.09	3.52	0.58	0.17	0.009	6.54
GR5767	493979	6806205	64.32	1.67	0.83	0.133	0.03	5.24
GR5768	493982	6806202	57.25	10.39	0.77	0.316	0.011	6.3
GR5769	493987	6806220	57.24	10.9	0.44	0.139	0.004	6.34
GR5770	493985	6806222	60.47	7.09	0.41	0.125	0.006	5.77
GR5771	493976	6806165	50.35	23	1.11	0.067	0.031	3.41
GR5772	493981	6806167	45.17	32.97	0.39	0.059	0.008	1.62
GR5773	494017	6806107	40.2	39.48	0.44	0.049	0.019	2.2
GR5774	493984	6806329	63.2	2.74	1.58	0.085	0.035	4.86
GR5775	494088	6806058	45.38	30.94	1.31	0.029	0.035	2.48
GR5776	494086	6806135	60.76	3	0.44	0.363	0.007	8.78
GR5777	494084	6806137	60.31	5.08	0.63	0.088	0.01	7.53
GR5778	494081	6806138	59.43	5.01	0.74	0.169	0.013	8.43
GR5779	494039	6806187	36.83	41.06	0.6	0.1	0.008	5.04
GR5780	494044	6806189	57.77	7.55	1.08	0.123	0.014	8.44
GR5781	493948	6806432	56.48	11.2	0.41	0.36	0.016	6.47
GR5782	493951	6806430	59.17	9.88	0.46	0.106	0.013	4.76
GR5783	493950	6806414	63.77	2.39	0.55	0.251	0.017	5.09
GR5784	493952	6806411	60.86	8.81	0.45	0.161	0.016	3
GR5785	493959	6806397	60.95	6.16	0.45	0.139	0.017	5.39
GR5786	493953	6806401	62.16	5.82	0.54	0.114	0.098	3.7
GR5787	493959	6806390	58.21	9.45	1.79	0.147	0.047	4.62
GR5788	493958	6806386	60.45	5.37	1.42	0.115	0.036	6.07
GR5789	493968	6806382	60.49	2.19	0.49	0.24	0.051	9.67
GR5790	493971	6806377	54.92	15.34	1.06	0.132	0.032	4.88
GR5791	493983	6806353	35.49	48.38	0.19	0.047	0.006	0.64
GR5792	493990	6806296	25.93	60.67	0.22	0.05	0.007	1.91
GR5954	494050	6806190	59.44	4.54	0.88	0.229	0.017	8.52
GR5955	494020	6806215	65.35	1.54	1.23	0.052	0.033	3.75
GR5957	494007	6806234	65.68	1.03	0.66	0.094	0.018	3.76
GR5958	494005	6806244	66.03	0.88	0.52	0.132	0.023	3.76
GR5959	494036	6806318	66.25	1.29	0.2	0.146	0.009	3.2
GR5960	494050	6806355	61.9	3.38	1.6	0.071	0.073	5.95
GR5961	494053	6806347	51.18	18.26	1.6	0.123	0.059	6.07

**APPENDIX B****TABLE 1: INFORMATION IN ACCORDANCE WITH JORC 2012****Windine Well Target**

<b>Section 1 - Sampling Techniques and Data</b> (criteria in this section apply to all succeeding sections)	
<b>Criteria</b>	<b>Commentary</b>
Sampling Technique	<ul style="list-style-type: none"> <li>Rock chip sampling was undertaken by a qualified Geologist from areas of Banded Iron Formation identified from desktop studies.</li> <li>Samples taken as area specific grab samples.</li> <li>Sample weights were typically 0.5 – 1kg</li> </ul>
Drilling Techniques	<ul style="list-style-type: none"> <li>The results of drilling will not be reported in this Quarter as assays are pending.</li> </ul>
Drill Sample Recovery	<ul style="list-style-type: none"> <li>Sample recovery information for the RC drilling has not yet been assessed at time of reporting.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>A qualified Geologist identified minerals in the field. Mineral comments have been entered into the Geological Database with each sample ID.</li> </ul>
Sub-sampling Techniques and Sample Preparation	<ul style="list-style-type: none"> <li>Rock chip samples were taken dry as outcrop samples.</li> <li>Samples were representative of the material taken from outcrop.</li> <li>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).</li> </ul>
Quality of Assay Data and Laboratory Results	<ul style="list-style-type: none"> <li>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.</li> <li>Samples were assayed by an accredited assay laboratory.</li> </ul>
Verification of Sampling and Assaying	<ul style="list-style-type: none"> <li>Significant assay results are reviewed in conjunction with geological mineral identification by company geologists with sufficient experience in iron ore.</li> <li>Data is recorded electronically into a centralised SQL database server located in Perth using standard Gindlabie logging codes.</li> <li>Assay data is loaded into the database without any adjustment to the data as received and reported from the laboratory.</li> </ul>
Location of Data Points	<ul style="list-style-type: none"> <li>Sample locations were recorded using GPS with reference to GDA94 MGA Zone 50.</li> </ul>
Data Spacing and Distribution	<ul style="list-style-type: none"> <li>Spacing varied and was controlled by location of outcrop.</li> </ul>
Orientation of Data in Relation to Geological Structure	<ul style="list-style-type: none"> <li>Samples were taken across varied outcrop orientations to ensure material samples was representative of outcrop</li> </ul>

Sample Security	<ul style="list-style-type: none"> <li>Individually numbered samples were collected and submitted by Gindalbie staff.</li> <li>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.</li> </ul>
Audits or reviews	<ul style="list-style-type: none"> <li>Sampling techniques and results reviewed by an experienced Geologist for consistency and relevance.</li> </ul>

## Section 2 - Reporting of Exploration Results

<b>Criteria</b>	<b>Commentary</b>
Mineral Tenement and Land Tenure Status	<ul style="list-style-type: none"> <li>Tenement M59/421 is held 100% by Minjar Gold Pty Ltd</li> <li>Gindalbie has 100% Fe Rights</li> <li>M59/421 sits within the Widi Mob Native Title Claim (NNTT# WC 1997/072).</li> <li>M59/421 has an anniversary date of 23/05/2020 and is in good standing with no known encumbrances.</li> <li>Tenement E59/1329 is held 100% by Minjar Gold Pty Ltd</li> <li>Gindalbie has 100% Fe Rights</li> <li>E59/1329 sits within the Widi Mob Native Title Claim (NNTT# WC 1997/072).</li> <li>E59/1329 has an anniversary date of 08/04/2018 and is in good standing with no known encumbrances.</li> </ul>
Exploration Done by Other Parties	<ul style="list-style-type: none"> <li>Exploration for iron ore at the Windine target has only been conducted by Gindalbie Metals Limited.</li> </ul>
Geology	<ul style="list-style-type: none"> <li>At the Windine target mineralisation has been identified in multiple 'pods' and is interpreted to be hypogene martite vein-style and platy bedding controlled hematite within a thick (up to 100m) Banded Iron Formation (BIF) package.</li> <li>Interpreted mineralisation and high grade rock chips occur close to the BIF western contact over an approximate 450m strike length.</li> </ul>
Drill hole Information	<ul style="list-style-type: none"> <li>Information relating to drilling will not be reported in this Quarter as assays are pending.</li> </ul>
Data Aggregation Methods	<ul style="list-style-type: none"> <li>Table 1 includes all rock chip assay results samples during 2014.</li> <li>As iron is the target commodity, no metal equivalents were used for reporting exploration results.</li> </ul>
Relationship between Mineralisation Widths and Intercept Lengths	<ul style="list-style-type: none"> <li>Samples have been selectively taken from visually mineralised outcrops of varying geometry over an approximate 500m strike length.</li> </ul>
Diagrams	<ul style="list-style-type: none"> <li>Included in body of text as Figure 1-2.</li> </ul>
Balanced Reporting	<ul style="list-style-type: none"> <li>Exploration results reported are based on geological mapping and sampling conducted by Gindalbie Metals Limited.</li> </ul>
Other Substantive Exploration Data	<ul style="list-style-type: none"> <li>All samples are assayed for a suite of elements including Fe (total), Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, MgO, P, S, TiO<sub>2</sub> and LOI.</li> </ul>
Further Work	<ul style="list-style-type: none"> <li>Further drilling is planned, dependant on assay results.</li> </ul>