

KEY POINTS

- At 30 June 2018, Gindalbie had term deposits of AUD\$32.6 million, and cash equivalents of AUD\$2.79 million.
- The board of Gindalbie Metals approved the entry by the Company into Stage 2 of the Mt Gunson Copper-Cobalt Project.
- The Company has formally entered Stage 2 of the Mt Gunson Copper-Cobalt Project Farm-in



CORPORATE

Mount Gunson Project Update

Entry into Stage 2 of the Mt Gunson Copper-Cobalt Project Farm-in

During the June 2018 quarter the Company released a Scoping Study Update and announced to the market its intention to enter Stage 2 of the Mt Gunson Copper-Cobalt Project Farm-in and Joint Venture Agreement. Please refer to the ASX release on 23rd May 2018 for more details.

Under the terms of the Farm-in and Joint Venture Agreement, Gindalbie has the right to earn up to a 75% interest in the Mt Gunson assets by way of expenditure of A\$ 6.62M to earn 70% interest plus an option to purchase an additional 5% interest for A\$ 1.5M.

During the next Stage of the Farm-in, the Company will spend up to A\$ 2.5M in order to earn an additional 26% interest to a total of 51% interest in the Mt Gunson Assets on finalisation of the expenditure commitment.

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.

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 September quarter 2018 (subject to approvals and consents), the Company intends to undertake a drilling programme at MG14 and Windabout, currently 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 September quarter.

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, Gindalbie 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 Gindalbie with clear decision points during the progression of studies to maximise effectiveness and reduce risk to the Company.

Under the terms of the agreement, Gindalbie 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.

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

Variation Deed

The Company has executed a Variation Deed with Terrace Mining to extend the deadline for the expenditure of the Stage 1 Earning Obligation (A\$ 1.37M) from 19th May 2018 to 19th August 2018. The Variation Deed was required due to a budget underspend during Stage 1 of the Farm-in resulting from strong budget control and better than expected results from initial metallurgical testwork resulting in the early conclusion of Stage 1 laboratory tests.

At the current time, the Company expects to fulfil Stage 1 earning obligations in August 2018 and will make an announcement to market at the appropriate time. The Variation Deed presents no additional commercial risk and is simply due to cost controls during Stage 1 resulting in the underspend.

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).

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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 March 2018 Quarter continued to focus on review and reporting of recent exploration work at Lodestone. Exploration activities during the June 2018 Quarter will continue to focus on the potential for coarse grain magnetite on the tenements.

Shareholder Information

As at 30 June 2018, Gindalbie had 1,496,512,060 shares on issue and 12,685 shareholders.

The Top 20 shareholders held 59.11% of the issued share capital of Gindalbie.

Cash Reserves

At 30 June 2018, Gindalbie had term deposits of AUD\$32.6 million, and cash equivalents of AUD\$2.79 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 June 2018 Quarter KML produced approximately 1,951 million dry metric tonnes ('DMT') of magnetite concentrate at Karara, an increase of 2.56% over March 2018 Quarter production of 1.903 million DMT.

A total of 31 shipments were completed by KML from the Karara Export Terminal at Geraldton totalling approximately 1,886 million DMT of magnetite concentrate. KML undertook planned and unplanned maintenance during the quarter resulting in slightly lower than average production.

Magnetite production grade quality during the June 2018 Quarter averaged 65.6% Fe.

Karara Magnetite Unit '000 DMT			
Quarter (Qtr)	Dec -17 Qtr	Mar -18 Qtr	Jun -18 Qtr
Ore Mined	5,613	5,336	4,586
Concentrate Product	2,128	1,903	1,951
Concentrate Shipped	2,095	1,927	1,886

For the June 2018 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 AUD¹ 78.49 per DMT (March 2018 Quarter: approximately AUD \$80.11 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) plus a premium for magnetite concentrate (June 2018 Quarter – average of approximately USD\$3.17 per DMT) and adjusted for its higher iron grade relative to the benchmark (June 2018 Quarter – average of approximately 65.6% Fe), less standard penalties for impurities.

The average realised CFR² price for the June 2018 Quarter was approximately AUD \$116.55 per DMT³ on provisional basis (March 2018 Quarter: approximately AUD \$118.08 per DMT).

¹ Unit cost reported is based on production volume.

² 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.

³ Average price is based on provisional payments received as final price for June 2018 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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ENDS

On behalf of:

Mr Keith Jones

Chairman

Ms Rebecca Moylan

Chief Financial Officer and Company Secretary

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