

## KEY POINTS

- At 31 December 2017, Gindalbie had term deposits of AUD\$34.9 million, and cash equivalents of AUD\$1.3 million.
- Gindalbie Metals Ltd ("Gindalbie" or the "Company") held its Annual General Meeting on 24 November 2017. All resolutions were passed by shareholders.



## CORPORATE

### Annual General Meeting

Gindalbie held its Annual General Meeting on 24 November 2017.

All resolutions were passed by a show of hands at the meeting. Mr Ge Li and Mr An Lin Shao were all re-elected as Directors of the Company.

### Chief Executive Officer's terms of employment

Gindalbie announces that the employment contract of the Chief Executive Officer, Mr Chris Stevens, has been varied to remove the two (2) year term expiring on 23 May 2018; the employment agreement now provides for termination by either party with three (3) months' notice in accordance with the existing Agreement. All other material terms of the Chief Executive Officer's employment contract remain unchanged.

### Contingent Liability Update

Gindalbie wishes to advise that a parent company performance guarantee provided to a supplier of Karara Mining Limited ("KML") for A\$20million, has matured.

Separately, and as disclosed in Gindalbie's September 2017 Quarterly Report, a US\$300m Fixed Term Loan Facility is scheduled to mature in April 2018. As an update, the bank guarantees provided to suppliers of KML in place after the rollover of the US\$300m Fixed Term Loan Facility equate to a maximum of A\$216m (subject to exchange rate fluctuations). Gindalbie continues to actively work towards the reduction of contingent liabilities relating to KML.

December 2017

## QUARTERLY REPORT



### Mount Gunson Project Update

#### Drilling and JORC 2012 Resource Estimation

Further to previous announcements, a drilling programme was completed in September 2017. Although the programme was primarily designed to obtain fresh ore samples for detailed metallurgical testwork the additional drilling allowed the Company to update Mineral Resource estimates at MG14 and Windabout deposits to JORC2012 standards. Results were announced following completion of the quarter (see announcement on 19<sup>th</sup> January 2018). The updated results providing the basis to undertake in-depth mining and optimisation studies.

#### Mining Options Study

A mining study undertaken by mining and metallurgical consultants Mining & Process Solutions (MPS) has commenced and is focused on mine design, optimisation and planning for the MG14 and Windabout deposits. Mining method selection at Windabout will be a key part of the study with the current resource modelling work indicating zones of high grade ore that could be scheduled for earlier mining at a higher cut off grade during the life of the operations.

The results of the mining options study will be used as part of the scoping study update due in the first half of 2018.

#### Metallurgical Testwork

A preliminary study of metallurgical options has been undertaken to assess all and to form the basis of the detailed scope for metallurgical test work which will be undertaken following the recently conducted drilling program. The metallurgical options study included a high-level concentrate marketing study which has provided inputs to the scope for the next stage of metallurgical testwork based on updated information on current market conditions and forecasts for the sale of copper and cobalt concentrates.

The Company has appointed Strategic Metallurgy to manage and undertake a metallurgical testwork programme. The metallurgical testwork is currently being undertaken and has moved through sample preparation and de-sliming testwork into the flotation testwork and optimisation phase. The principal objective being to improve sulphide flotation recoveries, results are expected in the second quarter of 2018.

#### Exploration and Resource Development

In addition to the existing copper-cobalt resources at Mt Gunson, the project includes over 800km<sup>2</sup> of tenements highly prospective for copper and cobalt. A major exploration targeting campaign is underway across the tenement package to assess the potential for both additional sedimentary hosted mineralisation and IOCG mineralisation.

The South Australian government, in partnership with Geoscience Australia, has recently completed a high-resolution airborne geophysical and terrain imaging programme over the Mt Gunson tenements, with the results expected imminently. The magnetic, radiometric and elevation data gained by this programme, combined with historic and new data compilation, will be used to refine and optimise exploration targeting work at Mt Gunson.

#### Emmie Bluff Prospect

MPS is conducting a concept study to assess the viability of the Emmie Bluff Cu-Co-Ag prospect, located on the northern part of the tenements. Emmie Bluff has a historical non-JORC compliant mineral estimate which will be used to assess viability of the prospect. If positive, this may provide a significant exploration target for additional work.

## Update on Phase 2 Study Timeframe

Phase 1 of the farm-in is currently progressing according to schedule with expected completion during the first half of 2018. The work during Phase 1 is primarily focused on reducing critical uncertainty by narrowing the processing and mining options for the Mt Gunson copper-cobalt ore down to those suitable for taking through into a pre-feasibility study. During Phase 1, detailed planning will also be undertaken with regards to the expected scope and schedule for Phase 2. A summary of the schedule will be released to the market at the appropriate time should the board of Gindalbie approve continuation into Phase 2 of the farm-in (see market release 17<sup>th</sup> March 2017 for more detail on the farm-in structure).

The Company notes that the time-frames referred to in the Joint Venture and Farm-in Agreement are sunset clauses for the maximum time allowed for the expenditure of farm-in commitments only and are in no way indicative of an expected development schedule for the project. Such clauses are considered standard in agreements of this nature to define the maximum period in which expenditure commitments must be honoured.

## Strategic Development

Gindalbie remains actively engaged in the evaluation of strategic development opportunities both organically within the Mt Gunson Copper-Cobalt Project as well as potential growth through acquisition outside of the Project to leverage its remaining cash assets and drive shareholder value.

The Company continues its focus on projects in the post-scoping study to decision-to-mine phase, primarily in the gold and base metals sectors. Gindalbie is in a strong position to act and is conducting due diligence on several potential growth opportunities.

## Gindalbie Regional Exploration- Midwest Tenements

Exploration during the December 2017 Quarter continued to focus on review and reporting of recent exploration work as well as follow up work to identify the potential for coarse grain magnetite within the existing Lodestone Magnetite Resource. Exploration activities during the March 2018 Quarter will continue to focus on the potential for coarse grain magnetite on the tenements.

## Shareholder Information

As at 31 December 2017, Gindalbie had 1,496,512,060 shares on issue and 13,140 shareholders.

The Top 20 shareholders held 58.78% of the issued share capital of Gindalbie.

## Cash Reserves

At 31 December 2017, Gindalbie had term deposits of AUD\$34.9 million, and cash equivalents of AUD\$1.3 million.

## KARARA PROJECT

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.

### Production

During the December 2017 Quarter KML produced approximately 2.128 million dry metric tonnes ('DMT') of magnetite concentrate at Karara, an increase of 16.29% over September 2017 Quarter production of 1.830 million DMT.

A total of 35 shipments were completed by KML from the Karara Export Terminal at Geraldton totalling approximately 2.095 million DMT of magnetite concentrate.

Magnetite production grade quality during the December 2017 Quarter averaged 65.6% Fe.

### Karara Magnetite Unit '000 DMT

Quarter (Qtr)	Jun -17 Qtr	Sep -17 Qtr	Dec -17 Qtr
Ore Mined	4,891	5,023	5,613
Concentrate Product	2,095	1,830	2,128
Concentrate Shipped	2,093	1,851	2,095

For the December 2017 Quarter, average magnetite C1 unit cash cost (mining, processing, maintenance, rail, port and site administration) excluding depreciation and amortisation, corporate administration, exploration, sale, royalties, ocean freight, interest and financing costs was approximately AUD<sup>1</sup> \$70.85 per DMT (September 2017 Quarter: approximately AUD \$82.36 per DMT).

### Sales

The realised price for Karara magnetite concentrate is represented by the published benchmark assessment of the spot price of a standard specification of iron ore fines with 65% iron (Platts IODEX 65% Fe), less a discount on 3rd party sales and adjusted for its higher iron grade relative to the benchmark (December 2017 Quarter – average of approximately 65.6% Fe), less standard penalties for impurities.

The average realised CFR<sup>2</sup> price for the December 2017 Quarter was approximately AUD \$98.21 per DMT<sup>3</sup> on a provisional basis (September 2017 Quarter: approximately AUD \$105.12 per DMT).

<sup>1</sup> Unit cost reported is based on production volume.

<sup>2</sup> Cost and freight (CFR) indicates that all costs related to transportation of goods to a named port of destination are paid by the seller of the goods.

<sup>3</sup> Average price is based on provisional payments received as final price for December 2017 cargoes are not settled yet. Pricing formulas contained in KML sale contracts are based on the final price being determined in the month after the month of shipment. A reconciliation and settlement takes place once a final price is known in the actual month of settlement.

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December 2017

# QUARTERLY REPORT



ENDS

**On behalf of:**

Mr Keith Jones

Chairman

Ms Rebecca Moylan

Chief Financial Officer and Company Secretary

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