



ABN 24 060 857 614

GINDALBIE METALS LTD

**INTERIM FINANCIAL REPORT
31 DECEMBER 2015**

GINDALBIE METALS LTD

DIRECTORS' REPORT

The directors present their report together with the financial report for the half-year ended 31 December 2015 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 Michael J O'Neill Dip Bus Admin, SFFin, FAICD Independent Non-Executive Director Acting Managing Director	Director since April 2006 Acting Managing Director April 2014 Resigned October 2015
Mr Chen Ping B.Eng Non-Executive Director	Director since June 2009 Resigned November 2015
Mr Andrew R 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 Anlin 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 2015:

- Production from the Karara Project ("Project") for the six months ended 31 December 2015 totalled 3.684 million wet metric tonne (wmt) of magnetite concentrate and 0.882 million wmt of DSO hematite shipped.
- A total of 79 shipments were completed through the Karara Export Terminal in Geraldton.
- Mr Li Ge and Mr Anlin Shao were elected as Directors of the Company. Mr Chen Ping retired as Director and Vice Chairman of the Company at the Company's Annual General Meeting that was held on 27 November 2015. Resolutions one to four were passed by shareholders at this meeting.
- Gindalbie sort shareholder approval for variations to security arrangements for the Karara Project. At the Company's Annual General Meeting the resolution to the Variation was not approved and the mortgage will remain with a limited recourse guarantee.
- Mr Michael O'Neill passed away in October 2015. The Directors of Gindalbie and the management team acknowledge Mr O'Neill's enormous contribution to the development of Gindalbie over the past 9 years.
- The leadership of KML has transitioned to Ansteel Mining during the reporting period. As such Mr. Dale Harris has left KML and was succeeded as CEO of KML by Mr Zhang Zhao Yuan. Mr Paul Smith left KML during the period and was succeeded as CFO by Mr Li Shuwang.
- 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 2015, Gindalbie Metals Ltd had cash reserves of \$973 thousand and \$38.5 million in term deposits.

RESULTS OF OPERATIONS

The net loss for the six months ended 31 December 2015 was \$5.39 million, compared with a net loss of \$3.2 million for the six months ended 31 December 2014.

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.

Karara has significantly increased production and at times operated in excess of the design capacity during this reporting period.

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

GINDALBIE METALS LTD

DIRECTORS' REPORT

email to KML staff that Ansteel is unable to continue to provide funding support to KML due to the economic and industry downturn.

Production

A total of 79 shipments were made during the half year totalling 4.566 million wet metric tonnes (wmt) of combined magnetite concentrate and hematite Direct Shipping Ore ("DSO").

Karara Magnetite			
<i>Unit '000 wmt</i>	Sep-15 Qtr	Dec-15 Qtr	Total
Ore mined	4,394	4,941	9,335
Concentrate Produced	1,845	1,839	3,684
Concentrate Shipped	1,820	1,858	3,678

Hematite DSO production finished in December 2015.

Karara Hematite DSO			
<i>Unit '000 wmt</i>	Sep-15 Qtr	Dec-15 Qtr	Total
Ore Mined:			
High Grade	559	323	882
Medium Grade	0	0	0
Low Grade	0	0	0
Total Mined	559	323	882
DSO Shipped	751	424	1,175

GINDALBIE REGIONAL EXPLORATION

Exploration during the reporting period comprised annual statutory technical reporting and review work on project targets. Exploration activities during the period focused on completing statutory reporting on tenure and project target work.

CORPORATE

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.

Mr Christopher Gerrard resigned as Company Secretary and General Counsel and has transferred to Karara Mining Limited as General Counsel and Company Secretary. Ms Rebecca Moylan has been appointed as Company Secretary in addition to her Chief Financial Officer duties.

Cash Reserves

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

GINDALBIE METALS LTD

DIRECTORS' REPORT

Shareholder Information

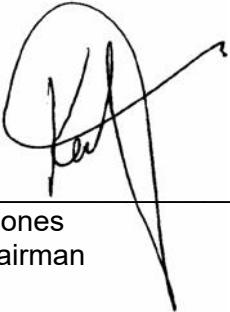
As at 31 December 2015, the Company had 1,495,622,940 shares on issue and 14,883 shareholders. The Top 20 shareholders held 55.57% of the Company.

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 2015.

Dated this 10th day of March 2016.

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 downwards and 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 2015 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.

KPue

KPMG

R + SA

Brent Steedman
Partner

Perth

10 March 2016



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 2015, 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 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility 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

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 2015 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 2015 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.

KPme

KPMG

R + S

Brent Steedman
Partner

Perth

10 March 2016

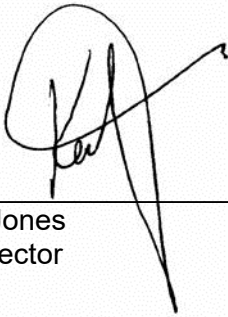
**GINDALBIE METALS LTD
DIRECTORS' DECLARATIONS**

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

1. the financial statements and notes set out on pages 9 to 17 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 2015 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 10th day of March 2016.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'K Jones', is written over a horizontal line. The signature is stylized and includes a long, sweeping tail that extends downwards and to the right.

K Jones
Director

GINDALBIE METALS LTD
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2015

	Note	31-Dec-15 \$'000	31-Dec-14 \$'000
Other income	3(a)	200	11
Administration expenses		(1,532)	(1,952)
Other expenses	3(b)	(4,633)	(1,971)
Results from operating activities		(5,965)	(3,912)
Finance income	4	573	707
Net financing income		573	707
Loss before income tax		(5,392)	(3,205)
Income tax expense		-	-
Loss for the period		(5,392)	(3,205)
Other Comprehensive Income Items that may be reclassified subsequently to profit or loss:			
Total other comprehensive income for the period net of tax		-	-
Total comprehensive loss		(5,392)	(3,205)
Loss attributable to:			
Owners of the Company		(5,392)	(3,205)
Loss for the period		(5,392)	(3,205)
Total comprehensive loss attributable to:			
Owners of the Company		(5,392)	(3,205)
Total comprehensive loss for the period		(5,392)	(3,205)
Loss per share			
Basic loss per share – cents		(0.36)	(0.21)
Diluted loss per share – cents		(0.36)	(0.21)

The condensed notes on pages 13 to 17 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 2015

	Issued capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
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)
Total comprehensive loss for the period	-	(5,392)	-	(5,392)
Transactions with owners of the Company, recognised directly in equity				
Shares issued				
- Issue of ordinary shares	-	-	-	-
- Transaction costs	-	-	-	-
- Share based payments expense	-	-	-	-
Closing balance at 31 December 2015	753,965	(723,034)	9,408	40,339
Six months ended 31 December 2014				
Opening balance at 1 July 2014	753,965	(701,947)	4,984	57,002
Loss for the period	-	(3,205)	-	(3,205)
Total comprehensive loss for the period	-	(3,205)	-	(3,205)
Transactions with owners of the Company, recognised directly in equity				
Shares issued				
- Issue of ordinary shares	-	-	-	-
- Transaction costs	-	-	-	-
- Share based payments expense	-	-	(31)	(31)
Closing balance at 31 December 2014	753,965	(705,152)	4,953	53,766

The condensed notes on pages 13 to 17 are an integral part of these interim financial statements.

GINDALBIE METALS LTD
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	31-Dec-15 \$'000	30-Jun-15 \$'000
ASSETS			
Cash and cash equivalents		973	1,523
Term Deposits		38,500	39,000
Other receivables		257	367
Prepayments		108	12
Inventories		-	4
Asset held for sale	10	227	-
TOTAL CURRENT ASSETS		40,065	40,906
Other receivables			
		331	331
Property, plant and equipment			
		123	929
Exploration and evaluation assets			
	5	1,000	5,025
TOTAL NON CURRENT ASSETS		1,454	6,285
TOTAL ASSETS		41,519	47,191
LIABILITIES			
Trade and other payables			
		1,129	1,231
Employee benefits			
		8	145
TOTAL CURRENT LIABILITIES		1,137	1,376
Employee benefits			
		43	84
TOTAL NON CURRENT LIABILITIES		43	84
TOTAL LIABILITIES		1,180	1,460
NET ASSETS		40,339	45,731
EQUITY			
Issued capital			
	6	753,965	753,965
Reserves			
		9,408	9,408
Accumulated losses			
		(723,034)	(717,642)
TOTAL EQUITY		40,339	45,731

The condensed notes on pages 13 to 17 are an integral part of these interim financial statements.

GINDALBIE METALS LTD
CONDENSED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2015

	31-Dec-15 \$'000	31-Dec-14 \$'000
Cash flows from operating activities		
Cash payments to suppliers and employees	(1,857)	(2,085)
Interest received	689	619
Cash payments from customers	115	263
Net cash used in operating activities	(1,053)	(1,203)
Cash flows from investing activities		
Redemption/(Payments) for term deposits	500	(3,500)
Payments for exploration and evaluation expenditure	(75)	(403)
Equity investment expense repayment	78	-
Net cash from/(used) in investing activities	503	(3,903)
Cash flows from financing activities		
Proceeds from the issue of shares	-	-
Payment of capital raising costs	-	-
Net cash from/(used) in financing activities	-	-
Net decrease in cash and cash equivalents	(550)	(5,106)
Cash and cash equivalents at 1 July	1,523	18,505
Cash and cash equivalents at 31 December	973	13,399

The condensed notes on pages 13 to 17 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 2015

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 2015.

The annual financial report of the Company as at and for the year ended 30 June 2015 is available upon request from the Company's registered office at Level 9, 216 St George's Terrace, 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 of 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 2015.

This condensed interim financial report was approved by the Board of Directors on 10th March 2016.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the 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 (2014: \$nil).

The Company has contingent liabilities with respect to potential 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 company have adequate resources to continue in operational existence for the foreseeable future. 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 2015.

(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 2015.

3) INCOME AND EXPENSES

	31-Dec-15 \$'000	31-Dec-14 \$'000
(a) Other income		
Other income	200	11
Total other income	200	11
(b) Other expenses		
Impairment of assets – exploration and evaluation assets	(4,046)	(465)
Impairment of assets – Property, plant and equipment	(554)	-
Relinquishment of assets	-	(417)
Depreciation – property, plant & equipment	(33)	(45)
Employee option expense	-	(44)
Loss on sale of exploration tenements	-	(1,000)
Total other expenses	(4,633)	(1,971)

4) NET FINANCING INCOME

Interest income	573	707
Net finance income	573	707

5) EXPLORATION AND EVALUATION ASSETS

Costs carried forward in respect of areas of interest in: <i>Exploration and evaluation assets</i>	31-Dec-15 \$'000	30-Jun-15 \$'000
Carrying amount at beginning of period	5,025	11,778
Additions	21	470
Expenditure written off (i)	(4,046)	(7,223)
	1,000	5,025

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 the balance date 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, \$4,046,000 has been recognised as an impairment expense.

Exploration expenditure commitments

	31-Dec-15 \$'000	30-Jun-15 \$'000
Payable no later than one year		
Rents and rates	55	55
Exploration	239	239
	294	294

6) ISSUED Capital

	Ordinary shares		Share capital	
	31-Dec-15 No.	30-Jun-15 No.	31-Dec-15 \$'000	30-Jun-15 \$'000
On issue at 1 July	1,495,448,025	1,494,007,381	753,965	753,965
Exercise of options	174,915	1,440,644	-	-
On issue at 31 December	1,495,622,940	1,495,448,025	753,965	753,965

174,915 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.

8) CONTINGENT LIABILITIES

There has been a material change in the contingent liabilities of the Company since 30 June 2015. The amended Anshan Share Mortgage was not approved by the non-Ansteel associated Gindalbie shareholders at the annual general meeting held on 27 November 2015, releasing the Company from an estimated maximum potential liability, based on funding facilities provided as at 30 June 2015, of \$708 million USD (2014: \$830 million USD).

The Company has the following remaining 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 Karara will be guaranteed by Gindalbie for its proportionate participating interest. As at 31 December 2015, Gindalbie has provided shareholder guarantees totalling \$699 million in relation to term loans and a s 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 (2014- \$70 million), in terms of KML contract for rail haulage facility and tailings management facility.

The Company has entered into an agreement between KML, GBG and Sinosteel Midwest Corporation Limited (SMC) stating that SMC shall construct and complete a new haul road through to practical completion. Practical completion was never met and there is a potential rehabilitation liability of approximately \$220,000.

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) NON-CURRENT ASSET HELD FOR SALE

Pursuant to a legally binding agreement signed on 24 December 2015, the Company agreed to sell Badja Station for a consideration of \$227 thousand. The transaction was completed during the first quarter of 2016. Consequently, the expenditure associated with the Land asset (Badja station) has been reclassified as an “asset held for sale”.

At 31 December 2015 the assets held for sale comprised the following assets.

31-Dec-15	\$'000
Land assets	227

11) 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 2015.

12) 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 2015.