



GINDALBIE
METALS LTD

2018 Annual Report







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Corporate Directory

Directors

Keith Jones
Chairman

Andrew (Robin) Marshall
Non Executive Director

Paul Hallam
Non-Executive Director

Ge Li
Non-Executive Director

An Lin Shao
Non-Executive Director

Company Secretary

Rebecca Moylan

Registered Office & Administration

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Australia

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Email: gbg@gbgmetals.com
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Auditors

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Perth WA 6000
Australia

Share Registry

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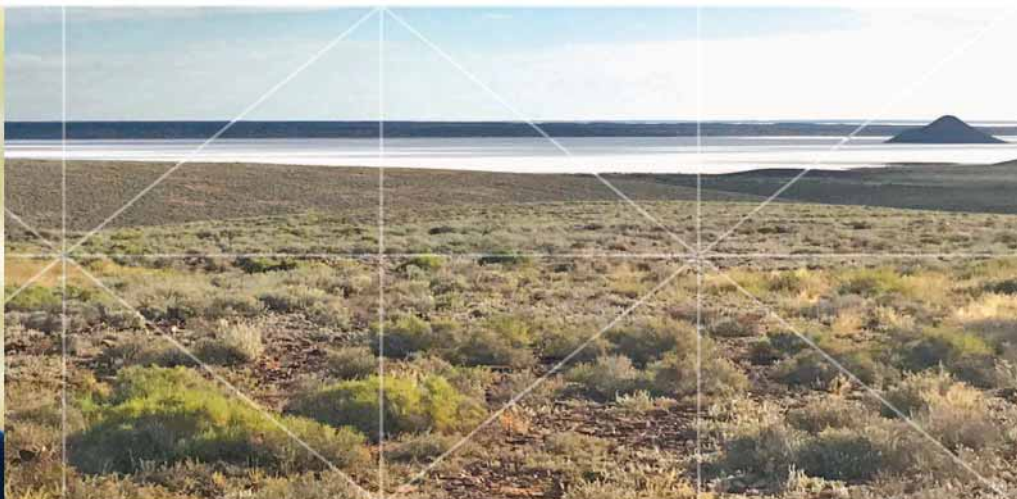
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ASX Code GBG

ABN 24 060 857 614







Chairman's Report

Dear Shareholders,

I am pleased to present Gindalbie's 2018 Annual Report and to reflect on what has been a productive year for the Company. Gindalbie is now well placed to grow shareholder value as we move forward.

We have a clear corporate strategy and a strong cash balance as we progress work on our primary focus, Mt Gunson.

Gindalbie has made significant progress towards establishing a copper-cobalt project in one of the world's premier copper belts located in South Australia. A major benefit of the Mt Gunson project is its close proximity to all major infrastructure.

We have completed Stage 1 of the Mt Gunson Copper-Cobalt Project Farm-in and are progressing the pre-feasibility study.

The Mt Gunson Project includes the Windabout and MG14 deposits, Emmie bluff prospect and over 750 square kilometres of highly prospective tenements. The deposits currently include JORC compliant Resources of 159,000 tonnes of contained copper and 9,500 tonnes of contained cobalt.

Over the next year, we will focus on extending our known resources and accessing the best options for the exploration of our Mt Gunson assets.

During 2018, we completed a positive concept study on the Emmie Bluff prospect, located close to the existing JORC Resources. Positive outcomes from the current drilling programme will offer significant upside to the Company.

Gindalbie has committed to a significant drilling campaign commencing in September 2018 to both obtain bulk mineralised samples for ongoing metallurgical testwork and to further explore the Emmie Bluff prospect.

We will also be testing new exploration prospects on the Mt Gunson tenements following an exploration targeting campaign involving teams of geoscientists and support from the South Australian government.

Our share price continues to suffer due to the legacy issues related to Karara. We have been very successful over the past two years in reducing our exposure to the Karara project and we will continue to actively manage this exposure. I thank our partner in Karara, Ansteel for their continued support and contribution to this project.

In conclusion, I would like to thank our CEO, Chris Stevens, the Board and all the team at Gindalbie for their ongoing dedication and hard work.

A handwritten signature in black ink, appearing to be 'K Jones', with a long, sweeping underline.

Keith Jones
Chairman

Corporate Update

Investment in Mt Gunson

In April 2017, Gindalbie entered into a Farm-in and Joint Venture Agreement ("Agreement") with Terrace Mining Pty Ltd, a wholly owned subsidiary of Torrens Mining Limited. The Agreement provides Gindalbie the opportunity to earn up to 75% interest in the Mt Gunson Copper-Cobalt Project, located 135km north-west of Port Augusta in South Australia. (Please see announcement on 17th April 2017 for more details of the farm-in structure.)

The proposed farm-in structure represents an opportunity for the Company to gain a low-cost entry to an area, which currently includes two JORC 2012 Indicated copper-cobalt-silver Mineral Resources, a historical non-JORC compliant resource and approximately 750 square kilometres of prospective exploration tenements in one of the world's premier copper belts. The JORC 2012 Compliant Mineral Resource is detailed on page 58.

Following the receipt of approval by the Foreign Investment Review Board in August 2018, the company finalised a Novation Agreement with Terrace Mining Pty Ltd to novate the Mt Gunson Farm-in and Joint Venture Agreement to Kobalamin Ltd, a wholly owned subsidiary of Gindalbie Metals Ltd.

As previously announced Gindalbie Metals Ltd's, wholly owned subsidiary Kobalamin Ltd, fulfilled its Stage 1 Earning Obligations in August 2018 and gained the right to a 25% interest in the total tenement package at Mt Gunson.

Investment in Karara Mining Ltd (47.84%)

Karara Mining Ltd ('KML'), a joint venture between Gindalbie and Ansteel, is operating the Karara Project, approximately 200km east of Geraldton in the Mid West region of Western Australia.

The Karara Project ('Karara') is one of the largest magnetite projects in Australia and has been financed by equity contributions from Ansteel and debt funding in various forms including syndicated bank facilities and direct funding by Gindalbie and the Ansteel Group.

During the year Ansteel has arranged and guaranteed a one-year extension for two separate bank debts for KML. Gindalbie, in accordance with the shareholder vote in November 2015, no longer has a contingent liability with respect to the shareholder guarantee provided by the company to Ansteel for these term loans.

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 relative to the current iron ore price environment.

Ansteel Funding and Options for Equity Conversion and Subscription

Ansteel has a right to subscribe for new equity in KML to provide KML, if required, with sufficient funds to repay bank debt and a concentrate presale agreement, totaling US\$230 million. This right, if exercised, would increase Ansteel's stake in KML from 52.16% to approximately 62%, with Gindalbie's ownership of KML reducing from 47.84% to approximately 38%.

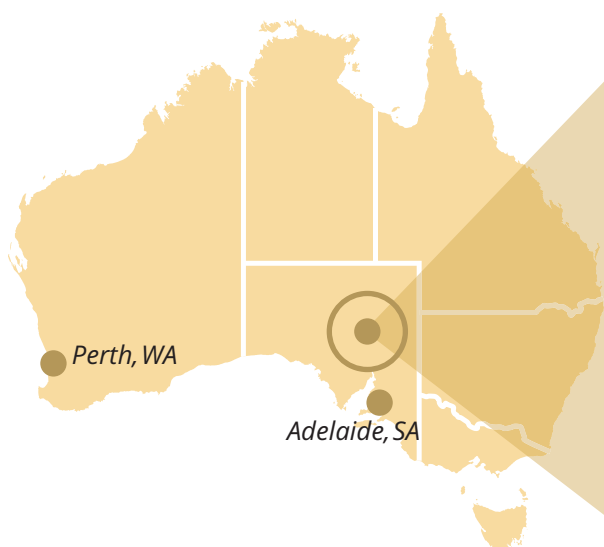
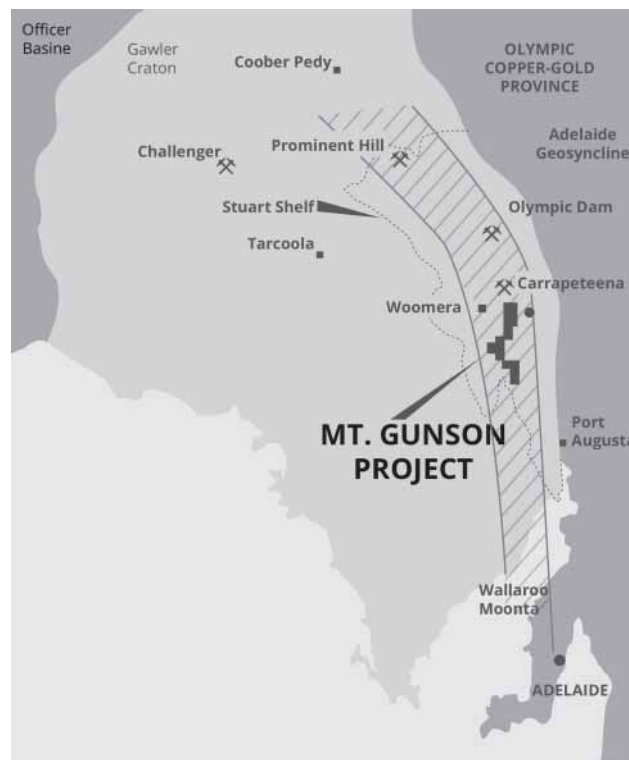
Review of Operations

Mount Gunson Project

The Project is centred approximately 35km south-east of the town of Woomera and 135km north-west of Port Augusta in South Australia. The tenement package comprises three exploration licenses, currently totalling 824 square kilometres of ground in one of the world's premier copper belts.

The Project is extremely well served for infrastructure being centred 100km south of BHP Billiton's world-class Olympic Dam copper-gold-uranium mine and within 50km of Oz Minerals' Carrapateena copper project, with access to existing road, power and water infrastructure.

The Project has a long history of exploration, including feasibility studies which were suspended due to metallurgical considerations in a low copper and cobalt price environment. Funds during Stage 1 of the farm-in have been primarily directed towards building on previous scoping study pilot work undertaken by Terrace and to confirm the flow sheet design to be taken forward into feasibility studies.



JORC 2012 Resource tables at 0.5% cut-off grade

MG-14 Resource					
	Mt	Cu%	Co%	Ag g/t	Cu Eq%
Indicated	1.83	1.24	0.03	14	1.67
Inferred	-	-	-	-	-
Total	1.83	1.24	0.03	14	1.67

Windabout Resource					
	Mt	Cu%	Co%	Ag g/t	Cu Eq%
Indicated	17.67	0.77	0.05	8	1.41
Inferred	-	-	-	-	-
Total	17.67	0.77	0.05	8	1.41

Scoping Study Update

The primary purpose of Stage 1 work following the entry into the Mt Gunson Farm-in was to address key areas of critical uncertainty following the completion of a scoping study by Torrens Mining. The areas identified for focus during Stage 1 were, in order of importance, flow-sheet design; mining method for Windabout; and JORC Resource categorisation. The Company also conducted a concept study on the Emmie Bluff copper-cobalt deposit, which is located on the northern boundary of the tenements.

During Stage 1, Gindalbie undertook a major drilling programme, which was primarily designed to obtain metallurgical core samples. The Company also used the drilling data gained to update the Mineral Resource Estimate at Windabout to JORC 2012 standards and performed additional QA/QC on the existing JORC 2012 Resource at MG14. Please refer to the announcement on 19th January 2018 for detailed JORC compliance information.

Review of Operations

Following the drilling campaign in September 2017 where the Company obtained approximately 400kg of fresh ore samples, the Company appointed independent metallurgical consultants, Strategic Metallurgy Pty Ltd to undertake a detailed testwork programme including preliminary flowsheet design.

The results of detailed testwork support continued evaluation of the potential for a conventional flotation-based circuit to produce either a bulk copper-cobalt concentrate or split copper and cobalt concentrates from both MG14 and Windabout.

Continued evaluation and refinement of this base-case processing flowsheet will be the primary focus of the next stage of feasibility work during FY19.

During the third quarter of 2018, the Company commenced a drilling programme at MG14 and Windabout, planned to include 8 holes for 601m using large diameter C8 (200mm diameter) drilling techniques to obtain bulk sample for ongoing metallurgical testwork.

Mining Options Study

Stage 2 of the mining options study has commenced with a detailed Request for Quotation (RFQ) having been completed and released to potential mining contractors. The results of the RFQ will allow the Company to fully evaluate the current base case mining method which is currently expected to be based on a conventional truck and shovel for the mining of both MG14 and Windabout. Following completion of the next phase of the mining options study, detailed evaluation and value engineering work will be undertaken during the last quarter of 2018. Exploration and Resource Development

Independent consultants International Geoscience Pty Ltd continued a detailed study and targeting work over the entire Mt Gunson tenement package which encompasses approximately 800 km² of ground considered highly prospective for copper and cobalt mineralisation. The results of this work are currently being used to create detailed plans for exploration work outside of the existing resource areas during the next stage of the farm-in.

Emmie Bluff Prospect

MPS has completed an initial concept study to assess the Emmie Bluff Cu-Co-Ag prospect, located on the northern part of the tenements. It should be noted that the study was based on historic drilling data and a historic Mineral Resource estimate which is not compliant with JORC 2012 standards.

Based on the results of the concept study, the board of Gindalbie has approved a drilling campaign to be conducted at Emmie Bluff immediately following the next round of drilling for metallurgical sample at MG14 and Windabout (subject to approvals and clearances). Initially, five to six holes for a total of approximately 2,680m are planned to obtain HQ3 (63mm diameter) diamond core for resource model update, geotechnical, mineralogical and metallurgical assessment work. It is expected that this work will take place within the September quarter of 2018.

The results of drilling at Emmie Bluff will be used to update the geological model as well as to undertake test work to provide greater insight into the mineralogical and metallurgical characteristics of the drill core. Due to the size of the potentially mineralised area, this round of drilling is unlikely to result in a JORC 2012 compliant resource, however, the results will be used to inform the next round of feasibility and resource development planning work to potentially arrive at a JORC 2012 compliant mineral resource estimate.

Update on Study Timeframes

The Company completed all work planned for Stage 1 of the Mt Gunson Farm-in on schedule and significantly under-budget.

During Stage 1 of the Farm-in, Kobalamin committed to spend A\$ 1.37M on studies at the project to earn a 25% interest in the Mt Gunson Assets. The staged nature of the Farm-in provides the Company with clear decision points during the progression of studies to maximise effectiveness and reduce risk to the Company.

Under the terms of the agreement, Kobalamin was required to notify Terrace Mining by 18th June 2018 if it wished to proceed into Stage 2 of the Farm-in whereby the Company would commit to spend A\$ 2.5 million in return for a total 51% interest in the Mt Gunson Assets.

The Company officially notified Terrace Mining of its intention to proceed into Stage 2 of the Farm-in on 23rd May 2018.

Review of Operations

Pre-Feasibility Study Development

Following the decision by Gindalbie to enter the next stage of the Mt Gunson Copper-Cobalt Project Farm-in, the Company has committed to spend up to A\$ 2.5M on feasibility and exploration work in order to gain an additional 26% interest in the Mt Gunson assets.

The Company's priority is to advance pre-feasibility (PFS) work whilst minimising risk. As such, the company is aggressively pursuing PFS-Phase 1, which is expected to take approximately 12-14 months subject to drilling approvals and consents (which include South Australia environmental approvals and heritage clearances and consents) which are on the project critical path.

The focus of PFS-Phase 1 is to advance the project critical path by undertaking work on the processing flowsheet and mining options to a level of confidence consistent with a PFS and to concurrently progress work on Emmie Bluff and additional regional exploration. This approach is intended to advance the project critical path whilst providing flexibility as to the ultimate scope of the project to be taken forward into a definitive feasibility study (subject to study results, board approvals and market conditions).

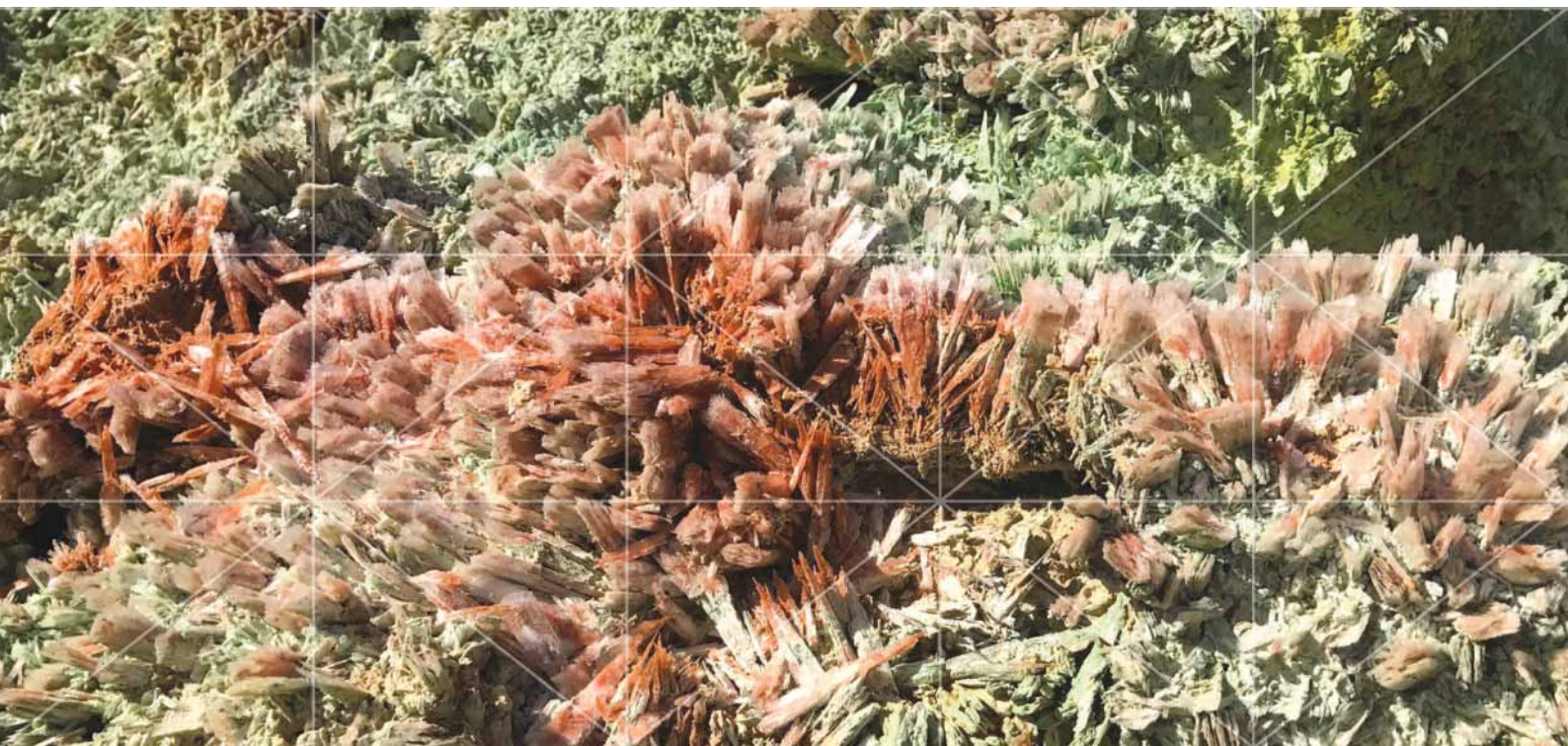
Gindalbie Mid-West Regional Project

Gindalbie has a tenement package in the Mid West region outside of the Karara Project, namely the Lodestone Magnetite Project.

Lodestone Magnetite Project

The Lodestone Magnetite Project, located 45km south-east of Karara, has a JORC 2012 Compliant Mineral Resource (Resource), details on page 59.

The Lodestone magnetite deposit compares favourably with other magnetite deposits in Australia in terms of size and grade. It should be noted that this is a global resource estimate and further work is required to investigate opportunities to improve the magnetite weight recovery.



Review of Operations

Karara Project

Overview

Karara is the largest new resource project in the Mid West region of Western Australia comprising a substantial, long-life magnetite concentrate operation. In January 2013, the first shipment of Karara magnetite concentrate was made from the Karara Export Terminal in Geraldton.

Production

Karara produced approximately 7.8 million dry metric tonnes (dmt) of magnetite concentrate during the financial year which is a decrease of 2.5% when compared to the prior financial year production of approximately 8 million dmt.

A total of approximately 141 shipments were completed and the magnetite production quality averaged approximately 65.6% Fe during the reporting period.

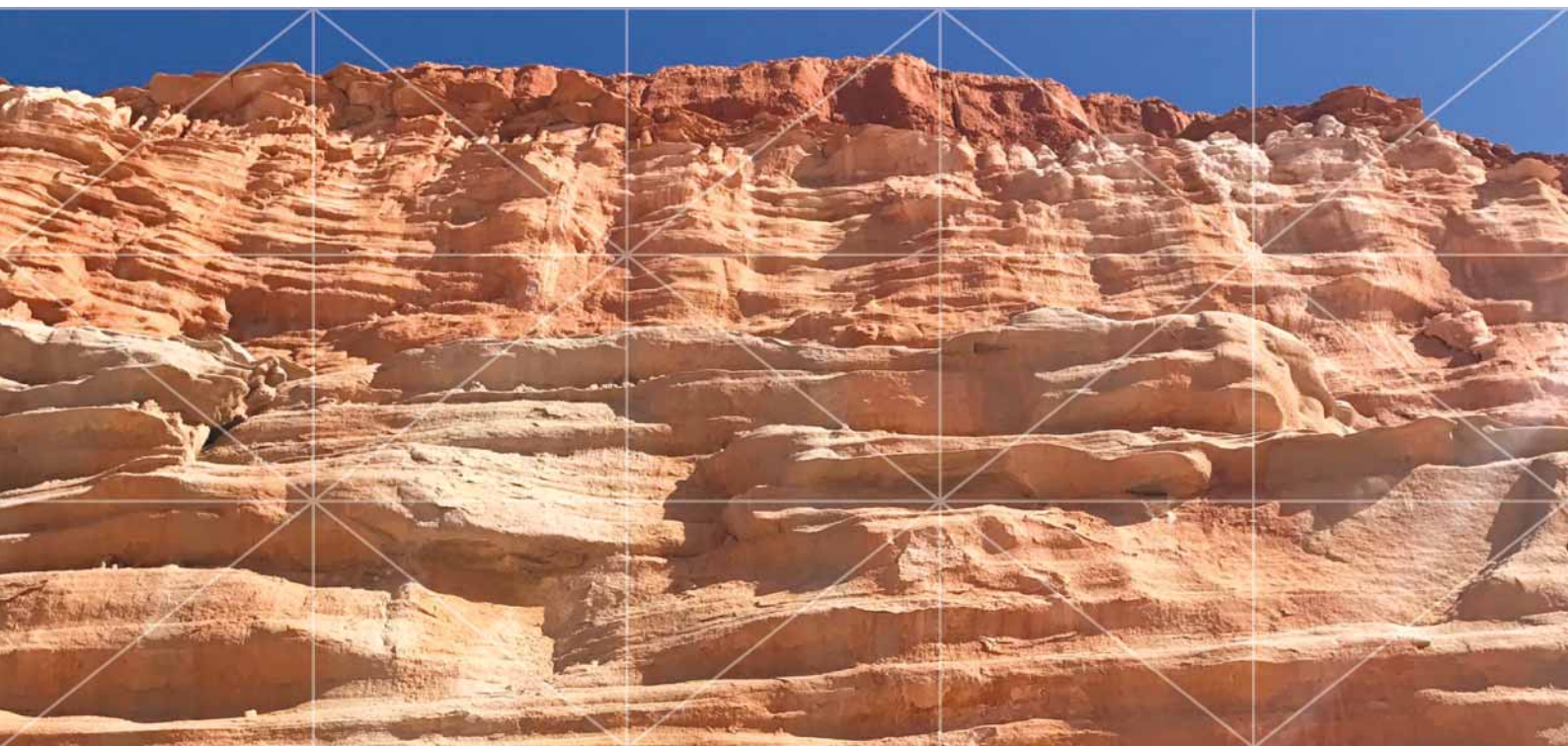
Karara Operation

During the reporting period Karara has focused on cost reduction and efficiency improvement initiatives including improvements in product quality and cost reduction initiatives throughout the business with the goal of increasing efficiency of production, lowering costs and stabilizing and improving production levels

Ansteel Support

Ansteel, as the majority Shareholder, has continued to provide ongoing technical and financial support to the Project.

Karara Magnetite					
Unit '000 dmt	Sep-17 Qtr	Dec-17 Qtr	Mar-18 Qtr	Jun-18 Qtr	FY-2018 Total
Ore mined	5,023	5,613	5,336	4,586	20,558
Concentrate Produced	1,830	2,128	1,903	1,951	7,812
Concentrate Shipped	1,851	2,095	1,927	1,886	7,759



Sustainability Report

Safety Management

The foundation of our success is driven by our people. As such, the health and safety of all employees, contracting partners, site visitors and the wider community in which we operate are central to our organisation. Sustaining a strong safety culture committed to a 'zero harm' philosophy is paramount when operating in environments, which by nature, are exposed to risk.

Our approach to all operations embraces a risk-based strategy for safety management.

This includes:

- Maintaining a health and safety system based on best industry standards;
- Develop and empower employees and contractors through routine engagement;
- Identify, assess, mitigate and manage risks;
- Setting measurable objectives and targets aimed at continuous improvement and eliminating work-related illness; and
- Ensuring completed work meets or exceeds relevant standards and codes of practices.

By implementing and maintaining such a strategy we can ensure that the health and safety standards set are never compromised. We believe having proactive control measures for effective risk management will maximise health and safety outcomes for our people.

Community Engagement

The development and enhancement of communities surrounding our operations are a key commitment of Gindalbie. Our objective to develop long-term sustainable businesses that deliver local benefits, such as employment and local business opportunities, is an ongoing role we strive to play in regional communities. At the core of our commitment is forging long-term relationships that value the cultures and traditions of the region, whilst identifying the social needs of the area to tailor our community investment approach.

It is our goal to work in unison with our local communities to help them attain the skills and capabilities needed to prosper into the future.

Gindalbie, in conjunction with Karara Mining Ltd (KML), has a proud history of community investment activities focused around three key pillars:

Regional health

- Karara Community Health Fund - The fund, underpinned by an initial \$300,000 investment coming from a range of sources (including contractor partners and local government, employee fundraising, and recycling and innovation programs), established a number of key projects in the Midwest region:
- Partnering with the Royal Flying Doctor Service - Development of a Mobile Dental Clinic.
- Parkerville Children and Youth Care Inc. - Co-funded and assisted with contract partners has established a new Murchison Family Support Network in Geraldton.
- Morawa General Practitioner (GP) Flights - KML has provided 26 return flights to Perth per year on the company's fly-in, fly-out charter service in efforts to attract good quality GP's to the Shires of Morawa, Perenjori and Mingenew.
- Community Farm - In 2011 on 600 acres of KML-owned land, an agricultural resource for community groups to utilise and generate their own profits as an alternative means of fundraising was set up.

Education and youth development

- Educational Scholarships - A total of nine apprenticeships, twelve tertiary scholarships, ten university scholarships and six traineeships have been funded to date
- Geoff Wedlock Innovation Park - In 2011 a master plan to optimise the Geoff Wedlock Innovation Park was developed. The land, owned by KML, is to become a long-term Midwest innovation development centre for mining and non-mining ventures
- Geraldton Iron Ore Alliance - Gindalbie is a member of the Geraldton Iron Ore Alliance committed to developing a viable and sustainable iron ore industry in the Midwest region. A key value of the alliance is the view that the area's youth of today are the employees of the future.

Housing

- Mingenew Housing Project - The community housing project, in agreement with a local landowner, is designed to attract professionals and other high-calibre people to take up employment opportunities with Mingenew Shire.

Our participation in the Mt Gunson Project presents us with the opportunity to continue this tradition in the region in years to come.

Sustainability Report

Indigenous Relations

Gindalbie recognises the importance of understanding indigenous culture and way of life. By nature, our business operations take place on regional land, making consideration of the heritage and social concerns of traditional owners paramount to our organisation's long term success. Through doing so, our aim is to create strong and mutually beneficial relationships with local Native Title groups on whose land our operations are located.

Gindalbie believes that special factors are involved when its operations affect Aboriginal communities. In all cases, we embrace a mutual respect and shared responsibility for the traditions, customs, culture and dignity of Aboriginal communities.

As we progress feasibility at Mt Gunson this provides us with an opportunity to work with the Kokatha People who are the traditional owners of the lands upon which the project is situated. Gindalbie and its subsidiary, Kobalamin are working proactively with the Kokatha People to embed respect for the land into all of our activities and to provide opportunities for jobs, training and participation in feasibility work by indigenous owned and managed businesses.

Environmental Management

In an industry dependent upon development of natural resources in remote and sensitive environments, Gindalbie recognises its important responsibility to conduct operations with care for the land that provides it with such opportunities. It is crucial that sustainable business practices are implemented that are appropriate to the environments in which we operate. This requires unwavering commitment to minimising the environmental impact of our activities, notably with regard to biodiversity and natural ecosystems, and reducing our carbon footprint.

Accordingly, it is integral to our business that we continually look to improve the efficiency of our resource use and reduce production emissions through innovative new technologies for energy production and process design.

All stages of mine development factor into consideration potential environmental impacts and how to ensure best practice to achieve sustainable outcomes.

In pursuit of setting environmental best practice benchmarks, we consider compliance with existing laws and regulations to be the bare minimum standard required by our operations. Key aspects of our approach to environmental sustainability include:

- Tailoring the mining strategy to the native environment and its inhabitants through,
- Respecting local cultural and spiritual land importance
- Minimal disturbance of land
- Study and conservation of flora and fauna habitats
- Clean water practices
- Waste management optimisation;
- Routine assessment of process efficiency;
- Emissions management; and
- Review and employment of new technologies.

Directors' Report

For the year ended 30 June 2018

The directors present their report together with the consolidated financial statements of the consolidated entity Gindalbie Metals Ltd ('the Company') and the entities it controlled (Group/Consolidated Entity) during or at the end of the financial year ended 30 June 2018 and the Auditor's Report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year were:

Name & Qualifications	Experience and Special Responsibilities
Mr Keith F Jones B.Bus, FCA, FAICD Non-Executive Chairman	Former Chair of Deloitte Australia Extensive resource industry experience Director since March 2013 Appointed as Chairman April 2013
Mr Andrew R Marshall I. Eng, MAICD Independent Non-Executive Director	Former Project Director for Vale Inco Former Vice President - Asset Development Projects for BHP Billiton Iron Ore Former Project Manager for North Limited Former Project Director of Iron ore Company for Canada Former Manager Projects for Forrestainia Gold / LionOre Australia Former Project Manager and Manager of Engineering & Project Services for Western Mining Corporation Former Project Manager for Nedpac / Signet Engineering Former Non-Executive Director Sundance Resources NL (Oct 10 - Jan 15) Chairman Gruyere Project Steering Committee Gold Road Resources (June 2016) Director since December 2010
Mr Paul D Hallam BE (Hons) Mining, Grad Cert Mineral Economics, FAICD, FAUSIMM Independent Non-Executive Director	Former Director - Operations of Fortescue Metals Group Limited Former Executive General Manager - Development & Projects of Newcrest Mining Limited Former Director - Victorian Operations of Alcoa Former Executive General Manager - Base and Precious Metals of North Limited Former Chairman Powertrans Pty Ltd Former Non-Executive Director of Enterprise Metals Limited Former Non-Executive Director of Karara Mining Limited Former Non-Executive Director of Tintina Resources Inc Non-Executive Director of Altona Mining Limited Non-Executive Director of Sandfire Resources NL (May 13) Director since 14 December 2011
Mr A Shao PHD Mining Non-Executive Director	General Manager of Ansteel Consolidated entity Mining Company President of the Metallurgical Mine Association of China Former Chief Engineer of Dong An Shan Iron Ore Mine Former General Manager of Yan Qian Shan Iron Ore Mine Former Deputy General of Gong Chang Ling Iron Ore Co Director since March 2015
Mr G Li B.Fin Non-Executive Director	Deputy Director of financial operations department at Ansteel Supervisor of the board of supervisors in two sub-corporations of Ansteel Director since March 2015

2. Company Secretary

Ms Rebecca Moylan BBus, CPA, Grad Dip Applied Finance (FINSIA), GAICD was appointed Company Secretary from 25 May 2015. Ms Moylan has worked for Gindalbie since May 2011 and has corporate experience working with listed and unlisted companies in varied industries.

Directors' Report

For the year ended 30 June 2018

3. Principal Activities

The principal activities of the consolidated entity during the year were the progression of the Mt Gunson Copper Cobalt Project, exploration for and evaluation of projects and potential joint ventures with other mining companies to explore for minerals, and exploration and potential development of its 100% owned projects. During the year the consolidated entity retained its 47.84% Equity Interest in the Karara Project ("Karara").

4. Result of Operations

The net loss for the year ended 30 June 2018 was \$1.3 million, (2017 - net loss of \$1.2 million).

The net loss for Gindalbie represented corporate overheads (\$2.2 million), which was partially offset by interest income (\$886 thousand).

As at the reporting date, the consolidated entity has \$2.8 million of cash reserves, including \$32.6 million in term deposits.

5. Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the consolidated entity during the financial year were:

Director	Directors Meetings	
	A	B
Mr K F Jones	7	7
Mr R Marshall	7	7
Mr P Hallam	6	7
Mr G Li *	1	7
Mr A Shao *	0	7

A Number of meetings attended

B Number of meetings held during the time the director held office during the year

* Alternate director present for Mr A Shao at all seven meetings and an Alternate director had been appointed for Mr G Li during six meeting.

6. Corporate Strategy & Likely Developments

The consolidated entity's primary short term focus will be on exploration and development opportunities through joint ventures, sole funded exploration activity and acquisitions.

7. Events Subsequent to Reporting Date

The company confirms that there have been no material subsequent events after the reporting date.

Directors' Report

For the year ended 30 June 2018

8. Environmental Regulation

The consolidated entity's current exploration and development activities are conducted in accordance with environmental regulations under both Commonwealth and State legislation.

As stated in the Environmental Policy, the consolidated entity is committed to achieving superior standards in its environmental performance. It has employed environmental professionals to monitor this area of operating performance, with responsibility for monitoring of environmental exposures and compliance with environmental regulations.

Compliance with the requirements of environmental regulations and with specific requirements of the relevant managing authorities including the Department of Environment and Conservation, and the Department of Industry and Resources was achieved across all aspects of the current operations.

There were no instances of non-compliance in relation to any instructions or directions from the relevant governing agencies. The Board is not aware of any significant breaches during the period covered by this report.

9. Remuneration Report - Audited

9.1. Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-Executive Directors

Mr K F Jones Chairman

Mr A R Marshall

Mr P Hallam

Mr G Li

Mr A Shao

Executives

Mr C Stevens - Chief Executive Officer (CEO)

Ms R Moylan - Chief Financial Officer and Company Secretary

9.2. Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the consolidated entity. Key management personnel include the directors of the consolidated entity and senior executives for the consolidated entity, in accordance with S300A of the *Corporations Act 2001*.

Compensation levels for directors and key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board obtains independent data on compensation packages and trends in comparative companies, and this information is used as one of the determinants in deciding the appropriateness of the consolidated entity's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel; and
- the key management personnel's assessed contribution to the consolidated entity's financial and operational performance.

Directors' Report

For the year ended 30 June 2018

Key management personnel can receive a portion of base remuneration as non-cash benefits. Non-cash benefits typically include payment of motor vehicle expenses. Any fringe benefit tax on these benefits is generally borne by the executive.

Compensation packages for key management personnel include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

The below table represents the target remuneration mix for executives in the current year. The short-term incentive is provided at target levels, and the long-term incentive amount is provided based on the value granted in the current year.

	Fixed remuneration	At Risk
		Short-term incentive
Executives under service contracts		
CEO	65%	35%
Executives under standard Company Contracts		
CFO and Company Secretary	75%	25%

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual performance and overall performance of the consolidated entity. In addition, external consultants may be used to provide benchmark data to the Board to ensure that key management personnel compensation is competitive in the market place. Key management personnel compensation is also reviewed on promotion. Compensation increases are usually effective from 1 July each year; however in June 2018 the Board approved a recommendation not to increase fixed compensation for all employees and will review salary increases in October 2018.

Performance-linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding consolidated entity objectives (both financial and non-financial). The short-term incentive plan (STI) is a discretionary 'at risk' bonus provided in the form of cash. The deferred compensation scheme incorporates the issue of options over ordinary shares of the consolidated entity under the rules of the employee share plan, which vest over a three-year period.

Short-term incentive bonus

The short-term incentive plan is intended to focus employee behaviour towards the achievement of activities and milestones that contribute to the consolidated entity meeting its business objectives for the financial year. In addition, it also provides clear alignment between personal and business performance and remuneration. Consolidated entity objectives are used to determine the performance rating. The Chief Executive Officer evaluates the consolidated entity's strategic goals for the forthcoming financial year and identifies Key Performance Indicators (KPI's) which are deemed to be critical to the consolidated entity achieving its mission each financial year. These objectives are reviewed and if considered appropriate, approved by the Board.

At the end of the financial year the Chief Executive Officer assesses the consolidated entity's performance against the consolidated entity KPI's to determine the overall business score.

The performance rating will range between 50% for minimum performance, 75% for target performance and 100% for stretch performance. No bonus is awarded where performance does not meet minimum performance standards. The Board recommends and approves the cash incentive to be paid to the individuals.

Employees are eligible for a short term incentive award of 10% - 35% of Total Fixed Remuneration (base salary plus superannuation).

Directors' Report

For the year ended 30 June 2018

The Board approved an amount to be paid to members of the executive team and staff for the 2017/18 year STI bonus scheme in June 2018.

The KPI's for 2017/18, and the actual consolidated entity performance relative to these KPI's was as follows:

KPI	Maximum STI Award for 2017/18	STI award for 2017/18
Lost Time Injury Frequency Rate	10%	10%
Completion of Stage 1 of Farm in agreement	30%	22.5%
Stage 2 feasibility progression of Farm in agreement	20%	15%
Organic Business Development	40%	30%
Total	100%	77.5%

As an example an executive entitled to a maximum STI bonus of 25% of total fixed remuneration, will receive an 2017/18 STI bonus of 19.3% of total fixed remuneration (i.e. 77.5% of 25%). The weighting of KPI's is adjusted to reflect the importance of the KPI to the consolidated entity's performance. Only the achievement of a "stretch" KPI target results in a maximum STI award for each individual KPI. The final assessment was made in June 2018 and payment of 2017/18 STI awards occurred in July 2018.

Long Term Incentive Deferred Compensation Scheme - share options

Options are issued under the Employee Share Option Plan (made in accordance with the criteria as set out in the plan approved by shareholders at the 2006 AGM). The total value of share options issued to eligible employees is equivalent to 1 times the value of the employee's STI award for the prior financial year (i.e. calculation of the maximum award is dependent upon satisfaction of STI performance hurdles). These share options vest subject to specific service conditions. All options are issued for no consideration, and are therefore similar in substance to "performance rights". There were 9,375,000.00 options granted to key personnel during the year ended 30 June 2018 (2017- nil options granted).

Specific service conditions:

- > One third of option award (Tranche 1) - Continuous employment with the company until 1 July 2018;
- > One third of option award (Tranche 2) - Continuous employment with the company until 1 July 2019;
- > One third of option award (Tranche 3) - Continuous employment with the company until 1 July 2020.

All directors and employees participating in any consolidated entity equity incentive plan are prevented from hedging the economic benefit of any unvested performance shares or options under such plans, as such arrangements have been prohibited by law since 1 July 2011. Hedging is permitted in respect of any performance shares or options that have vested.

Nil share options issued under the Employee Share Option Plan vested during 2017/18, as the designated minimum service conditions were not satisfied as at 30 June 2018. Subsequent to year end, on 1 July 2018, 3,125,000 share options vested.

Short-term and long-term incentive structure

Each year the Chief Executive Officer recommends the KPI's for the key management personnel, which are approved by the Board. The Board considers that the performance-linked compensation structure provides appropriate incentives to key management personnel

Directors' Report

For the year ended 30 June 2018

Consequences of performance on shareholder wealth

In considering the consolidated entity's performance and benefits for shareholder wealth during the year ended 30 June 2018, the Board believes that safety performance, profitability, share price performance and achievement of specific strategic development objectives are the key links between the consolidated entity's performance and the attainment of increased shareholder wealth.

	2018	2017	2016	2015	2014
Total comprehensive income attributable to owners of the company (\$'000)	(1,366)	(1,244)	(6,260)	(11,240)	(588,792)
Change in share price (\$)	(-)	(-)	(0.01)	(0.03)	(0.06)

The following key terms apply in respect of each of the contracts:

Position	Term	Notice Period	Redundancy Terms
Chairman (Mr K Jones)	Unlimited	Nil	Nil
CEO (Mr C Stevens)	Unlimited	12 weeks	3 months' salary
CFO and Company Secretary (Ms R Moylan)	Unlimited	4 weeks	6 months' salary

The consolidated entity retains the right to terminate the contracts immediately by the payment of the redundancy term.

The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service and employment contracts outline the components of compensation paid to the key management personnel but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed and any changes required to meet the principles of the compensation policy.

There is no entitlement to termination payment in the event of removal for misconduct.

Non-Executive Directors

Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2010 AGM, is not to exceed \$1,000,000 per annum and is set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies.

Directors' fees cover all board activities. Effective from 1 September 2012 Committee fees were increased to \$42,000 per annum (previously \$35,000) and are payable to those Non-Executive Directors who sit on two or more Committees (including Committees of Karara Mining Ltd (KML)). Non-Executive Directors do not generally receive bonuses but may be issued with employee options under the Employee Share Option Plan or via the express approval of shareholders / Board of Directors. Nevertheless the Board charter has been amended to formally recognise that at this stage of the consolidated entity's development no further options will be issued to Non-Executive Directors. The Board has taken on the role of the Committees from 1 January 2015 and no Committee fees were paid from 1 January 2015.

Directors' Report

For the year ended 30 June 2018

9.2. Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company and each of the key management personnel of the Company are listed in the following page. Directors' and executive officers' remuneration amounts include the accrual of cash bonuses and long term incentives, accruals of annual leave and long service leave.

		Short term		Post-employment	Other long term		Share based payments	Other compensation		Total performance related remuneration %
					Long term incentive	Other long term (Annual Leave)				
		Salary & fees \$	Cash bonus \$	Superannuation benefits \$			Value of options (a) \$	Termination benefits \$	Total \$	
Directors										
Non-executive directors Mr KF Jones										
	2018	188,584	-	17,916	-	-	-	-	206,500	-
	2017	188,584	-	17,916	-	-	-	-	206,500	-
Mr R A Marshall	2018	52,740	-	5,010	-	-	-	-	57,750	-
	2017	52,740	-	5,010	-	-	-	-	57,750	-
Mr P Hallam	2018	52,740	-	5,010	-	-	-	-	57,750	-
	2017	52,740	-	5,010	-	-	-	-	57,750	-
Mr A Shao	2018	57,750	-	-	-	-	-	-	57,750	-
	2017	57,750	-	-	-	-	-	-	57,750	-
Mr Ge Li	2018	57,750	-	-	-	-	-	-	57,750	-
	2017	57,750	-	-	-	-	-	-	57,750	-
Total, all directors	2018	409,564	-	27,936	-	-	-	-	437,500	-
	2017	409,564	-	27,936	-	-	-	-	437,500	-
Executives										
Mr C Stevens (Chief Executive Officer)	2018	261,724	75,950	20,049	-	(2)	11,111	-	368,832	24%
	2017	257,115	100,000	20,896	-	8,338	-	-	386,349	26%
Ms R Moylan (Chief Financial Officer and Company Secretary)	2018	219,295	46,568	20,049	-	1,635	5,556	-	293,103	18%
	2017	217,462	50,000	27,436	-	615	-	-	294,283	17%
Total, all executives	2018	481,019	122,518	40,098	-	1,633	16,667	-	661,935	-
	2017	474,577	150,000	48,332	-	7,723	-	-	680,632	-
Total, all key management personnel	2018	890,583	122,518	68,034	-	1,633	16,667	-	1,099,435	-
	2017	884,141	150,000	76,268	-	7,723	-	-	1,118,132	-

(a) This remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments is determined based on the fair value at grant date, and is expensed progressively over the vesting period. The amount included as remuneration is not indicative of the benefit (if any) that individual executives may ultimately realise should the equity instrument vest. The following factors and assumptions were used in determining the fair value of options on grant date.

Grant Date	Expiry Date	Fair value per option	Exercise price	Number of options	Expected volatility	Risk free interest rate	Option Pricing model
27-Sep-17	26-Sep-21	\$0.02	-	9,375,000	77%	2.30%	Black Scholes

9.3. Analysis of STI bonuses included in remuneration

Details of the vesting profile of the short-term cash bonuses awarded as remuneration to each director of the consolidated entity, and other key management personnel are detailed below:

Executives	Included in remuneration	Short-term incentive bonus	
	\$	% vested in year	% forfeited in year
Mr C Stevens	75,950	77.5%	22.5%
Ms R Moylan	46,568	77.5%	22.5%

Directors' Report

For the year ended 30 June 2018

9.4. Equity Instruments

All options refer to options over ordinary shares in the consolidated entity, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

Details on rights and options over ordinary shares in the consolidated entity that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2018	Grant Date	Number of options forfeited during 2018	Fair value per option at grant date	Exercise price per option (\$)	Expiry Date	Number of options vested during 2018
Executive :-							
Ms R Moylan	3,125,000	27-Sep-17	-	\$0.016	\$0.00	26-Sep-21	-
Mr C Stevens	6,250,000	27-Sep-17	-	\$0.016	\$0.00	26-Sep-21	-

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable three years from grant date. Details of the performance criteria are included in the long-term incentives discussion on page 20.

9.5. Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period, other than all options were deemed vested by the directors during the prior period. This modification did not result in an increase in the fair value of the options.

9.6. Exercise of options granted as compensation

During the reporting period, nil shares were issued on the exercise of options previously granted as compensation.

The movement during the reporting period, by value, of options over ordinary shares in the consolidated entity held by each key management personnel is detailed below:

	Granted in year (a) \$	Value of Options exercised in year (b) \$	Number of Options lapsed / forfeited in year	Year in which lapsed / forfeited options were granted
Ms R Moylan	50,000	-	-	-
Mr C Stevens	100,000	-	-	-

- (a) The value of options granted in the year is the fair value of the options calculated at grant date using the Black-Scholes model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the relevant vesting period.
- (b) The value of options exercised during the year is calculated as the market price of shares of the consolidated entity on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

Directors' Report

For the year ended 30 June 2018

Details of equity incentives affecting current and future remuneration -

Details of vesting profiles of the rights and options held by each key management person of the Group are detailed below.

Executive :-	Instrument	Grant date	% vested in year	% forfeited in year	Financial years in which grant vests
Mr C Steven	Option 2,083,333	27-Sep-17	0.00%	0.00%	1-Jul-18
	Option 2,083,333	27-Sep-17	0.00%	0.00%	1-Jul-19
	Option 2,083,333	27-Sep-17	0.00%	0.00%	1-Jul-20
Mr R Moylan	Option 1,041,666	27-Sep-17	0.00%	0.00%	1-Jul-18
	Option 1,041,666	27-Sep-17	0.00%	0.00%	1-Jul-19
	Option 1,041,666	27-Sep-17	0.00%	0.00%	1-Jul-20

9.7. Key management personnel transactions

(a) Loans to Key Management personnel and their related parties

There were no loans or other transactions made to/with key management personnel.

(b) Other transactions with key management personnel

The aggregate amounts recognised during the year relating to key management personnel and their related parties were \$nil (2017: \$nil).

There were no loans or other transactions made to/with key management personnel.

(c) Movement in shares

The relevant interest of each director in the share capital of the consolidated entity, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Held at 30 June 2017	Options over ordinary shares	Held at 30 June 2018
Mr K F Jones	300,000	-	300,000
Mr A R Marshall	200,000	-	200,000
Mr P D Hallam	100,000	-	100,000

10. Share Options

10.1 Unissued shares under option

At the date of this report unissued ordinary shares of the consolidated entity under option are:

Expiry date	Exercise Price	Number of Options
26 September 2021	\$0.00	6,250,001

All options are employee options and expire on the earlier of their expiry date or three months after the termination of the employee's employment unless extended by the directors of the consolidated entity.

The above options do not entitle the holder to participate in any potential share issue of the consolidated entity.

10.2 Shares issued on exercise of options

During the financial year, the consolidated entity has issued nil ordinary shares as a result of the exercise of options (exercise price of \$0.00).

Directors' Report

For the year ended 30 June 2018

11. Lead Auditor's Independence Declaration & Non-Audit Services

The Lead Auditor's Independence Declaration is set out on page 22 and forms part of the Directors' Report for the year ended 30 June 2018.

During the year KPMG, the consolidated entity's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Board, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the consolidated entity and have been reviewed by the Board to ensure they do not impact the independence and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the consolidated entity, acting as an advocate for the consolidated entity or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2018 \$	2017 \$
Audit services: Auditors of the consolidated entity - <i>KPMG Australia</i> - audit and review of financial reports	81,543	81,423
Other services: Auditors of the consolidated entity - <i>KPMG Australia</i> - taxation services	9,471	10,450
	91,014	91,873

12. Rounding Off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

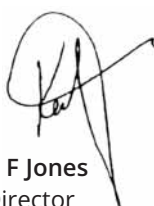
13. Indemnification and Insurance - Officer or Auditor

The Company, during the financial year, in respect of any person who is or has been an officer or auditor of the Company:

- has not indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor; or
- paid a premium of \$99,848 for a policy of insurance to cover legal liability and expenses for the directors and executive officers in the event of any legal action against them arising from their actions as officers of the Company.

The insurance policy does not contain details of the premiums paid in respect of individual officers of the Company.

Signed in accordance with a resolution of directors at Perth, WA on 3 September 2018.


K F Jones
Director

Auditor's Independence Declaration

For the year ended 30 June 2018



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 audit of Gindalbie Metals Ltd for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Matthew Beevers', with a stylized flourish at the end.

Matthew Beevers
Partner

Perth

3 September 2018

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report

For the year ended 30 June 2018



Independent Auditor's Report

To the shareholders of Gindalbie Metals Ltd

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Gindalbie Metals Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(c), "Investment in KML and Going Concern" and Note 26 "Contingent Liabilities" in the financial report. The conditions disclosed in Note 2(c) and 26, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether they will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

For the year ended 30 June 2018



In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this included:

- Assessing the underlying facts and circumstances relating to the Group's contingent liabilities, for its proportionate share, in relation to guarantees issued under the "Agreement for Joint Development of Karara Iron Ore Project". This assessment included reading relevant agreements, Board papers and minutes, legal advice and discussions with Directors; and
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events of conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principle matters giving rise to the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Exploration and evaluation assets (\$2.6 million)	
Refer to Note 13 and 3(m) to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation assets (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> • the significance of the amount (being 90% of total noncurrent assets); and • the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard; • Assessing the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions and planned work programmes; • For each area of interest, assessing the Group's current rights to tenure by inspecting government registries for the ownership of the relevant license and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses;

Independent Auditor's Report

For the year ended 30 June 2018



<p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> the determination of the areas of interest; documentation available regarding rights to tenure, via licensing and agreements, and compliance with relevant conditions, to maintain current rights to an area of interest, the authoritative nature of external registry sources and the Group's intention and capacity to continue the relevant E&E activities; and the Group's determination of the E&E expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. <p>In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for the Lodestone and Mt Gunson projects where significant capitalised E&E exists.</p>	<ul style="list-style-type: none"> Testing the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard; Evaluating Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We also held interviews with key operational and finance personnel in this regard; and Analysing the Group's determination of recoupment through successful development and exploitation of the area, by evaluating the Group's documentation of planned future/continuing activities including work programmes and project and corporate budgets for each area.
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Other Information

Other Information is financial and non-financial information in Gindalbie Metal Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Corporate Directory, Chairman's Report, Corporate Update, Operations Review, Sustainability Report, Corporate Governance Statement, Summary Resources Statement, Competent Person's Statement, and Tenement Schedule. Shareholder information is expected to be made available to us after the date of the Auditor's report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

Independent Auditor's Report

For the year ended 30 June 2018



- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Gindalbie Metals Ltd for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in section 9 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG
KPMG

Matthew Beevers
Partner

Perth

3 September 2018

Directors' Declarations

For the year ended 30 June 2018

1. In the opinion of the directors of Gindalbie Metals Ltd ("the Company"):
 - (a) the consolidated financial statements and notes, and the Remuneration Report set out in section 9 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated financial position of the consolidated entity as at 30 June 2018 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2018.
3. The Directors draw attention to Note 2(a) to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Dated at Perth this 3rd day of September 2018.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'K F Jones', with a long, sweeping horizontal stroke extending to the right.

K F Jones
Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Other income	6(a)	7	-
Administration expenses	6(b)	(2,229)	(2,047)
Other expenses	6(c)	(30)	(155)
Results from operating activities		(2,252)	(2,202)
Finance income	6(d)	886	958
Net financing income		886	958
Loss before income tax		(1,366)	(1,244)
Income tax benefit/(expense)	7	-	-
Loss for the year attributable to owners of the company		(1,366)	(1,244)
Other comprehensive income		-	-
Total comprehensive (loss) for the year attributable to owners of the Company		(1,366)	(1,244)
Earnings per share			
Basic (loss) per share - cents	21	(0.09)	(0.08)
Diluted (loss) per share - cents	21	(0.09)	(0.08)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 32 to 56. Refer to Note 2 on basis of preparation.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Issued capital	Retained earnings	Reserves	Total
Year ended 30 June 2018	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2017	753,965	(725,146)	9,408	38,227
Loss for the period	-	(1,366)	-	(1,366)
Transactions with owners of the Company, recognised directly in equity	-	(1,366)	-	(1,366)
Equity-settled share-based payment	-	-	92	92
Closing balance at 30 June 2018	753,965	(726,512)	9,500	36,953

	Issued capital	Retained earnings	Reserves	Total
Year ended 30 June 2017	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2016	753,965	(723,902)	9,408	39,471
Loss for the period	-	(1,244)	-	(1,244)
Closing balance at 30 June 2017	753,965	(725,146)	9,408	38,227

Amounts are stated net of tax, where applicable. Further details of issued capital and reserves are disclosed in Note 18.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 32 to 56. Refer to Note 2 on basis of preparation.

Consolidated Statement of Financial Position

For the year ended 30 June 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
ASSETS			
Cash and cash equivalents	9	2,792	3,757
Term deposits	10	32,600	33,600
Trade and Other receivables	10	423	436
Prepayments		43	16
TOTAL CURRENT ASSETS		35,858	37,809
Other receivables and Investments	10	25	50
Property, plant and equipment	11	68	64
Exploration and evaluation assets	13	2,605	1,441
Intangible Asset	14	185	197
TOTAL NON CURRENT ASSETS		2,883	1,752
TOTAL ASSETS		38,741	39,561
LIABILITIES			
Trade and other payables	15	1,586	1,283
Employee benefits	24	145	15
TOTAL CURRENT LIABILITIES		1,731	1,299
Employee benefits	24	57	35
TOTAL NON CURRENT LIABILITIES		57	35
TOTAL LIABILITIES		1,788	1,334
NET ASSETS		36,953	38,227
EQUITY			
Issued capital	18	753,965	753,965
Reserves	18	9,500	9,408
Retained earnings	17	(726,512)	(725,146)
TOTAL EQUITY		36,953	38,227

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 32 to 56. Refer to Note 2 on basis of preparation.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash receipts from customers		36	-
Cash payments to suppliers and employees		(1,779)	(1,795)
Interest received		859	904
Net cash (used in) operating activities	23	(884)	(891)
Cash flows from investing activities			
Receipts/(Payments) term deposits		1,000	(8,600)
Payments for Exploration and evaluation expenditure		(1,061)	(395)
Purchases of plant and equipment		(20)	(21)
Payment for intangible asset		-	(200)
Payment of loan to Associate entity		-	(49)
Net cash (used in) from investing activities		(81)	(9,265)
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		(965)	(10,156)
Cash and cash equivalents at 1 July		3,757	13,913
Cash and cash equivalents at 30 June	9	2,792	3,757

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 32 to 56. Refer to Note 2 on basis of preparation.

Notes to the Financial Statements

For the year ended 30 June 2018

1. Reporting Entity

Gindalbie Metals Ltd (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 6 Altona Street, West Perth. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" or the "consolidated entity"). The consolidated entity is a for-profit entity primarily involved in exploration and development activities.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Directors on 3 September 2018.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Investment in KML and 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 (2017: \$nil).

The consolidated entity has contingent liabilities with respect to shareholders' guarantees provided by the consolidated entity to Ansteel and KML contractors. Refer to note 26.

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 consolidated entity 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 consolidated entity have identified that inherent uncertainties exist, being the contingent liabilities of the potential shareholders' guarantees. In the event the consolidated entity 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 consolidated 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 consolidated entity 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 consolidated financial report.

Notes to the Financial Statements

For the year ended 30 June 2018

2. Basis of Preparation *(continued)*

(d) Ansteel Funding and Options for Equity Conversion and Subscription

In September 2013 Ansteel arranged the provision of US\$230 million of additional short term funding to KML. This working capital facility was made available through a series of prepaid sales agreements for delivery of magnetite concentrate between KML and an Ansteel subsidiary (US\$100 million) and a US\$130 million bank debt facility provided by Bank of China (BOC USD130m Facility) (guaranteed by Ansteel).

A condition to arrangement of this additional working capital facility to KML was that at Ansteel's option KML's financial obligations under the prepaid sales agreement and the BOC USD130 million Facility could be repaid using proceeds received by KML, or through issue of 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 in KML by 9.60%.

Any further equity contribution to KML from Ansteel could further dilute Gindalbie's ownership percentage of KML.

(e) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the consolidated entity's functional currency. All financial information has been rounded to the nearest thousand dollars, unless otherwise stated.

(f) Use of estimates and judgements

The preparation of financial statements in conformity with AASB requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 7 - Income Tax Expense - deferred tax recognition.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following Notes:

- Note 13 - Impairment test: key assumptions underlying recoverable amounts
- Note 22 - Financial Instruments
- Note 24(b) - Share-Based Payments
- Note 26 - Contingent Liabilities

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at cost in the Company's financial statements less impairment losses.

(ii) Transactions eliminated on consolidation

Intra-consolidated entity balances, and any unrealised income and expenses arising from intra-consolidated entity transactions, are eliminated in preparing the consolidated financial statements.

Notes to the Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies *(continued)*

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the consolidated entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control of substantially all of the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

The consolidated entity derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the consolidated entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expenses is discussed in Note 3(j).

(ii) Investments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the consolidated entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the consolidated entity's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies *(continued)*

(c) Financial instruments *(continued)*

(iii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(iv) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income/other expenses in profit or loss.

(ii) Mine properties and development

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as mine properties and development, and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as mine properties and development. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

(iii) Depreciation and amortisation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part or item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|------------------------------------|---------------|
| • buildings | 14 years |
| • machinery | 10 - 15 years |
| • motor vehicles | 3 - 7 years |
| • furniture fittings and equipment | 3 - 8 years |
| • leased plant and equipment | 5 - 15 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Notes to the Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies *(continued)*

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in the companies that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset of the consolidated entity that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Other long-term employee benefits

The consolidated entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus on-costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated (Corporate bond rate) bonds that have maturity dates approximating the terms of the consolidated entity's obligations.

Notes to the Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies *(continued)*

(f) Employee benefits *(continued)*

(iii) Termination benefits

Termination benefits are recognised as an expense when the consolidated entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

(g) Provisions

A provision is recognised if, as a result of a past event, the consolidated entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Revenue

Revenue is measured at the fair value of the gross consideration received or receivable. The consolidated entity recognises revenue when the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the entity.

(i) Sale of goods

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the consolidated entity, the quantity and quality of the goods has been determined with reasonable accuracy, the price can be reasonably estimated, and collectability is reasonably assured.

(i) Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due.

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies *(continued)*

(k) Finance income and expenses

Finance income comprises interest income on funds invested, and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, bank charges, unwinding of the discount on provisions and performance bond facility fees.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis either as finance income or finance costs depending on whether they are in a net gain or loss position.

(l) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated consolidated entity is Gindalbie Metals Ltd.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the 'separate taxpayer within Group's approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated Group and are recognised by the Company as amounts payable/ (receivable) to/(from) other entities in the tax-consolidated Group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

Notes to the Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies *(continued)*

(l) Income Tax *(continued)*

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated Group to the extent that it is probable that future taxable profits of the tax-consolidated Group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(m) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the consolidated entity by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(n) Intangible assets

Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of tenure to the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 3(d)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Exploration and evaluation costs are not amortised until such time as they are transferred to mine properties and production has commenced.

(o) Other Intangible assets

Licences acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straightline method over 15 years, which is the estimated useful lives and periods of contractual rights.

Notes to the Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies *(continued)*

(p) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments' operating results are reviewed regularly by the consolidated entity's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the consolidated entity's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and exploration expenditure.

(q) New Standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 July 2017 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2018, but have not been applied in preparing the consolidated financial report.

- (i) AASB 16 Leases, which provides a new model for accounting for leases. AASB will become mandatory for the consolidated entity's 30 June 2020 financial statements. Retrospective application is generally required. The consolidated entity has not yet determined the potential effect of the standard.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 1 and IAS 28.
- AASB 9 Financial Instruments

The Group has undertaken a detailed assessment of the classification and measurement of financial assets and determined there will be no change to the accounting for these assets. All of the Group's existing financial assets would continue to be measured at amortised cost.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Group does not currently hedge and therefore the new hedge accounting rules will not impact on the Group's financial reports.

Expanded disclosure requirements are expected to change the nature and extent of the Group's disclosures about its financial instruments.

- AASB 15

The Group has undertaken a detailed assessment of the new requirements based on existing revenue contracts and determined that no material changes in the timing or measurement of revenue would be required under the new standard.

- Share-based Payment Transactions (Amendments to IFRS2).

Notes to the Financial Statements

For the year ended 30 June 2018

4. Determination of Fair Values

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected life of the option, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the option are not taken into account in determining fair value.

(ii) Investments

Investments and other financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity investments as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value.

5. Financial Risk Management

(a) Overview

The consolidated entity has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital including risks resulting from its investment in fair value accounted Investment. Further quantitative disclosures are included throughout the consolidated financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies. The Board reviews its activities regularly.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The consolidated entity's Board oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

Notes to the Financial Statements

For the year ended 30 June 2018

5. Financial Risk Management *(continued)*

(b) Credit Risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's cash, cash equivalents and term deposits.

The consolidated entity has an internal policy to ensure its cash assets and term deposits are invested amongst reputable financial institutions.

(c) Guarantees

The consolidated entity's policy is to provide financial guarantees where contractually necessary to certain suppliers or Ansteel. Refer to Note 26 for a list of outstanding performance and financial guarantees at balance date.

(d) Investments

The consolidated entity limits its exposure to credit risk on cash balances and term deposits with counterparties that have credit ratings of between A2 and A1+ from Standard & Poor's and A from Moody's, with more weighting given to investments in the higher credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The consolidated entity's Board considers and implements appropriate investment strategies and ensures investment policies are adhered to.

(e) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Typically the consolidated entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations. Refer to Notes 2(c), 15 and 22 for more information.

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

All transactions are carried out within Treasury Policy guidelines (refer to Note 5(d)), and these are considered and monitored by the Board.

(g) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The consolidated entity manages its capital to ensure its entities will be able to continue as going concerns while maximising the return to shareholders through the optimisation of its capital structure comprising equity and debt.

The capital structure of the consolidated entity consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 17 and 18 respectively.

Notes to the Financial Statements

For the year ended 30 June 2018

6. Revenue and Expenses

	Consolidated	
	2018	2017
	\$'000	\$'000
(a) Other income		
Other income	7	-
Total other income	7	-
(b) Administration expenses		
Director fees, employee salary and on costs expenses	(1,325)	(1,266)
Corporate and consultant costs	(481)	(459)
Office and marketing costs	(123)	(80)
Other administration costs	(300)	(242)
Total administration expenses	(2,229)	(2,047)
(c) Other expenses		
Depreciation		
Property, plant & equipment	(17)	(16)
Amortisation - Intangible asset	(12)	(3)
Impairment of assets - Property, plant and equipment	-	(112)
Impairment of exploration assets	(1)	(25)
Total other expenses	(30)	(155)
(d) Net financing income		
Interest income	886	958
Net financing income	886	958
(e) Personnel expenses		
Wages and salaries	(564)	(529)
Other associated personnel expenses	(160)	(242)
Contributions to defined contribution superannuation funds	(80)	(86)
Employee option expense	(92)	-
(Decrease) / Increase in liability for annual leave	(4)	(9)
(Decrease) / Increase in liability for long service leave	(19)	(2)
Decrease /(Increase) in liability for bonuses	127	20
	(1,046)	(848)

Notes to the Financial Statements

For the year ended 30 June 2018

7. Income Tax Expense

	Consolidated	
	2018 \$'000	2017 \$'000
Current tax expense		
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Adjustments in relation to prior periods	-	-
Benefit of tax losses and other deferred tax benefits not recognised	-	-
Total income tax expense / (benefit)	-	-
Numerical reconciliation between current tax expense / (benefit) and pre-tax net profit / (loss)		
Loss before tax	(1,366)	(1,244)
Income tax using the domestic corporation tax rate of 30% (2016: 30%)	(410)	(373)
Increase in income tax expense due to:		
Non-deductible expenses	-	-
Decrease in income tax expense due to:		
Prior year over / under	-	-
Deferred income tax not recognised	410	373
Total income tax expense / (benefit)	-	-

Gindalbie has estimated unrecouped tax losses of \$123,583,351 (2017: \$121,045,851) available to be offset against future taxable income. The net deferred tax asset of 30% of \$123,583,351 (2017: \$121,045,851) for the consolidated entity has not been recognised by the consolidated entity on the basis that it is not probable that there will be future taxable income available against which the tax losses can be utilised.

Tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Accrued interest	-	-	77	69	77	69
Property, plant & equipment	(84)	(85)	-	-	(84)	(85)
Intangible Asset	-	-	55	59	55	59
Exploration expenditure	-	-	782	432	782	432
Capital raising costs	(29)	(58)	-	-	(29)	(58)
Provisions	(58)	(10)	-	-	(58)	(10)
Accrued superannuation	(2)	(2)	-	-	(2)	(2)
Accrued expenditure	-	-	-	-	-	-
Tax loss	(741)	(405)	-	-	(741)	(405)
Tax (assets) / liabilities	(914)	(560)	914	560	-	-
Set off of tax	914	560	(914)	(560)	-	-
Net tax (assets) / liabilities	-	-	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2018

8. Auditor's Remuneration

Audit services:

Auditors of the Company - *KPMG Australia*

- audit and review of financial reports

Other services:

Auditors of the Company - *KPMG Australia*

- taxation services

- other advisory services

Auditor's Remuneration

	Consolidated 2018	2017
	\$	\$
	81,543	81,423
	9,471	10,450
	-	-
	91,014	91,873

9. Cash and Cash Equivalents

Bank balances

Term deposits less than 3 month maturity

Cash and cash equivalents

	\$'000	\$'000
	2,792	457
	-	3,300
	2,792	3,757

10. Trade, Other Receivables and Other Investments

Current

Term deposits greater than 3 month maturity

Interest receivable

Trade receivables

Other receivables

	32,600	33,600
	258	230
	132	132
	33	74
	33,023	34,036
	25	50
	25	50

Non-current

Cash security for performance bonds

Notes to the Financial Statements

For the year ended 30 June 2018

11. Property, Plant and Equipment

	Consolidated	
	2018	2017
	\$'000	\$'000
Land & buildings		
At cost	820	820
Accumulated depreciation	(820)	(820)
	-	-
Plant & equipment		
At cost	1,710	1,689
Accumulated depreciation	(1,642)	(1,625)
	68	64
Total property, plant and equipment	68	64

11.1 Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Land & buildings		
Carrying amount at beginning of year	-	117
Additions	-	-
Impairment	-	(112)
Disposals	-	-
Depreciation	-	(5)
Carrying amount at end of year	-	-
Plant & equipment		
Carrying amount at beginning of year	64	55
Additions	20	24
Impairment	-	-
Depreciation	(16)	(16)
Carrying amount at end of year	68	64

12. Investments

The Company holds 100% investments in the following two controlled entities: Kobalamin Ltd (\$nil) and Gindalbie Metals Ltd Employee Option Share Trust (\$nil). (2017: Gindalbie Metals Ltd Employee Option Share Trust (\$nil)).

Notes to the Financial Statements

For the year ended 30 June 2018

13. Exploration and Evaluation Assets

Costs carried forward in respect of areas of interest in:

Exploration and evaluation assets

Carrying amount at beginning of year

Additions

Carrying amount at end of year

Consolidated

2018 2017

\$'000 \$'000

1,441 1,046

1,164 395

2,605 1,441

Exploration programs in each area of interest continue but have not reached a stage which permits a reasonable assessment of economically recoverable reserves. The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

14. Intangible Assets

Costs carried forward in respect of areas of interest in:

Intangible assets - Technology Licence

Carrying amount at beginning of year

Additions

Amortisation

Carrying amount at end of year

197 -

- 200

(12) (3)

185 197

During the prior year the consolidated entity executed licence agreements for the use of mineral processing technology. The consolidated entity executed two separate non-exclusive licences for the use of the mineral processing technology. The first licence is a territory specific licence for the use of the technology at the Mount Gunson Copper-Cobalt Project. The consolidated entity executed a global licence (excluding China and Zimbabwe) for the use of the technology on primary gold, copper and zinc projects. This licence provides Gindalbie with the right to use the technology on new projects that may be identified during ongoing business development and strategy work.

15. Trade and Other Payables

Current

Trade creditors

Other creditors and accruals

147 156

1,439 1,127

1,586 1,283

16. Consolidated Entities

Ownership interest

2018 2017

% %

Parent entity

Gindalbie Metals Ltd

Subsidiaries

Gindalbie Metals Ltd Employee Option Share Trust

Kobalamin Ltd *

100 100

100 -

In the financial statements of the Company, investments in controlled entities are measured at cost.

* Incorporated during the financial year.

Notes to the Financial Statements

For the year ended 30 June 2018

17. Retained Earnings

	Consolidated	
	2018	2017
	\$'000	\$'000
Retained earnings at beginning of year	(725,146)	(723,902)
Net (loss) attributable to members of the entity	(1,366)	(1,244)
Retained earnings at end of year	(726,512)	(725,146)

18. Capital and Reserves

	Number of ordinary shares, fully paid			
(a) Issued Capital	2018	2017	2018	2017
Ordinary shares			\$'000	\$'000
Movements during the year				
Balance at beginning of year	1,496,512,060	1,495,622,940	753,965	753,965
Shares issued				
- Exercise of options	-	889,120	-	-
Balance at end of year	1,496,512,060	1,496,512,060	753,965	753,965

During the year the consolidated entity:

- Issued nil shares at nil amounts on exercise of options.

During the comparative year the consolidated entity:

- Issued 889,120 shares at nil amounts on exercise of options.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the consolidated entity, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. Note 24 provides details of shares issued on exercise of options.

(b) Equity Settled Share Based Payments Reserve	2018	2017
	\$'000	\$'000
Balance at beginning of year	9,408	9,408
Equity settled share based payments	92	-
Balance at end of year	9,500	9,408

The equity settled share based payments reserve comprises the net value of options expensed over the vesting period calculated at grant date using the Black-Scholes model, depending on whether they contain market performance conditions. For options with a future vesting period, the option value is brought to account progressively over the term of the vesting period.

Notes to the Financial Statements

For the year ended 30 June 2018

19. Capital and Other Commitments

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These requirements are subject to renegotiation when application for a mining lease is made and at other times.

Payable no later than one year:

	2018 \$'000	2017 \$'000
Rents and rates	21	25
Exploration	109	99
Total commitments	130	124

20. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	72	72
Between one and five years	42	113
	114	185

The consolidated entity leases office space under a non-cancellable operating lease expiring in two years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

21. Earnings per Share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2018 was based on the loss attributable to ordinary shareholders of \$1,366,000 (2017: loss \$1,244,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2018 of 1,496,512,060 (2017: 1,496,350,801) calculated as follows:

Basic earnings per share	2018 \$'000	2017 \$'000
Lost attributable to ordinary shareholders	(1,366)	(1,244)
Weighted average number of ordinary shares	2018 No. of shares	2017 No. of shares
Issued ordinary shares at 1 July	1,496,512,060	1,495,622,940
Effect of shares issued on exercise of share options	-	727,861
Weighted average number of ordinary shares at 30 June	1,496,512,060	1,496,350,801
Earning per share:		
Basic	(0.09)	(0.08)
Diluted	(0.09)	(0.08)

In 2017 and 2018, as the potential ordinary shares on issue from an option not exercised would decrease the loss per share, they are not considered dilutive.

Notes to the Financial Statements

For the year ended 30 June 2018

22. Financial Instruments

(a) Credit Risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. Refer to Note 5 for the credit management process. The consolidated entity's maximum exposure to credit risk at the reporting date was:

	Note	2018 \$'000	2017 \$'000
Interest receivable	10	258	230
Cash security for performance bonds (current and non-current)	10	25	50
Trade receivables	10	132	132
Other receivables	10	33	74
Term deposits over 3 months in maturity	10	32,600	33,600
Cash and cash equivalents	9	2,792	3,757

The consolidated entity's cash and cash equivalents of \$2,792,000 at 30 June 2018 (2017: \$3,757,000), and term deposits over 3 months of \$32,600,000 represent its maximum credit exposure on these assets. The cash, cash equivalents and term deposits are held with bank and financial institution counterparties, which are rated at between A2 and A1+ from Standard & Poor's and A from Moody's.

None of the consolidated entity's receivables are past due (2017: nil).

Refer to Note 26 for disclosure of the consolidated entity's guarantees.

(b) Liquidity risk

The following are the contractual maturities of the consolidated entity's financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities

	2018		2017	
	Carrying amount \$'000	6 months or less \$'000	Carrying amount \$'000	6 months or less \$'000
Trade and other payables	1,586	(1,586)	1,283	(1,283)

(c) Interest rate risk

Exposure to interest rate risk

The consolidated entity's exposure to interest rate risk at balance date was as follows, based on notional amounts:

Variable rate instruments

	2018 \$'000	2017 \$'000
Cash performance bonds	25	50
Cash	2,792	457
	2,817	507

Financial Assets

Term Deposits included in cash	-	3,300
Term Deposits	32,600	33,600
	32,600	36,900

The consolidated entity invests cash in term deposits and in doing so exposes itself to the fluctuations in interest rates that are inherent in such a market. As at 30 June 2018, the consolidated entity invested \$32,600,000 into term deposits (2017: \$36,900,000) at a weighted average interest rate of 2.5% (2017: 2.54%).

Notes to the Financial Statements

For the year ended 30 June 2018

22. Financial Instruments *(continued)*

(c) Interest rate risk *(continued)*

Sensitivity analysis

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at FVTPL or AFS. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The following table summarises the sensitivity of the consolidated entity's financial assets and liabilities to interest rate risk:

			Interest Rate Risk			
			Carrying amount \$'000	-100bps Equity \$'000	Profit or loss \$'000	+100bps Equity \$'000
						Profit or loss \$'000
30 June 2018						
Cash performance bonds	Note 10	25	-	(0)	-	0
Cash	Note 9	2,792	-	(28)	-	28
Total increase/(Decrease)				-	(28)	-
						28
30 June 2017						
Cash performance bonds		50	-	(1)	-	1
Cash		457	-	(5)	-	5
Total increase/(Decrease)				-	(6)	-
						6

(d) Fair values

Fair values versus carrying amounts

The estimated fair value of financial instruments has been determined by the consolidated entity using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that will ultimately be realized by the consolidated entity upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. For all financial assets and liabilities the carrying value approximates fair value.

23. Notes to the Statements of Cash Flows

	2018 \$'000	2017 \$'000
Reconciliation of cash flows from operating activities		
Loss for the period after income tax	(1,366)	(1,244)
Adjustments for:		
Depreciation	29	16
Impairment of assets	-	112
Other expenses	1	26
Employee expenses	127	-
Employee option expense	92	-
Operating loss before changes in working capital and provisions	(1,117)	(1,090)
Decrease / (increase) in receivables	(8)	232
Decrease / (increase) in prepayments	(2)	2
Increase / (decrease) in payables	31	(139)
Increase / (decrease) in provisions	(150)	(49)
Increase / (decrease) in other creditors	362	153
Net cash (used in) operating activities	(884)	(891)

Notes to the Financial Statements

For the year ended 30 June 2018

24. Employee Benefits

	2018 \$'000	2017 \$'000
Current		
Liability for annual leave	12	9
Liability for superannuation	6	6
Liability for employee bonuses	127	-
	145	15
Non-Current		
Liability for long service leave	45	26
Liability for annual leave	12	9
	57	35
	202	50

(a) Defined contribution superannuation funds

The consolidated entity makes contributions to defined contribution superannuation funds. The consolidated entity has a legally enforceable obligation to contribute to these plans and contributes at the statutory rate of 9.5% of gross earnings. The amount recognised as expense or capitalised was \$79,862 for the financial year ended 30 June 2018 (2017: \$85,595).

(b) Share based payments

The consolidated entity has an employee share option plan which was approved at the 2006 Annual General Meeting held on 22 November 2006.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the consolidated entity's shares traded during the five business days preceding the date of granting the option.

All employee options expire on the earlier of their expiry date or three months after the termination of the employee's employment. Option issues generally contain a vesting period and exercise is solely at the discretion of the holder. All options are unlisted and cannot be sold or transferred.

There are no voting rights attached to the options or to the unissued ordinary shares. Voting rights will be attached to the issued ordinary shares when the options have been exercised.

Summary of options over unissued ordinary shares

Details of options over unissued ordinary shares as at the beginning and end of the reporting period and movements during the year are set out below.

The fair value of shares issued as a result of exercising options during the reporting period is the market price of the shares of the consolidated entity on the Australian Securities Exchange as at close of trading on the date of issue.

There were nil options exercised during the year (2017: 889,120).

Terms and conditions of share-options program:

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options granted to senior employees on 31 Oct 2013	779	1 year service	4 years
	779	2 years service	
	779	3 years service	
Options granted to senior employees on 27 September 2017	3,125	1 year service	4 years
	3,125	2 years service	
	3,125	3 years service	
	11,712		

Notes to the Financial Statements

For the year ended 30 June 2018

24. Employee Benefits *(continued)*

Reconciliation of outstanding share options:

Expiry date	Exercise price \$	Number of options at beginning of year	Options granted	Options expired	Options lapsed	Options exercised	Options forfeited	Number of options on issue at end of year	Proceeds received \$	Number of shares issued	Share price at date of exercise \$
30-Jun-18											
26-Sep-21	\$0.00	-	9,375,000	-	-	-	-	9,375,000	-	-	-
31-Oct-17	\$0.00	362,110	-	(362,110)	-	-	-	-	-	-	-
		362,110	9,375,000	(362,110)	-	-	-	9,375,000	-	-	-
30-Jun-17											
15-Nov-16	\$0.00	546,280	-	(143,264)	-	(403,016)	-	-	-	403,016	0.02
31-Oct-17	\$0.00	848,214	-	-	-	(486,104)	-	362,110	-	486,104	0.02
		1,394,494	-	(143,264)	-	(889,120)	-	362,110	-	889,120	-

The market value of shares under these options at 30 June 2018 was \$0.02 each (30 June 2017: \$0.02).

25. Related Parties Disclosures

(a) Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see Note 6(e)), or capitalised under exploration and evaluation assets per accounting policy Note 3(m) are as follows:

	2018 \$	2017 \$
Short-term employee benefits	1,013,101	1,034,141
Long-term employee benefits	1,633	7,723
Post-employment benefits	68,034	76,268
Termination benefits	16,667	-
	1,099,435	1,118,132

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Gindalbie Metals Ltd held, directly, indirectly, or beneficially by each key management person, including their related parties is as follows:

Number of shares 2018	Held at 1-Jul-17	Purchases or held at date of employment	Received on exercise of options	Sales	Less balance held upon resignation	Held at 30-Jun 2018
Directors						
Mr K F Jones	300,000	-	-	-	-	300,000
Mr A R Marshall	200,000	-	-	-	-	200,000
Mr P D Hallam	100,000	-	-	-	-	100,000
Executives						
Mr C Stevens	-	-	-	-	-	-
Ms R Moylan	163,411	-	-	-	-	163,411

Notes to the Financial Statements

For the year ended 30 June 2018

25. Related Parties Disclosures *(continued)*

(a) Key management personnel compensation *(continued)*

Number of shares 2017	Held at 1-Jul-16	Purchases or held at date of employment	Received on exercise of options	Sales	Less balance held upon resignation	Held at 30-Jun 2018
Directors						
Mr K F Jones	300,000	-	-	-	-	300,000
Mr A R Marshall	200,000	-	-	-	-	200,000
Mr P D Hallam	100,000	-	-	-	-	100,000
Executives						
Mr C Stevens	-	-	-	-	-	-
Ms R Moylan	163,411	-	-	-	-	163,411

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Gindalbie Metals Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Number of options 2018	Held at 1-Jul-17	Granted as remuneration	Exercised	Other Changes*	Held at 30-Jun 2018	Vested during the year	Vested and exercisable 30-Jun 2018
Executives							
Mr C Stevens	-	6,250,000	-	-	6,250,000	-	-
Ms R Moylan	-	3,125,000	-	-	3,125,000	-	-
Number of options 2017	Held at 1-Jul-16	Granted as remuneration	Exercised	Other Changes*	Held at 30-Jun 2013	Vested during the year	Vested and exercisable 30-Jun 2017
Executives							
Mr C Stevens	-	-	-	-	-	-	-
Ms R Moylan	-	-	-	-	-	-	-

No options held by key management personnel are vested but not exercisable as at 30 June 2018.

(b) Individual Director's and executives' compensation disclosures

Information regarding individual Director's and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the consolidated entity, or the consolidated entity since the end of the previous financial year, and there were no material contracts involving Directors' interests existing at year-end.

(c) Other related party transactions

Subsidiaries

Loans to subsidiaries are non-interest bearing. During the financial year ended 30 June 2018, such loans to subsidiaries totalled \$nil (2017 \$nil).

Investments

A tenement cost recovery fee cost recovery fee was charged by the consolidated entity to KML totalling \$6,583 (2017: consolidated entity owed KML \$22,044). Prior year representing recharge of administrative costs by KML. There is a balance of \$22,044 due to KML as at 30 June 2018 (2017: \$22,044 due to KML).

Notes to the Financial Statements

For the year ended 30 June 2018

26. Contingent Liabilities

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.

During the year, in August 2017, KML renewed the US\$400 million Fixed Term Loan Facility with China Development Bank and Bank of China which was due for repayment in August 2017, for another 12 months to August 2018. Similarly, in March 2018, KML entered into a new US\$300 million Foreign Currency Loan Contract with China Guangfa Bank. The Facility was due for repayment 12 months from the date of first utilisation which was anticipated to be on or around 27 March 2018.

Gindalbie did not provide consent to extend its unlimited shareholder guarantee over the renewal periods and accordingly no longer provides unlimited shareholder guarantees to Ansteel in respect of these loans.

As at 30 June 2018, Gindalbie has remaining shareholder guarantees totalling \$226 million in relation bank guarantees provided to suppliers of KML.

Limited Recourse Guarantees:

As at 30 June 2018, Gindalbie has provided limited recourse guarantees to Ansteel, limited to the extent of Gindalbie's shareholding in KML in accordance with the Gindalbie shareholder vote in November 2015. The KML limited recourse guarantees, through to 30 June 2018, exceed USD3.1b.

The KML limited recourse guarantees are secured over the shareholding Gindalbie holds in Karara. The Karara asset is recorded at a nil value in the accounts of Gindalbie and therefore these guarantees do not impact on the financial position of Gindalbie.

27. Parent Entity Disclosure

With the exception of the below, all items in the consolidated statement of comprehensive income and consolidated statement of financial position are consistent with those of the parent entity. All contingent liabilities and contractual commitments of the parent entity are consistent with the group.

	2018 \$	2017 \$
Current assets	35,857	37,809
Non-Current assets	2,884	1,752

Notes to the Financial Statements

For the year ended 30 June 2018

28. Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785 the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Kobalamin Limited

Kobalamin Limited became a party to the Deed on 30 June 2018, by virtue of a Deed of Assumption.

The consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, are consistent with those of the parent entity

29. Events Subsequent to Reporting Date

The company confirms that there have been no material subsequent events after the reporting date.

Corporate Governance Statement

The Company's Board is committed to protecting and enhancing shareholder value and conducting the Company's business ethically and in accordance with high standards of corporate governance. In determining those standards the Company has had reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations recently released 3rd Edition ("ASX Recommendations"). The Company believes that its practices are substantially consistent with the ASX Recommendations and will continue to adapt its governance practices to be consistent with them and make changes as appropriate, having regard to the nature and scale of the Company's business.

A description of the Company's main corporate governance practices is set out in its Corporate Governance Statement available online at www.gbgmetals.com. The practices reflect the Company's existing corporate governance policies and are current as at 3 September 2018. The Corporate Governance Statement has been approved by the Board.

Shareholder Information

1. Shareholder Information at 3 September 2018

(a) Distribution of Shareholders

Size of Holding	Number of Holders	Shares Held
1 - 1,000	1,658	937,698
1,000 - 5,000	3,499	10,486,983
5,001 - 10,000	2,066	16,595,315
10,001 - 100,000	4,212	147,200,736
100,001 and over	1,143	1,324,419,327
Total	12,578	1,496,637,059

There are 9,488 shareholders who hold less than a marketable parcel of 7,155 shares.

(b) The twenty largest shareholders hold 58.74% of the issued fully paid capital of the Company.

(c) Substantial Shareholders

Shareholder	Number of Shares	%
Angang Group Hong Kong (Holdings) Limited	535,492,521	35.71

2. Voting Rights

The voting rights attaching to ordinary shares are:

- (a) at meetings of members each member entitled to vote may vote in person or by proxy or attorney or in the case of a member which is a body corporate, by a representative, duly appointed; and
- (b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy has one vote for each ordinary share held.

3. Twenty Largest Shareholders as at 3 September 2018

Rank	Name	3 Sep 2018	%IC
1	ANGANG GROUP HONG KONG (HOLDINGS) LIMITED	535,492,521	35.71
2	MS LINLIN LI	94,346,132	6.29
3	CITICORP NOMINEES PTY LIMITED	60,359,300	4.02
4	MS AIPING ZHANG	55,500,000	3.70
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	36,513,291	2.43
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	12,582,164	0.84
7	MR PEDRAM MIRKAZEMI	12,000,000	0.80
8	MR NING WANG	8,781,116	0.59
9	MONNA MIRKAZEMI SUPERANNUATION PTY LTD	8,500,000	0.57
10	SUN PHOONG CORPORATION PTY LTD	7,370,851	0.49
11	MS XIAOYING LIU	6,548,312	0.44
12	S C F I PTY LTD	6,000,000	0.40
13	D & T INVESTMENTS PTY LTD	5,806,667	0.39
14	BNP PARIBAS NOMINEES PTY LTD	5,581,017	0.37
15	MR KAH CHOON WAI	5,000,000	0.33
16	MR GREGORY JOHN BAILEY & MRS JEANETTE MARGARET BAILEY	4,500,000	0.30
17	MRS CECYLIA WOZNAK & MR RYSZARD WOZNAK	4,150,000	0.28
18	MR UMBERTO CONDO	4,000,000	0.27
19	JF APEX SECURITIES BERHAD	3,966,623	0.26
20	LOONG PHOONG PTY LTD	3,870,950	0.26
Total		880,868,944	58.74
Balance of register		618,768,115	41.26
Grand total		1,499,637,059	100.00

Summary Resources Statements

For the year ended 30 June 2018

Indicated Mineral Resources - Windabout and MG14 Deposits as at 30 June 2018

Cu Eq > 0.5% cut off					Cu Eq > 0.1% cut off				
Mt	Cu%	Co ppm	Ag g/t	Cu Eq%	Mt	Cu%	Co ppm	Ag g/t	Cu Eq%
17.67	0.77	492	8	1.41	11.86	0.95	559	10	1.73

Table 1: Windabout Indicated Resource

Cu Eq > 0.5% cut off					Cu Eq > 0.1% cut off				
Mt	Cu%	Co ppm	Ag g/t	Cu Eq%	Mt	Cu%	Co ppm	Ag g/t	Cu Eq%
1.83	1.24	334	14	1.67	1.59	1.33	360	15	1.8

Table 2: Mg-14 Indicated Resource

Mineral Resources

[Table 1] Gindalbie Metals Limited (ASX: GBG)'s Mt Gunson Copper-Cobalt Project Update dated 19 January 2018 includes an updated MG14 Resource statement under the JORC Code 2012. Tonnes have been rounded. Discrepancies in totals may exist due to rounding. Cu equivalent has been calculated from Cu and Co metal selling prices, recoveries and other assumptions contained in the appendices of this announcement. Strandline Resources Limited (ASX: STA)'s Annual Report 2015 dated 30 September 2015 for the MG14 Resources was prepared and first disclosed under the JORC Code 2012.

[Table 2] Gindalbie Metals Limited (ASX: GBG)'s Mt Gunson Copper-Cobalt Project Update dated 19 January 2018 includes an updated Windabout Resource statement under the JORC Code 2012. Tonnes have been rounded. Discrepancies in totals may exist due to rounding. Cu equivalent has been calculated from Cu and Co metal selling prices, recoveries and other assumptions contained in the appendices of this announcement.

Strandline Resources Limited (ASX: STA)'s ANNUAL Report 2015 dated 30 September 2015 for the Windabout Resources was prepared and first disclosed under the JORC Code 2004.

Competent Person's Statement

This report was prepared in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Tim Callaghan, who is a Member of the Australian Institute of Mining and Metallurgy ("AusIMM"), has a minimum of five years' experience in the estimation and assessment and evaluation of Mineral Resources of this style and is the competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context it appears. The MG14 and Windabout Mineral Resource at the Mount Gunson Copper-Cobalt Project has been estimated by Mr Tim Callaghan, an external consultant, and is reported under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves (see Gindalbie Metals ASX announcement 19 January 2018 titled: Mt Gunson Copper-Cobalt Project Update).

Summary Resources Statements

For the year ended 30 June 2018

Lodestone Magnetite Resources inclusive of Reserves as at 30 June 2018

In situ BIF (Inferred)								
Oxidation	Tonnes (Mt)	% Fe Head	% SiO ₂ Head	% Al ₂ O ₃ Head	% P Head	% LOI Head	% S Head	
Oxide	6	35.9	43.0	1.80	0.05	2.47	0.03	
Fresh	638	30.2	43.8	3.91	0.06	2.63	1.29	
Total	644	30.2	43.8	3.89	0.06	2.63	1.28	
Recovered concentrate (Inferred)								
Oxidation	Tonnes (Mt)	% DTR weight recovery	% Fe Con	% SiO ₂ Con	% Al ₃ O ₂ Con	% P Con	% LOI Con	% S Con
Oxide	2	30.5	63.6	11.2	0.18	0.02	-0.38	0.10
Fresh	202	31.7	64.3	9.5	0.32	0.02	-2.22	0.38
Total	204	31.7	64.3	9.5	0.32	0.02	-2.20	0.37

The Lodestone Mineral Resource (Resource) was prepared and first disclosed under the JORC Code 2004. It has been updated since to comply with the JORC Code 2012 and the information has not materially changed since it was last reported to the ASX on 27 October 2016.

The Resource, reported above a 20% DTR weight recovery, is presented in the above table. The Resource is limited to within the optimised pit shell.

Small discrepancies may occur due to the effects of rounding, estimates of recovered magnetite concentrate are based on DTR results using a P80 25um grind size.

Competent Person's Statement

The information in this report that relates to the Lodestone Mineral Resource estimate is based upon information compiled by John Graindorge who is a Chartered Professional (Geology) and a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to 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". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Summary Resources Statements

For the year ended 30 June 2018

Lease	Status	Holder	Ownership
Gindalbie Metals Ltd 100%			
E59/1955	Granted	Gindalbie Metals Ltd	100%

Lease	Status	Holder	Ownership
Minjar Gold JV Gindalbie 100% Fe; Minjar Gold 100% Gold and Base Metals			
E59/1002	Granted	Gindalbie Metals Ltd	100%



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