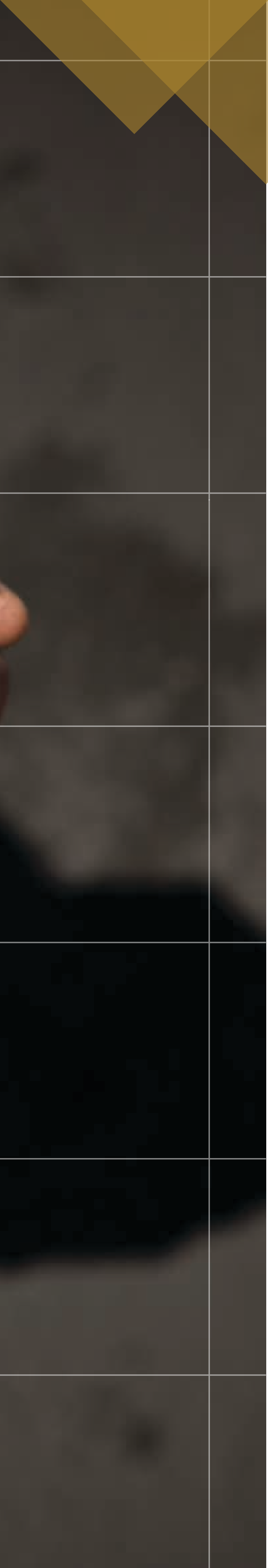
GINDALBIE
METALS LTD

2014 Annual Report

ABN: 24 060 857 614



Contents

Corporate Directory

Directors

Keith Jones	Chairman
Michael O'Neill	Acting Managing Director
Tang Fuping	Non-Executive Director
Yu Wanyuan	Non-Executive Director
Chen Ping	Non-Executive Director
Andrew (Robin) Marshall	Non Executive Director
Paul Hallam	Non-Executive Director

Company Secretaries

Christopher Gerrard
Jan Horsman

Registered Office & Administration

Gindalbie Metals Limited
Level 9, London House
216 St Georges Tce
PERTH WA 6000
AUSTRALIA

PO Box 7200
CLOISTERS SQUARE WA 6850
AUSTRALIA

Phone: +61 8 9480 8700
Fax: +61 8 9480 8799
Email: gbg@gindalbie.com.au
Website: www.gindalbie.com.au

Auditors

KPMG
235 St Georges Terrace
PERTH WA 6000
AUSTRALIA

Share Registry

Link Market Services Limited
Level 4
152 St Georges Terrace
PERTH WA 6000
AUSTRALIA

Locked Bag A14
SYDNEY SOUTH NSW 1235

Phone: +61 1300 554 474
Fax: +61 2 9287 0303
Website: www.linkmarketservices.com.au

ASX Code: GBG
ABN: 24 060 857 614

Chairman's Report

Dear Shareholders,

The past 12 months has been a confronting period for Gindalbie. We have had to work with a plant that could not deliver production at design specification and in an environment of falling iron ore prices and a strong Australian dollar.

Our focus has been on assisting Karara Mining Ltd ("KML") manage the consequences of the capacity constraints identified during the ramp-up of the Karara Project. The Project is currently unable to operate at the production levels originally forecast without further rectification work being undertaken. As a result, the Project has not yet become cash flow positive and has required significant additional funding.

The operational difficulties have coincided with a period of significant volatility in the iron ore price, which has moved sharply lower in the past few months in response to new supply coming into the market. At the same time, the continued strength of the Australian Dollar has helped to create what must be as close to the perfect storm as one can get in our industry.

Against the backdrop of these adverse conditions, the ongoing support of our long-term joint venture partner at KML, Ansteel, has been outstanding. Not only has Ansteel been a source of immense financial strength, but its determination to overcome the obstacles and realise the potential of the Karara Project has been relentless.

The injection of fresh capital into KML by Ansteel during the year has been crucial to enable the joint venture to meet both its ongoing financial requirements and to undertake the work needed to increase production levels at the Project.

The need for additional funding has necessitated that Gindalbie reduce its stake in KML to reflect Ansteel's greater financial contribution. In March 2014, Ansteel converted shareholder loans into new shares in KML which reduced Gindalbie's shareholding in KML from 50% to 47.84% and shifted control of the entity to Ansteel with a shareholding of 52.16%.

While the Gindalbie Board does not make such decisions lightly, the Directors have no doubt that this combined debt and equity adjustment represented the best outcome for Gindalbie shareholders. Ultimately, the interests of Gindalbie shareholders are best-served by maximising Karara's performance. The decisions your Board has taken in respect to the funding and ownership of KML are entirely consistent with that objective.

The Gindalbie Board in August 2014 announced to the market a write-off of its investment in KML and this has been incorporated into the

2014 financial statements. Karara remains a key asset of Gindalbie however the write-down reflects our value assessment based upon the underlying performance and current market fundamentals impacting upon Karara.

Karara has made significant progress over the year in improving performance, however many challenges remain to be overcome before the operation is self sustaining.

KML is currently completing an engineering review which has been planned to identify any remaining constraints at the Project and provide a way forward to increase production levels. In this regard, Gindalbie continues to provide as much support as possible to both its partner Ansteel and KML.

During the year, Gindalbie rationalised its corporate head office to reduce overheads and costs to an appropriate level considering the status of the Company's investment in KML and the delays in achieving full production levels at the Project.

I would like to take this opportunity to thank the management teams at both Gindalbie and KML who continue to work to achieve positive outcomes and to move the Project forward.

I express my thanks to Dale Harris who commenced as Managing Director with Gindalbie in October 2013 and, following a short secondment period, moved permanently from Gindalbie into the position of Chief Executive Officer at KML. Mr Michael O'Neill, a non executive Director with Gindalbie since 2006 has stepped into the position of Acting Managing Director and I thank him and the other Gindalbie Directors for their efforts throughout this difficult year.

I also thank Mr Tang Fuping, Mr Yu Wanyuan, Mr Chen Ping for their support. They have helped ensure the survival of KML in difficult circumstances.

In conclusion, and most importantly, I take this opportunity to thank you, our shareholders, for your forbearance and assure you that we are continuing to work hard on your behalf.

Keith Jones
Chairman

Corporate Update

Investment in Karara Mining Ltd (47.84%)

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

In March 2014, Ansteel converted two shareholder loans into new shares in KML resulting in Gindalbie's proportional shareholding reducing from 50% to 47.84% and Ansteel increasing its ownership of KML from 50% to 52.16%.

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%.

Ansteel has arranged and guaranteed additional bank debt for KML during the financial year. Gindalbie, in accordance with the Karara shareholders' agreement, has provided consents and counter-guarantees to Ansteel for Gindalbie's proportion of potential liability under Ansteel's guarantees of this additional bank debt.

Gindalbie Board & Management Changes

Mr Timothy Netscher resigned as Managing Director of Gindalbie in October 2013, and former senior Rio Tinto Iron Ore executive Mr Dale Harris was appointed as Managing Director. Following a period of secondment to KML, Mr Harris was appointed Chief Executive Officer of KML to directly oversee

operations including the continuing debottlenecking and ramp-up of production at Karara. Mr Harris resigned as Managing Director of Gindalbie effective from 1 June 2014 and Mr Michael O'Neill, who has been a Non-Executive Director of Gindalbie since 2006, was appointed Acting Managing Director.

Mr David Richardson resigned as Chief Financial Officer (CFO) in January 2014 and Mr Wayne Zekulich was engaged on a short term contract basis as CFO. Ms Rebecca Moylan was appointed CFO following the expiration of Mr Wayne Zekulich's contract on 30 June 2014. Ms Moylan is a Certified Practising Accountant and is an experienced Corporate and Finance Manager. Ms Moylan has over 12 years' experience in the areas of corporate advisory and financial management and has been with the Company for 3 years.

Ms Jan Horsman was appointed as an additional Company Secretary and as Manager Investor Relations & Administration following the resignation of Mr Michael Weir in May 2014. Ms Horsman has been with Gindalbie for four years and was previously Administration Manager with Australasian Resources Ltd. Ms Horsman has over 20 years' experience in the mining industry.

Rationalisation and Cost Reduction Program

As the Company's highest priority remains the support of its investment in KML the Company completed a reduction in staffing levels and implemented an ongoing cost reduction program to ensure the Company can fund its ongoing operating and investment commitments.

Review of Operations

GINDALBIE REGIONAL PROJECTS

Gindalbie has an extensive tenement package in the Mid West region outside of the Karara Project including the Lodestone Magnetite Project.

Lodestone Magnetite Project

At the Lodestone Magnetite Project, located 45km south-east of Karara, Gindalbie has a JORC 2004 Compliant Mineral Resource (Resource), which is reported above a 0% Fe cut-off grade as detailed on page 74.

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.

Strategic options are being considered in order to evaluate the best way to unlock the value of Lodestone for Gindalbie shareholders.

Regional Tenements

During the year, Gindalbie continued to progress regional exploration activities across its tenure in the Mid West region.

At the Lister Prospect, located around 6km to the south of the Shine DSO (Direct Shipping Ore) Project, significant iron-enrichment (≥3m at 55% Fe) was intersected in 11 of 12 Reverse Circulation (RC) holes completed in early 2014. Drilling was undertaken to test the continuity of mineralisation intersected in programs undertaken between 2007 and 2008.

Mineralisation will be best developed over approximately 100m strike length in the southern portion of the prospect, corresponding with a mapped zone of goethite-hematite enrichment.

Best intersections from the current program in the southern area include:

- 22m @ 53.8% Fe from 28m in hole LRC050
- 24m @ 58.9% Fe from 38m in hole LRC051
- 19m @ 59.4% Fe from 58m in hole LRC052

Mineralisation in the central and northern zones of the prospect is interpreted, based on drilling to date, to have a variable true-width and is semi-continuous along strike. Best intersections from the current program in this area include:

- 8m @ 54.0% Fe from 16m in hole LRC047
- 10m @ 55.9% Fe from 17m in hole LRC049
- 4m @ 58.7% Fe from 12m in hole LRC054
- 5m @ 57.2% Fe from 59m in hole LRC058
- 5m @ 57.2% Fe from 45m in hole LRC048
- 11m @ 61.1% Fe from 18m in hole LRC053
- 9m @ 55.7% Fe from 8m in hole LRC056

Mineralised intercepts are based on selective RC drilling results and should not be used directly to make estimates of any potential Mineral Resource.

It is proposed to undertake resource block modelling and optimisation studies to determine whether additional studies are warranted. A detailed explanation of the material information relating to these exploration results has previously been reported, compliant with JORC 2012, in the Gindalbie ASX Quarterly Activities Report – June 2014 released on 31 July 2014.

Sale of Shine

During the reporting period, Gindalbie completed the sale of its 100%-owned Shine DSO Deposit, located 40km north-east of the Karara Project, to Mount Gibson Iron Limited (ASX: MGX).

A total of 139 shipments were completed during FY14

Gindalbie received an upfront cash payment of $12 million, with a further milestone payment of $3 million due on the first commercial sale of iron ore from the Deposit. The $3 million milestone payment represents a non-refundable pre-payment of royalties. Gindalbie is entitled to receive a royalty of A$0.20 per tonne sold for every A$1 the Platt's 62% price is above A$115 per tonne (on a monthly average).

KARARA PROJECT

Overview

KML operates Karara on behalf of its shareholders Ansteel (52.16%) and Gindalbie (47.84%).

Karara is the largest new resource project in the Mid West region of Western Australia comprising a substantial, long-life magnetite concentrate operation with the potential to produce +30Mtpa for more than 35 years. In January 2013, the first shipment of Karara magnetite concentrate was made from the Karara Export Terminal in Geraldton.

Production

A total of 139 shipments were completed during the 2014 Financial Year totalling 8.31 million wet metric tonnes (wmt) of combined magnetite concentrate and DSO.

Magnetite production quality averaged 63.9% Fe and 8.7% silica during the reporting period.

Karara Magnetite					
Unit '000 wmt	**Sep-13 Qtr**	**Dec-13 Qtr**	**Mar-14 Qtr**	**Jun-14 Qtr**	**FY2014 Total**
Ore mined	1,815	2,265	1,773	2,742	8,595
Concentrate Produced	657	829	901	930	3,317
Concentrate Shipped	685	897	911	895	3,388
Karara Hematite DSO					
Ore Mined:					
High Grade	786	593	137	0	1,516
Medium Grade	49	87	167	0	303
Low Grade	203	76	63	0	342
Total	1,038	756	367	0 *	2,161
DSO Shipped	1,042	1,495	1,276	1,149	4,962

* No DSO was produced in the June quarter following the completion of mining at the Terapod deposit and approvals to commence mining at the Hinge deposit not yet obtained.

The mining of magnetite ore from Karara was managed throughout the reporting period to match the concentrator throughput requirements.

KML implemented a DSO strategy to provide production flexibility to best utilise rail and shipping capacities during the ramp-up of Karara. In order to fully utilise rail and port capacities, agreements were entered into for the purchase of limited quantities of DSO ore from third parties. During the financial year third party purchases amounted to approximately 2.6 million wmt.

Given the ongoing work to assess and improve the production capacity and performance of Karara, the Gindalbie Board was unable to provide accurate production guidance or forecast when Karara will achieve positive cash flow.

Review of Operations (continued)

PROJECT DEVELOPMENT

Commissioning and Ramp-up

While individual areas of Karara have operated at their design rate, it was identified during the commissioning program that a number of bottlenecks are limiting the production capacity of the crusher and the concentrator.

A program of engineering design work is being undertaken to determine the future short and long term production rate and the capital cost to overcome these current limitations at Karara and achieve optimum output.

During the reporting period the following remedial actions were undertaken:

1. Tailings filters refurbishment program;
2. Installation of a temporary wet tailings system to allow partial by-pass of the tailings filters;
3. Thickener optimisation trials;
4. Construction commenced for the installation of an additional thickener;
5. Installation of de-watering cyclones after the rougher magnetic separation stage;
6. Implementation of feed blending strategy to the primary crusher;
7. Increased blasting to improve fragmentation; and
8. Trials on wear liners at the primary crusher.

Hinge Project

KML is developing the Hinge Iron Ore Project (HIOP), located approximately 10km north of the Terapod mine site and 23km north-east of the Karara Project. The HIOP is forecast to produce approximately 3.3 million tonnes of DSO and is projected to operate for around 18 months.

Ore produced will be crushed and screened at the HIOP, with material trucked to the existing rail load-out facility located at Karara. The HIOP is currently under construction, with first ore expected to be exported in Q4 2014.

Subsequent to the end of the reporting period, KML executed a contract with MACA Limited for civil, mining and drill & blast services with respect to HIOP. MACA has commenced initial civil and infrastructure works on site.

KML Board & Management Changes

In recognition of the change of ownership structure at KML, Mr Xie Qichun was appointed as an additional Ansteel non-executive Director on the KML Board on 20 May 2014. Mr Xie is a Vice President of Pangang Group Vanadium & Titanium Resources Co. Ltd.

The KML Board now has a total of five Directors.

Mr Chen Ping, who is a Gindalbie non-executive Director, and an Ansteel nominee Director of KML and current Chairman of the KML Board, was appointed as the Managing Director of KML on 27th February 2014.

Following the appointment of Mr Dale Harris as Chief Executive Officer of KML (and his consequent resignation as Managing Director of Gindalbie and as a Gindalbie nominee Director of KML) Mr Andrew (Robin) Marshall was appointed as a Gindalbie nominee Director of KML. Mr Marshall has been a Director of Gindalbie since December 2010.

KML Funding and Ownership Restructure

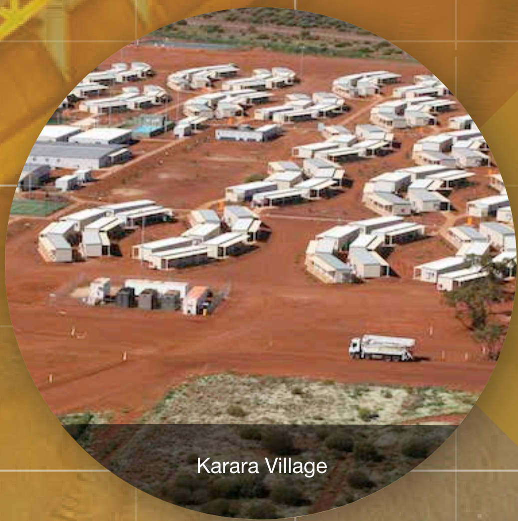
As reported earlier, during March 2014, Ansteel exercised a right to convert two shareholder loans of A$60 million in total to new shares in KML. This resulted in Ansteel increasing its ownership of KML from 50% to 52.16%, with the effect of dilution of Gindalbie's proportional ownership of KML from 50% to 47.84%.

Delays in the ramp-up of Karara production and therefore lower than forecast product shipment rates increased KML's working capital requirements with Karara effectively incurring all fixed operating costs plus commissioning costs while not yet generating full production revenue.

KML has required bridging finance to cover the additional working capital requirements. Funding has been received by way of additional bank debt guaranteed by Ansteel.

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


Flotation Tanks


Karara Village


Train unloading at
dual wagon tipper

Sustainability Report

SAFETY MANAGEMENT

Gindalbie and KML value the health and safety of all of their employees, contracting partners, site visitors and the wider community in which they operate. Gindalbie and KML are committed to a 'zero harm' philosophy relating to safety performance in all areas of the business.

Officers from the Department of Mines and Petroleum ("DMP") made several visits across the Karara operations during the reporting period. This included an Occupational Health & Safety Audit conducted by six Inspectors from the DMP. The main focus of the audit was to review the Safety Management Systems and interaction with employees. During the audit close out meeting some encouraging comments were made regarding the safety culture being developed at Karara.

KML has achieved an exceptional level of safety performance with a 12-month rolling total lost time injury frequency rate ("LTIFR") at 30 June 2014 of 1.04. This compares to the 2012-13 LTIFR published by the Department of Mines and Petroleum for the Metal Ore Mining sector of 2.3.

COMMUNITY ENGAGEMENT

The development and enhancement of Mid West communities is a key commitment of Gindalbie and KML. The objective of developing long-term, sustainable businesses that deliver local benefits, such as employment and local business opportunities has continued.

Community investment activities focus around the key pillars of regional health, education, youth development and housing. Additional leverage is gained by forging partnerships with key associations with organisations that enhance our financial investment.

ENVIRONMENTAL MANAGEMENT

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

Both companies are committed to achieving superior standards in environmental performance. Environmental professionals are employed 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 Mines and Petroleum 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.

2014 Annual Financial Report

Directors' Report

For the year ended 30 June 2014

The Directors present their report together with the financial statements of the Company Gindalbie Metals Ltd ('the Company', 'Gindalbie') and its subsidiaries and the Company's interest in Associates accounted for using the equity method for the financial year ended 30 June 2014 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	The Chair of Deloitte Australia Former Managing Partner – Western Australia, Deloitte Australia Former board member of the Institute for Child Health Research Extensive resource industry experience Director since March 2013 Member of Audit and Risk Committee Appointed as Chairman April 2013
Mr Tang Fuping Non-Executive Director	Vice President of Ansteel Group Corporation General Manager of Ansteel Group in Anshan Managing Director of Anshan Iron and Steel Group Corporation Former Director of Ansteel Group New Steel Limited, Vice Manager of New Steel Limited Former Director of Ansteel No. 3 and No. 1 steel making plant Former General Manager of Ansteel Group New Steel Limited Member of Remuneration and Nomination Committee Director since June 2013
Mr Michael J O'Neill Dip Bus Admin, SFFin, FAICD Independent Non-Executive Director Acting Managing Director	Board member of the Perth Market Authority Board Member P&N Bank (Oct 13) Former Non-Executive Director Gryphon Minerals Ltd (Mar 13 - Jul 13) Former Western Australian General Manager of ANZ Bank Extensive banking and finance experience Chair of Audit and Risk Committee & Remuneration and Nomination Committee Director since April 2006 Appointed Acting Managing Director April 2014
Mr Yu Wanyuan B.Eng Non-Executive Director	Vice President Ansteel Group Corporation Manager of Ansteel Finance Company Former Assistant General Manager of Anshan Iron and Steel Group Complex Former Deputy Chief Accountant of Anshan Iron and Steel Group Complex Member of Audit and Risk Committee Director since June 2009
Mr Chen Ping B.Eng Non-Executive Director	Vice President of Ansteel Group Corporation Former Chairman of Ansteel Mining Company Former General Manager of Ansteel Mining Company Director since June 2009 Chairman and Managing Director of Karara Mining Ltd

1. DIRECTORS (Continued)

Name & Qualifications	Experience and Special Responsibilities
Mr Andrew R Marshall I. Eng, MAICD Independent Non-Executive Director	Former Project Director of Vale Inco Former Vice President – Asset Development Projects of BHP Billiton Iron Ore Former Project Manager of North Limited Former Project Director of Iron ore Company of Canada Former Manager Projects of Forrestainia Gold/LionOre Australia Former Manager Engineering & Project Services of Western Mining Corporation Former Project Manager of Nedpac (Signet Engineering) Non-Executive Director Sundance Resources NL (Oct 10) Member of the Audit and Risk Committee & Remuneration and Nomination Committee 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 General Manager - Gold of North Limited Former Chairman Powertrans Pty Ltd (Dec 11 - Dec 13) Former Non-Executive Director of Enterprise Metals Limited (Nov 11 - May 14) Non-Executive Director of Altona Mining Limited (Mar 13) Non-Executive Director of Sandfire Resources NL (May 13) Member of Audit and Risk Committee Director since December 2011
Mr Dale Harris BE(Hons), MBA Managing Director	CEO Karara Mining Limited Former Chief Operating Officer for Rio Tinto Iron Ore (RTIO) Former General Manager - Integrated Planning and Operations Centre Former General Manager - West Pilbara Operations and General Manager - Asset Management Appointed Managing Director October 2013 Resigned April 2014
Mr Timothy C Netscher BSc(Eng), BCom, MBA, FIChE, CEng, MAICD Managing Director and CEO	Chairman Deep Yellow Ltd (Jul 13) Director of Aquila Resources (Nov 13) Director of St Barbara Ltd (Jan 14) Former Non-Executive Director of Industrea Ltd (Feb 02 - Nov 12) & Bullabulling Gold (Aug 12 - May 13) Former Director of the Minerals Council of Australia Former Senior Vice President of Asia Pacific Operations, Newmont Mining Corporation Former Managing Director of Vale Australia Former Senior Vice President of PT International Nickel Indonesia Former Managing Director of QNI Pty Ltd Former Executive Director of Impala Platinum Holdings Ltd Appointed Independent Non-Executive Director September 2010 Appointed Managing Director and CEO April 2011 Resigned December 2013

2. COMPANY SECRETARY

Mr Christopher Gerrard was appointed as Company Secretary of Gindalbie Metals Limited on 7 December 2012.

Prior to his appointment Mr Gerrard was General Counsel and Company Secretary of Karara Mining Limited (KML), Gindalbie's incorporated Association with Anshan Iron & Steel Corporation, throughout design, construction and delivery of Gindalbie's flagship Karara Project. Mr Christopher Gerrard retains primary responsibility for oversight and management of KML's legal work and corporate governance.

Prior to joining KML, Mr Gerrard was Commercial Manager and General Counsel of ASX-listed global defence prime contractor, Austal Limited.

Mr Gerrard has a solid background in general commercial law, having practised law for several years in a variety of substantive areas including corporate law, trade practices, intellectual property and finance with leading firms Herbert Smith Freehills and Minter Ellison where he acted for a diverse range of industrial and resources companies and governmental clients at state and federal levels.

Mr Gerrard holds honours degrees in Law and Economics. He is admitted as a Barrister and Solicitor of the High Court of Australia.

Mr Michael Weir was appointed as an additional Company Secretary on 14 March 2014. Mr Weir had worked for Gindalbie since November 2007 as the Manager Corporate and Investor Relations. Mr Weir resigned as Company Secretary on 14 May 2014 and is no longer employed by the Company.

Following Mr Weir's resignation Ms Jan Horsman was appointed as an additional Company Secretary from 20 May 2014. Ms Horsman has worked for Gindalbie since August 2010 and has extensive corporate experience working with listed and unlisted companies within the mining industry.

3. PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were exploration for and evaluation of iron ore projects and joint venturing with other mining companies to explore for minerals. During the year the Company's primary mining activities related to its 47.84% Associated interest in the Karara Project ("Karara"), and exploration and potential development of its 100% owned iron ore projects. Gindalbie sold its 100% owned Shine hematite deposit for $12 million plus a trailing price participation royalty in March 2014. There has been no significant change in the nature of these activities during the year

During the year Gindalbie's proportional equity interest in KML fell from 50% to 47.84% as a result of the issue of new share capital to Ansteel (on conversion of Ansteel loans to equity) and Ansteel became entitled to appoint the majority of the directors of KML (including the chairman). KML was previously a jointly controlled entity (50%). As a result Gindalbie no longer has joint control of KML.

Uncertainties with respect to KML's financial position due to lower production volumes of the magnetite processing plant, high cash operating costs, the volatility of iron ore prices, and the capacity of KML to comply prospectively with debt covenants have created uncertainty in relation to Gindalbie's ability to continue as a going concern and realise the carrying value of its assets in the normal course of business. KML is reliant on Ansteel to provide or arrange provision of additional necessary financing to meet any forecast funding shortfalls. Inherent uncertainty exists should any required funding not be provided or arranged on time, including the risk that KML may default under its senior secured bank debt facilities.

During the period Gindalbie recorded an impairment loss with respect to its subordinated loan and equity interest in KML so that the value of that investment is now carried at zero. In the event of default by KML under its debt facilities, Gindalbie's potential obligation as guarantor to repay its proportional share of KML's debt exceeds Gindalbie's net assets.

In light of these significant changes to the state of affairs of Gindalbie and the current market and operating environment, during the year Gindalbie implemented a corporate rationalisation and cost reduction program. Staffing levels were reduced and consolidated into the areas of Finance, Company Secretarial and Administration. The Company's highest priority remains its support for its investment in KML and the Karara Project.

4. RESULT OF OPERATIONS

The net loss for the year ended 30 June 2014 was $585.6 million, (2013 - net loss of $144.3 million).

The loss for the year includes a $592.3 impairment of investment in KML and a $38.6 impairment of loan to KML, a $2.9 million net loss for Gindalbie, representing corporate overheads ($7 million), non-cash impairment charge related to assets ($2.4 million) and loss of control of KML ($3.3 million), which was partially offset by profit on sale of assets ($0.2 million) and interest income ($9.6 million).

As at the reporting date the Company has approximately $43 million of cash reserves, including $24.5 million in term deposits over 3 months maturity.

Directors' Report

For the year ended 30 June 2014

5. DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Directors Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings (D)	
	A	B	A	B	A	B
Mr K F Jones	10	10	3	3	-	-
Mr T Netscher	2	3	-	-	-	-
Mr D Harris	5	5	-	-	-	-
Mr MJ O'Neill	9	10	3	3	-	-
Mr Y Wanyuan	7	10	2	3	-	-
Mr C Ping (C)	10	10	1	1	-	-
Mr R Marshall	10	10	3	3	-	-
Mr P Hallam	8	10	3	3	-	-
Mr T Fuping	7	10	-	-	-	-

A. Number of meetings attended
B. Number of meetings held during the time the Director held office during the year
C. Mr C Ping attended 1 Audit & Risk Committee Meeting as Alternate Director for Mr Y Wanyuan
D. No Remuneration & Nomination committee meetings were held during the year as remuneration matters were dealt with by the full board.

6. CORPORATE STRATEGY & LIKELY DEVELOPMENTS

The Company's primary short term focus will be to support the continued ramp-up of the Karara Project. In addition the Company will consider other iron ore exploration and development opportunities through joint ventures, sole funded exploration activity and acquisitions.

7. EVENTS SUBSEQUENT TO REPORTING DATE

In August 2014, KML subsidiary Karara Power Pty Ltd completed the sale of the 330kV double circuit transmission line to Western Power for the net sale price of $82,633,000.

The Associate entity KML ("Associate") obtained a bank loan facility of US$400 million in August 2014 for the purpose of additional working capital support on terms and conditions including security arrangements substantially similar to those of existing debt finance facilities (refer Note 14).

8. ENVIRONMENTAL REGULATION

The Company'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 Company 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 Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive Directors
Mr T C Netscher - Managing Director & CEO (resigned 31 December 2013)
Mr D Harris - Managing Director (commenced 14 October 2013 and resigned 30 April 2014)
Mr M J O'Neill - Acting Managing Director (commenced 14 April 2014)

Non-Executive Directors
Mr K F Jones – Chairman
Mr M J O'Neill (until 14 April 2014)
Mr A R Marshall
Mr F Tang
Mr W Yu
Mr P Chen
Mr P Hallam

Executives
Mr D Richardson - Chief Financial Officer (resigned 24 January 2014)
Mr W Zekulich - Chief Financial Officer (commenced 13 January 2014 and resigned 30 June 2014)
Mr C Gerrard - 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 Company. Key management personnel include the Directors of the Company and senior executives for the Company, in accordance with S300A of the *Corporations Act 2001*.

Compensation levels for Directors and key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The Remuneration and Nomination Committee 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 Company'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;
- the key management personnel's assessed contribution to the Company's financial and operational performance.

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.

		At Risk	
	Fixed remuneration	Short-term incentive	Long-term incentive
Executives under service contracts			
MD - Acting	100%	-	-
CFO - fixed term	100%	-	-
Executives under standard Company Contracts			
MD	44%	25%	31%
CFO	44%	25%	31%
Other executives	44%	25%	31%

9. REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation (Continued)

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 Remuneration and Nomination Committee through a process that considers individual performance and overall performance of the Company. In addition, external consultants may be used to provide benchmark data to the Committee who 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 2013 the Board approved a recommendation not to increase fixed compensation for all employees. This decision was reviewed in December 2013 and an increase of 2% was approved from 1 January 2014.

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 company 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 Company 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 Company meeting its business objectives for the financial year. In addition, it also provides clear alignment between personal and business performance and remuneration. Company objectives are used to determine the performance rating. The Managing Director evaluates the Company's strategic goals for the forthcoming financial year and identifies Key Performance Indicators (KPI's) which are deemed to be critical to the Company achieving its mission each financial year. For performance linked compensation purposes the Company is defined to include the Karara Project , a 47.84% owned Associate of the Company. These objectives are reviewed and if considered appropriate approved by the Remuneration and Nomination Committee.

At the end of the financial year the Managing Director assesses the Company's performance against the Company KPI's to determine the overall business score. The Company performance ratings are applied against the Company KPIs to determine the overall performance 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 Remuneration and Nomination Committee recommends the cash incentive to be paid to the individuals for approval by the board.

Employees are eligible for a short term incentive award of between 8% and 25% of Total Fixed Remuneration (base salary plus superannuation) dependent on their role and responsibilities within the Company.

The KPI's for the 2013/4 financial year were:

KPI	Maximum STI Award for 2013/4	Outcome
Number of lost time injuries – GBG employees (minimum threshold – 2)	20%	20%
Karara Mining Ltd earnings before interest, tax, depreciation and unrealised FX gains/losses (minimum threshold – budget)	15%	-
Change in GBG share price relative to ASX Small Resources Index (minimum threshold – GBG share price movement at least 90% of index change)	40%	-
Development and delivery of strategic plan for GBG's non-KML related assets.	25%	18.75%

9. REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation (Continued)

As an example an executive entitled to a maximum STI bonus of 25% of total fixed remuneration assuming the executive achieves 38.75% of the above 100% they will receive an 2013/4 STI bonus of 9.69%.The weighting of KPI's is adjusted to reflect the importance of the KPI to the Company's performance. Only the achievement of a "stretch" KPI target results in a maximum STI award for each individual KPI. The final assessment and payment of 2013/14 STI awards occurred in August 2014.

The STI bonus scheme has been suspended for the 2014/15 year.

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 1.25 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 2,336,756 options granted to key personnel during the year ended 30 June 2014 (2013 – 5,216,963 options granted).

Specific service conditions:

- One third of option award (Tranche 1) - Continuous employment with the Company until 1 July 2014;
- One third of option award (Tranche 2) - Continuous employment with the Company until 1 July 2015;
- One third of option award (Tranche 3) - Continuous employment with the Company until 1 July 2016

All Directors and employees participating in any Company 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.

2,560,693 share options issued under the Employee Share Option Plan vested during 2013/14, as the designated minimum service conditions were satisfied as at 30 June 2014.

Short-term and long-term incentive structure
Each year the Managing Director recommends the KPIs for the key management personnel, which are approved by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee considers that the performance-linked compensation structure provides appropriate incentives to key management personnel.

Consequences of performance on shareholder wealth
In considering the Company's performance and benefits for shareholder wealth during the year ended 30 June 2014, the Board believes that, safety performance, profitability, share price performance and achievement of specific strategic development objectives are the key links between the Company's performance and the attainment of increased shareholder wealth.

	2014	2013	2012	2011	2010
Total comprehensive income attributable to owners of the company ($000)	(588,792)	(136,643)	(37,372)	13,946	(2,534)
Change in share price ($)	(0.06)	(0.33)	(0.39)	(0.20)	0.26

Service agreements
All key management personnel are employed under standard Company employment contracts except the Acting Managing Director and the Chief Financial Officer who are employed under a service contract.

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
Acting MD (Mr M O'Neill)	Unlimited	Nil	Nil
CFO (Mr W Zekulich)	Fixed term (13 Jan 14 - 30 June 14)	Nil	Nil
General Counsel (Mr C Gerrard)	Unlimited	8 weeks	6 months' salary

9. REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation (Continued)

The Company retains the right to terminate the contract 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.

Effective from 1 October 2013 the Non-Executive Director's base remuneration was reduced to $66,000 per annum (previously $82,500 per annum). The Chairman's remuneration was reduced to $236,000 per annum (previously $295,000 per annum). Effective from 1 October 2014, the Non-Executive Director's remuneration will be reset to $82,500 per annum with the Chairman's base remuneration increasing to the previous $295,000 per annum.

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 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 Company's development no further options will be issued to Non-Executive Directors.

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 Company, and other key management personnel are detailed below:

	Included in remuneration A$	Short- term incentive bonus % vested in year	% forfeited in year
Director			
Mr D Harris	36,625	38.75%	61.25%
Executive			
Mr C Gerrard	12,925	38.75%	61.25%

Directors' Report

For the year ended 30 June 2014

9. REMUNERATION REPORT – Audited (Continued)

9.4. 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 below. 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			Other compensation			Value of options as proportion of remuneration %	Total performance related remuneration %
					Long term incentive	Other long term (LSL and AL) (c)	Share based payments					
		Salary & fees (c) $	STI bonus $	Superannuation benefits $	$		Value of options (a) $	Termination benefits $	Insurance premiums (b) $	Total $		
Directors												
Non-executive directors												
Mr GF Jones (Chairman) (resigned 9 April 2013)	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	201,857	-	18,167	-	-	-	-	3,130	223,154	-	-
Mr KF Jones	2014	229,519	-	21,231	-	-	-	-	3,527	254,277	-	-
(commenced 1 March 2013 Non Exec Director and 9 April 2013 as Chairman)	2013	68,720	-	6,185	-	-	-	-	1,085	75,990	-	-
Mr MJ O'Neill	2014	143,645	-	-	-	-	-	-	-	143,645	-	-
(Commenced 14 April 2014 as Acting Managing Director)	2013	122,083	-	-	-	-	-	-	3,246	125,329	-	-
MR A Marshall	2014	102,632	-	9,493	-	-	-	-	3,527	115,652	-	-
	2013	112,003	-	10,080	-	-	-	-	3,246	125,329	-	-
Mr F Tang	2014	70,125	-	-	-	-	-	-	3,527	73,652	-	-
(commenced 10 June 2013)	2013	4,521	-	-	-	-	-	-	178	4,699	-	-
Mr P Chen	2014	70,125	-	-	-	-	-	-	3,527	73,652	-	-
	2013	81,250	-	-	-	-	-	-	3,246	84,496	-	-
Mr W Yu	2014	70,125	-	-	-	-	-	-	3,527	73,652	-	-
	2013	81,250							3,246	84,496	-	-
Mr P Hallam	2014	104,156	-	7,969	-	-	-	-	3,527	115,652	-	-
	2013	112,003	-	10,080	-	-	-	-	3,246	125,329	-	-
Mr SA Lin	2014	-	-	-	-	-	-	-	-	-	-	-
(resigned 10 June 2013)	2013	76,667							3,068	79,735	-	-
Sub-total non-executive directors remuneration	2014	790,327	-	38,693	-	-	-	-	21,162	850,182	-	-
	2013	860,354	-	44,512	-	-	-	-	23,688	928,555	-	-
Executive director												
Mr D Harris (Managing Director)	2014	349,938	36,625	3,236	-	-	-	-	1,760	391,559	-	9%
(commenced position 14 October 2013 and resigned position 30 April 2014)	2013	-	-	-	-	-	-	-	-	-	-	-
Mr T Netscher (Managing Director & CEO)*	2014	665,501	-	8,888	-		-	225,851	1,769	902,009	-	-
(resigned position 31 December 2013)	2013	1,088,226	82,383	16,470	-	25,423	214,128		3,246	1,429,874	15%	21%
Total, all directors	2014	1,805,766	36,625	50,817	-	-	-	225,851	24,691	2,143,750	-	-
	2013	1,948,580	82,383	60,982	-	25,423	214,128	-	26,934	2,358,429	-	-

9. REMUNERATION REPORT – Audited (Continued)

9.4 Directors' and executive officers' remuneration

		Short term		Post-employment	Other long term			Other compensation			Value of options as proportion of remuneration	Total performance related remuneration
					Long term incentive	Other long term (LSL and AL) (c)	Share based payments					
		Salary & fees (c) $	STI bonus $	Superannuation benefits $	$		Value of options (a) $	Termination benefits $	Insurance premiums (b) $	Total $	%	%
Executives												
Mr C Gerrard (General Counsel and Company Secretary)	2014	309,305	12,925	25,000	-	4,563	35,031	-	3,527	390,351	9%	12%
	2013	330,285	25,016	27,540	-	20,126	35,029		3,246	441,241	8%	14%
Mr D Richardson (Chief Financial Officer)	2014	219,654	-	14,583	-	-	-	-	2,000	236,237	-	-
(resigned 24 Jaunuary 2014)	2013	362,850	29,033	25,000	-	(2,380)	90,838		3,246	508,586	18%	24%
Mr W Zekulich (Chief Financial Officer)	2014	104,351	-	9,653	-	-	-	-	1,623	115,627	-	-
(commenced 13 January 2014, resigned 30 June 2014)	2013	-	-	-	-	-	-	-	-	-	-	-
Total, all executives	2014	633,310	12,925	49,236	-	4,563	35,031	-	7,150	742,215	-	-
	2013	693,135	54,048	52,540	-	17,746	125,867	-	6,491	949,827	-	-
Total, all key management personnel	2014	2,439,076	49,550	100,053	-	4,563	35,031	225,851	31,841	2,885,965	-	-
	2013	2,641,715	136,431	113,522	-	43,169	339,994	-	33,425	3,308,256	-	-

NB: The amount included as share based payments remuneration is not indicative of the benefit (if any) that individual executives may ultimately realise should the equity instrument vest (refer to 9.4(a)&(b)).

Mr C Gerrard is contracted out to Karara Mining Limited for 60% of his time; the numbers quoted in this table reflect 100% remuneration.

9. REMUNERATION REPORT – Audited (Continued)

9.4. Directors' and executive officers' remuneration (Continued)

Notes to the table of Directors and executive officers remuneration

(a) Each option entitles the holder to purchase one ordinary share in the Company. The options are unlisted and cannot be transferred. The fair value of the options with non market conditions is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date.

Options with market conditions are determined using the Binomial model simulation in which the market conditions have been taken into account in the valuation of the option. The value disclosed above is the portion of the fair value of the options allocated to this reporting period.

(b) 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
16-Nov-12	15-Nov-16	$0.305	$0.00	5,403,312	83%	2.54%	Black Scholes
31-Oct-13	31-Oct-17	$0.132	$0.00	2,336,756	66%	3.35%	Black Scholes

(c) The Company pays insurance premiums that cover key management personnel. The premium is split between the directors and officers of the Company only. The average premium per person has been included in remuneration.

9.5. Equity Instruments

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

9.6. Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company 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:

Executive	Number of options granted during 2014	Grant Date	Number of options forfeited during 2014	Fair value per option at grant date($)	Exercise price per option ($)	Expiry Date	Number of options vested during 2014
Mr D Richardson	-	16-Nov-12	324,904	$0.3050	$0.00	15-Nov-16	162,452
Mr D Richardson	280,320	31-Oct-13	280,319	$0.1320	$0.00	31-Oct-17	-
Mr C Gerrard	-	16-Nov-12	-	$0.3050	$0.00	15-Nov-16	62,645
Mr C Gerrard	236,889	31-Oct-13	-	$0.1320	$0.00	31-Oct-17	-

The options granted were provided at no cost to the key management personnel.

All options expire on the earlier of their expiry date or within 3 months of termination of the individual's employment. The options are exercisable at any time from their vesting date. Further details, including grant dates and exercise dates regarding options granted to executives are disclosed in Note 23 to the financial statements.

9. REMUNERATION REPORT – Audited (Continued)

9.7. 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.

9.8. Exercise of options granted as compensation

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

Executive	Number of Shares	Amount paid $/share
Mr D Richardson	162,452	$0.00
Mr T Netscher	382,941	$0.00

9.9. Details of equity incentives affecting current and future remuneration - audited

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

Executive:	Instrument	Grant date	% vested in year	% forfeited in year (a)	Financial years in which grant vests
Mr D Richardson	Option 162,452	16-Nov-12	100.00%	0.00%	3-Jul-13
	Option 162,452	16-Nov-12	0.00%	100.00%	n/a
	Option 162,452	16-Nov-12	0.00%	100.00%	n/a
	Option 93,440	31-Oct-13	0.00%	100.00%	n/a
	Option 93,440	31-Oct-13	0.00%	100.00%	n/a
	Option 93,439	31-Oct-13	0.00%	100.00%	n/a
Mr T Netscher	Option 382,941	16-Nov-12	100.00%	0.00%	3-Jul-13
	Option 382,941	16-Nov-12	0.00%	100.00%	n/a
	Option 382,940	16-Nov-12	0.00%	100.00%	n/a
Mr C Gerrard	Option 62,645	16-Nov-12	100.00%	0.00%	3-Jul-13
	Option 62,645	16-Nov-12	0.00%	0.00%	3-Jul-14
	Option 62,645	16-Nov-12	0.00%	0.00%	3-Jul-15
	Option 78,963	31-Oct-13	0.00%	0.00%	1-Jul-14
	Option 78,963	31-Oct-13	0.00%	0.00%	1-Jul-15
	Option 78,963	31-Oct-13	0.00%	0.00%	1-Jul-16

(a) The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest due to vesting criteria not being met.

9. REMUNERATION REPORT – Audited (Continued)

9.10. Analysis of movements in options

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

	Granted in year [(a)]	Value of Options exercised in year [(b)]	Value of Options lapsed/forfeited in year [(c)]
	$	$	$
Mr D Richardson	37,002	17,870	136,098
Mr C Gerrard	31,269	-	-

(a) The value of options granted in the year is the fair value of the options calculated at grant date using either the Black-Scholes or Binomial option pricing models. 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 Company 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.

(c) The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a Black-Scholes model.

9.11. 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

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial and/or operating policies of those entities.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were $nil (2013: $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 company, 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 1 July 2013	Options over ordinary shares	Held at 30 June 2014
Mr K F Jones	300,000	-	300,000
Mr M J O'Neill	1,437,655	-	1,437,655
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 Company under option are:

Expiry date	Exercise Price	Number of Options
15 November 2016	$0.00	914,234
31 October 2017	$0.00	1,186,622
		2,100,856

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 Company.

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

10.2 Shares issued on exercise of options

During the financial year, the Company has issued 1,853,080 ordinary shares as a result of the exercise of options (exercise price of $0.00).

11. LEAD AUDITOR'S INDEPENDENCE DECLARATION & NON-AUDIT SERVICES

The Lead Auditor's Independence Declaration is set out on page 29 and forms part of the Directors' Report for the year ended 30 June 2014.

During the year KPMG, the Company'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 Audit Committee, 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 Company and have been reviewed by the Audit Committee 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 Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

	2014 $	2013 $
Audit services:		
Auditors of the Company– *KPMG Australia*		
- audit and review of financial reports	249,500	86,676
Other services:		
Auditors of the Company – *KPMG Australia*		
- taxation services	11,742	4,734
- other assurance services	12,000	-
	273,242	91,410

12. ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest 000 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.
- paid a premium of $41,958 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 22 September 2014.

M J O'Neill
Director

K F Jones
Director

Auditor's Independence Declaration

For the year ended 30 June 2014

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Gindalbie Mining Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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

Brent Steedman
Partner

Perth

22 September 2014

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 2014

Independent auditor's report to the members of Gindalbie Metals Ltd

Report on the financial report

We have audited the accompanying financial report of Gindalbie Metals Ltd (the Company), which comprises the balance sheet as at 30 June 2014 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Company comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of Gindalbie Metals Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

Without modification to the opinion expressed above, attention is drawn to note 2(c) to the financial report. The Company's principal asset is a 47.84% equity interest in Karara Mining Ltd (KML). As stated in note 2(c), the Company's ability to continue as a going concern is dependent on Anshan Iron and Steel Group Corporation (Ansteel), the 52.16% equity owner of KML, to either provide or arrange for additional financing to KML to meet their current and future financial obligations and the continued support of the Chinese Banking Syndicate to maintain the Senior Debt Facility. Due to a combination of agreements explained in note 2(c), should KML default on its debt facility, the Company may become liable under guarantees to the Chinese Banking Syndicate and Ansteel for 47.84% of the secured debts of KML. The continued support from Ansteel and the Chinese Banking Syndicate cannot be determined with certainty, although as outlined in note 2(c), the Directors believe that Ansteel and the Chinese Banking Syndicate will continue to financially support KML and accordingly the financial report has been prepared on a going concern basis.

The existence of this uncertainty, and other uncertainties as set out in note 2(c) may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in section 9 of the directors' report for the year ended 30 June 2014. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Independent Auditor's Report

For the year ended 30 June 2014

KPMG

Auditor's opinion

In our opinion, the remuneration report of Gindalbie Metals Ltd for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Brent Steedman
Partner

Perth

22 September 2014

Directors' Declarations

For the year ended 30 June 2014

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

   (a) the 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 financial position of the Company as at 30 June 2014 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 Managing Director and Chief Financial Officer for the financial year ended 30 June 2014.

3. The Directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Perth this 22nd day of September 2014.

Signed in accordance with a resolution of the Directors.

M J O'Neill Director	KF Jones Director

Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Other income	6(a)	234	57
Administration expenses	6(b)	(6,711)	(6,935)
Other expenses	6(c)	(6,057)	(5,989)
Results from operating activities		(12,534)	(12,867)
Finance income	6(d)	9,618	2,034
Net financing income		9,618	2,034
Share of profit from equity accounted Associate (net of tax)	14	48,177	(133,548)
Impairment of net investment in Associate	14	(630,890)	-
Loss before income tax		(585,629)	(144,381)
Income tax benefit/(expense)	7	-	-
Loss for the period		(585,629)	(144,381)
Other Comprehensive Income Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges - equity accounted Associate		(3,163)	7,184
Income tax benefit/(expense) on other comprehensive income		-	554
Total other comprehensive income/ (loss) for the period net of tax		(3,163)	7,738
Total comprehensive (loss)/income		(588,792)	(136,643)
Loss attributable to:			
Owners of the Company		(585,629)	(144,381)
Loss for the year		(585,629)	(144,381)
Total comprehensive loss attributable to:			
Owners of the Company		(588,792)	(136,643)
Total comprehensive loss for the year		(588,792)	(136,643)
Earnings per share			
Basic earnings/(loss) per share - cents	20	(39.22)	(10.62)
Diluted earnings/(loss) per share - cents	20	(39.22)	(10.62)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 38 to 66. Refer to Note 2 (a) on basis of preparation.

Statement of Changes in Equity

For the year ended 30 June 2014

	Issued capital $'000	Retained earnings $'000	Reserves $'000	Total $'000
Year ended 30 June 2014				
Opening balance at 1 July 2013	753,965	(116,318)	8,118	645,765
Loss for the period	-	(585,629)	-	(585,629)
Changes in fair value of cash flow hedges - equity accounted Associate	-	-	(3,163)	(3,163)
Total comprehensive income for the period	-	(585,629)	(3,163)	(588,792)
Transactions with owners of the Company, recognised directly in equity				
Share based payments expense	-	-	29	29
Closing balance at 30 June 2014	753,965	(701,947)	4,984	57,002

	Issued capital $'000	Retained earnings $'000	Reserves $'000	Total $'000
Year ended 30 June 2013				
Opening balance at 1 July 2012	693,173	28,063	(1,201)	720,035
Loss for the period	-	(144,381)	-	(144,381)
Changes in fair value of cash flow hedges - equity accounted Joint Venture	-	-	7,738	7,738
Total comprehensive income for the period	-	(144,381)	7,738	(136,643)
Transactions with owners of the Company, recognised directly in equity				
Shares issued				
- Issue of ordinary shares	62,390	-	-	62,390
- Transaction costs	(1,598)	-	-	(1,598)
- Share based payments expense		-	1,581	1,581
Closing balance at 30 June 2013	753,965	(116,318)	8,118	645,765

Amounts are stated net of tax, where applicable. Further details of issued capital and reserves are disclosed in Note 16.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 38 to 66. Refer to Note 2 (a) on basis of preparation.

Balance Sheet

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
ASSETS			
Cash and cash equivalents	9	18,505	9,166
Term deposits	10	24,500	-
Trade and Other receivables	10	1,497	903
Prepayments		191	643
Inventories		3	1
TOTAL CURRENT ASSETS		44,696	10,713
Other receivables	10	331	36
Property, plant and equipment	11	1,599	1,886
Exploration and evaluation assets	12	11,778	24,715
Loan to Associate entity	14	-	59,931
Associate accounted for using the equity method	14	-	550,604
TOTAL NON CURRENT ASSETS		13,708	637,172
TOTAL ASSETS		58,404	647,885
LIABILITIES			
Trade and other payables	13	1,023	1,366
Employee benefits	23	290	686
TOTAL CURRENT LIABILITIES		1,313	2,052
Employee benefits	23	89	68
TOTAL NON CURRENT LIABILITIES		89	68
TOTAL LIABILITIES		1,402	2,120
NET ASSETS		57,002	645,765
EQUITY			
Issued capital	16	753,965	753,965
Reserves	16	4,984	8,118
Retained earnings	15	(701,947)	(116,318)
TOTAL EQUITY		57,002	645,765

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 38 to 66. Refer to Note 2 (a) on basis of preparation.

Statment of Cash Flow

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash receipts from customers		528	44
Cash payments to suppliers and employees		(7,924)	(6,137)
Interest received		784	1,520
Net cash used in operating activities	22	(6,612)	(4,573)
Cash flows from investing activities			
Payments for term deposits		(24,500)	-
Exploration and evaluation expenditure		(3,109)	(4,650)
Proceeds from sale of property, plant and equipment and tenements		13,560	6
Acquisition of property, plant and equipment		-	(226)
Payments for investments in Associate		-	(2,700)
Loan to Associate entity	14	-	(80,000)
Repayment of loan from Associate entity	14	30,000	-
Net cash from (used in) investing activities		15,951	(87,570)
Cash flows from financing activities			
Proceeds from the issue of shares		-	62,390
Payment of capital raising costs		-	(1,598)
Net cash used in financing activities		-	60,792
Net increase in cash and cash equivalents		9,339	(31,351)
Cash and cash equivalents at 1 July		9,166	40,517
Cash and cash equivalents at 30 June	9	18,505	9,166

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 38 to 66.
Refer to Note 2 (a) on basis of preparation.

Notes to the Financial Statements

For the year ended 30 June 2014

1. REPORTING ENTITY

Gindalbie is a company domiciled in Australia.

The address of the Company's registered office is Level 9, 216 St Georges Terrace, Perth. These financial statements comprise the Company and its interest in Associated entities. During the year all subsidiaries were liquidated. The liquidated subsidiaries had no material impact on the Company's financial statements for both the 2014 and 2013 year and the Consolidated financial statements for the prior period and current period until the date of liquidation are the same as Company financial statements.

The Company is a for-profit entity primarily involved in iron ore exploration and development activities.

2. BASIS OF PREPARATION

(a) Statement of compliance

The 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 financial statements were authorised for issue by the Directors on 22 September 2014.

(b) Basis of measurement

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

(c) Going Concern - Associate Entity

The financial statements of the Company have been prepared on the going concern basis. The primary asset of Gindalbie is a 47.84% associate equity interest in KML, a special purpose entity established to develop and operate the Karara Project in Western Australia. The remaining 52.16% is ultimately owned by Anshan Iron and Steel Group Corporation (Ansteel). KML was previously a jointly controlled entity (50%), however due to Ansteel converting debt to equity in KML, Gindalbie no longer has joint control. Further details of the Gindalbie equity investment in the Associate, including security, indemnities and guarantees provided by Gindalbie in relation to KML and defined capitalised terms below are included in Note 14 to this financial report. At the date of this report the financial position, including debt obligations of KML, create an inherent uncertainty with respect to Gindalbie's ability to continue as a going concern and realise the carrying value of its assets, in the normal course of business. The investment in KML is carried at nil (2013: $551 million) due to Gindalbie recording an impairment loss of $592 million. The loan to KML of $39 million was also impaired to nil value. Gindalbie's other assets are primarily cash, term deposits and exploration assets.

Through a combination of the provisions of the Senior Debt Facility, the shareholder guarantee and share mortgage provided by Gindalbie to the Chinese Banking Syndicate and the indemnity and share mortgage provided by Gindalbie to Ansteel, if there is an Event of Default by KML under the Senior Debt Facility and a call by the Chinese Banking Syndicate for repayment of the Senior Debt by KML which is not met in full by KML, or by Gindalbie or Ansteel under the shareholders' guarantees, then the Chinese Banking Syndicate (or Ansteel as sponsor if Ansteel paid the debt under its sponsor guarantee) has the right to take ownership of Gindalbie's shares in KML under their respective share mortgages. Under the indemnity provided by Gindalbie to Ansteel, where Ansteel has repaid the total loans outstanding, Ansteel also has the right to recover (as an unsecured creditor) any loss it may have suffered after sale of Gindalbie's KML shares from Gindalbie.

If Gindalbie is required to repay its proportional share of the Senior Debt, either to the Chinese Banking Syndicate or 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 Gindalbie have identified inherent uncertainties regarding the potential future funding requirements of KML. The uncertainties primarily relate to one or more of the following events:

- Karara achieving production quantities and cost profiles in accordance with the planned ramp up schedule;
- Future Australian dollar iron ore prices;
- The ability of KML to either deliver into the prepaid sale agreements, settle these within the prescribed terms of the agreement or else renegotiate the settlement terms of the prepaid sales agreements;
- The continued support of the Chinese Banking Syndicate to maintain the Senior Debt Facility and to waive any breach or breaches of cover ratios which are not expected to be met by KML on consecutive quarterly dates as at June 2014, 30 September 2014 and 31 December 2014; and
- The continued provision of financial support by Ansteel to KML as required.

2. BASIS OF PREPARATION (Continued)

(c) Going Concern - Associate Entity (Continued)

The Directors acknowledge KML's future funding requirements have the potential to impact Gindalbie. If KML defaults under the Senior Debt Facility, Gindalbie may be required, if called on, to meet the shareholder guarantee provided to the

Chinese Banking Syndicate or the indemnity provided to Ansteel. Failure to do so may result in the loss and/or sale of its mortgaged shares in KML. However, the Directors believe that the going concern basis of preparation remains appropriate for the following reasons:

- A member of the Chinese Banking Syndicate provided an AUD$95 million bank guarantee facility to KML in August 2014 for the purpose of completion of sale of the transmission line by KML to Western Power
- Two members of the Chinese Banking Syndicate provided an additional US$400m working capital funding facility to KML in August 2014.
- Negotiations have been initiated by KML with the Chinese Banking Syndicate to obtain waivers of breaches of cover ratio covenants under the Senior Debt Facility;
- KML has historically received financial support from Ansteel and the Chinese Banking Syndicate (or a member or members of the syndicate) for provision of additional funding facilities and Ansteel has successfully arranged these facilities as and when required in the past.

The Directors acknowledge that KML is reliant on Ansteel to either provide or arrange for provision of additional financing to KML to meet KML's current forecast 2014/15 funding shortfall and to enable KML to meet currently forecast financial obligations, including the impending debt repayment obligations and costs of completion of Karara including capital expenditure. An inherent uncertainty therefore exists that KML and Ansteel may not be successful in efforts to negotiate additional debt facilities or raise further additional equity, or that Ansteel will not provide or arrange for provision of additional funding to KML (or a combination of the foregoing). If the funding needed is not raised and KML defaults under the Senior Debt Facility, the Company may become liable under the guarantees to the Chinese Banking Syndicate and Ansteel for its proportional share of the secured debts of KML. This may impact 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 of the amounts stated in the financial report.

(d) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency. All financial information has been rounded to the nearest 000 dollars, unless otherwise stated.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with AASB's 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 the following Note:

- 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 12 and 14 - Impairment test: key assumptions underlying recoverable amounts
- Note 21 – Financial Instruments
- Note 23(b) – Share-Based Payments
- Note 25 – Contingent Liabilities

(f) Changes in accounting policies

(i) AASB 19 *Employee Benefits (2011)*
In the current year, the Company adopted AASB 119 *Employee Benefits* (2011), which revised the definition of short-term employee benefits to benefits that are expected to be settled wholly within 12 month after the end of the annual reporting period in which the employees render the related service.

2. BASIS OF PREPARATION (Continued)

(f) Changes in accounting policies (Continued)

As a result of the change, the annual leave liability for certain of the Company's employees is now considered to be another long-term employee benefit, when previously it was a short-term benefit. The Company's obligation is determined as the amount of future benefit that employees have earned in return for their service in the current and prior periods, and discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

The impact of applying AASB119 is not material to the financial statements of the Company.

All other new or amended accounting standards have been adopted and have no material impact on the financial statements. This includes AASB 10 "Consolidated Financial Statements", AASB 11 "Joint Arrangements" , AASB 12 "Disclosure of Interests in Other Entities" and AASB 13 "Fair Value Measurement".

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 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) Non-controlling interests
For each business combination, the Company elects to measure any non-controlling interests at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control
On the loss of control, the Company derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(iv) Investments in equity accounted investees
The Company's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and jointly controlled entities are accounted for under the equity method. They are initially recognised at cost, which includes transaction costs.

Subsequent to initial recognition, the financial statements include the Company's share of the profit and loss and other comprehensive income of equity accounted investees, until the date that significant influence or joint control ceases.

(b) Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currency of the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity securities, 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 Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company 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 Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company 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 Company 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(k).

(ii) Investments at fair value through profit or loss
An instrument is classified as 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 Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company'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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

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.

(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 Company 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 Company'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 Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Company'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 (Commonwealth Government) bonds that have maturity dates approximating the terms of the Company's obligations.

(iii) Termination benefits
Termination benefits are recognised as an expense when the Company 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 Company 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 Company 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 Company 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 Company, 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 Company will not be able to collect all amounts due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Trade receivables (Continued)

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(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.

(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.

(m) Earnings per share

The Company 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 Company 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 Company 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Intangible assets (Continued)

(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(e)). 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) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the Company's Managing Director 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 Managing Director 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 Company'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.

(p) New Standards and interpretations not yet adopted

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 2014, but have not been applied in preparing this financial report.

(i) AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB will become mandatory for the Company's 30 June 2016 financial statements. Retrospective application is generally required. The Company has not yet determined the potential effect of the standard.

4. DETERMINATION OF FAIR VALUES

A number of the Company'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 or Monte Carlo 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) Financial instruments
The fair value is the amount for which an asset could be exchanged in an arm's-length transaction between knowledgeable, willing parties. Loans shall be recognised at fair value, the difference between the fair value and cash consideration provided under the loan will be recognised in the income statement as interest expense over the life of the loan. Refer to Note 21.

5. Financial Risk Management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company'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 equity accounted Associate. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company's Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(b) Credit Risk

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

(c) Guarantees

The Company's policy is to provide financial guarantees where contractually necessary to certain suppliers or on behalf of wholly-owned subsidiaries and equity accounted Associates. Refer to Note 14 and 25 for a list of outstanding performance guarantees at balance date.

(d) Investments

The Company limits its exposure to credit risk on cash balances by only investing in liquid securities and only 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 Company has formed a Treasury Committee that considers and implements appropriate investment strategies and ensures investment policies are adhered to. Also refer to Note 21.The Company is not responsible for any investments made by KML and this policy does not apply to KML.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

Typically the Company 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 Note 2 (c), 13 and 21 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 will affect the Company'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.

The Company engages external treasury consultants in order to manage market risks. All transactions are carried out within Treasury Policy guidelines (refer to Note 5(d)), and these are considered and monitored by the Treasury Committee.

5. Financial Risk Management (Continued)

(g) Currency risk

The Company is exposed to currency risk via its Associate on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Associate, namely the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are United States dollars (USD), Euro, Chinese Yuan (RMB) and Japanese Yen.

At any point in time the Associate may hedge its estimated foreign currency exposure in respect of forecast sales and purchases over the following months. The Associate may also hedge a percentage of all trade receivables and trade payables denominated in a foreign currency. The Associate may use forward exchange contracts to hedge its currency risk. No forward exchange contracts or other currency hedging instruments were entered into during the year by Gindalbie directly.

(h) Interest rate risk

It is policy to protect the Company from exposure to increasing interest rates. Accordingly, the Company may enter into interest rate swap (IRS) contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. No IRS contracts were entered into during the year by the Company. The Associate has entered into IRS contracts during the period.

(i) 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 Company 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 Company consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 15 and 16 respectively.

During 2014 the Company has maintained the capital base through a clear cash management strategy. Refer to Note 2 (c).

There were changes in the Company's approach to capital management during the year. The revised investment policy incorporates the following changes:

- The maximum available limits in each rating category have changed as follows:

Asset Concentration	Previous Max %	New Max %
A-1+	100%	100%
A-1	75%	50%
A-2	25%	25%

- The individual counterparty credit limit structure is as follows:

Short term rating	Previous exposure $ Max	New Max exposure %
A-1+	$20m	40%
A-1	$15m	25%
A-2	$10m	25%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(j) Price risk

The Company is exposed to iron ore commodity price risk, through its Associate investment.

6. REVENUE AND EXPENSES

	2014 $'000	2013 $'000
(a) Other income		
Other income	-	57
Gain on sale of exploration assets	234	-
Total other income	234	57
(b) Administration expenses		
Salary and on costs expenses	(4,610)	(4,027)
Corporate and consultant costs	(683)	(819)
Office and marketing costs	(784)	(744)
Other administration costs	(634)	(1,345)
Total administration expenses	(6,711)	(6,935)
(c) Other expenses		
Depreciation		
Property, plant & equipment	(193)	(225)
Loss on dilution of investment in Associate entity	(3,340)	-
Equity-settled share-based payments transactions	(133)	(312)
Provision for Impairment of Subsidiary Loan	(7)	-
Impairment of exploration assets	(2,384)	(5,452)
Total other expenses	(6,057)	(5,989)
(d) Net financing income		
Interest income (Refer to note 14)	9,618	2,034
Financial income	9,618	2,034
Net financing income	9,618	2,034
(e) Personnel expenses		
Wages and salaries	(2,336)	(2,380)
Other associated personnel expenses	(231)	(213)
Redundancy payments	(477)	-
Contributions to defined contribution superannuation funds	(185)	(177)
Increase in liability for annual leave	(104)	(170)
Decrease in liability for long service leave	45	(19)
Increase in liability for bonuses	(2)	(141)
Equity Settled share based payment transaction	(133)	(312)
	(3,423)	(3,412)

7. INCOME TAX EXPENSE

	2014 $'000	2013 $'000
Current tax expense		
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	1,168	(650)
Adjustments in relation to prior periods		
Benefit of tax losses and other deferred tax benefits not recognised	(1,168)	650
Total income tax expense/(benefit)	-	-
Numerical reconciliation between current tax expense/(benefit) and pre-tax net profit/(loss)		
Loss before tax	(585,629)	(144,381)
Income tax using the domestic corporation tax rate of 30% (2013: 30%)	(175,689)	(43,314)
Increase in income tax expense due to:		
Non-deductible expenses/assessable income		
Decrease in income tax expense due to:		
Non-assessable income	- -	-
Equity accounting for share of (profit)/ loss of Associate	(14,453)	40,064
Impairment of net investment in Associate	189,267	-
Losses (recognised)/not recognised	875	3,250
Total income tax expense/(benefit)	-	-

Gindalbie has estimated unrecouped tax losses of $111,278,940 (2013: $112,271,341) available to be offset against future taxable income. The net deferred tax asset of 30% of $111,278,970 (2013: $112,271,341) for the Company has not been recognised by the Company on the basis that it is not probable that there will be future taxable income available against which the tax losses can be utilised. A deferred tax asset has not been recognised in equity in respect to the Company's share of the change in fair value of cash flow hedges of the Associate of $1,897,000 (2013: deferred tax liability $4,310,000).

7. INCOME TAX EXPENSE (Continued)

Tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Accrued interest	-	-	48	2	48	2
Accrued royalties	-	-	300	-	300	-
Diesel fuel rebate	-	-	1	-	1	-
Property, plant & equipment	(41)	-	-	5	(41)	5
Exploration expenditure	-	-	3,535	7,414	3,535	7,414
Capital raising costs	(863)	(1,586)	-	-	(863)	(1,586)
Provisions	(114)	(226)	-	-	(114)	(226)
Accrued superannuation	(11)	(10)	-	-	(11)	(10)
Accrued expenditure	(15)	(8)	-	-	(15)	(8)
Tax loss carry forward	(2,840)	(5,591)	-	-	(2,840)	(5,591)
Tax (assets)/liabilities	(3,884)	(7,421)	3,884	7,421	-	-
Set off of tax	3,884	7,421	(3,884)	(7,421)	-	-
Net tax (assets)/liabilities	-	-	-	-	-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits there from.

8. AUDITOR'S REMUNERATION

	2014 $	**2013 $**
Audit services:		
Auditors of the Company – *KPMG Australia*		
- audit and review of financial reports	249,500	86,676
Other services:		
Auditors of the Company – *KPMG Australia*		
- taxation services	11,742	4,734
- other assurance services	12,000	-
Auditor's Remuneration	273,242	91,410

Notes to the Financial Statements

For the year ended 30 June 2014

9. CASH AND CASH EQUIVALENTS	2014 $'000	2013 $'000
Bank balances	1,505	2,166
Term deposits < 3 month maturity	17,000	7,000
Cash and cash equivalents	18,505	9,166

10. TRADE, OTHER RECEIVABLES AND CURRENT INVESTMENTS	2014 $'000	2013 $'000
Current		
Term deposits > 3 month maturity	24,500	-
Interest receivable	160	7
Trade receivables	311	839
Other receivables	1,026	57
	25,997	903
Non-current		
Cash security for performance bonds	331	36
	331	36

11. PROPERTY, PLANT AND EQUIPMENT	2014 $'000	2013 $'000
Land & buildings		
At cost	2,016	2,016
Accumulated depreciation	(581)	(499)
	1,435	1,517
Plant & equipment		
At cost	2,548	2,546
Accumulated depreciation	(2,386)	(2,184)
	162	362
Mine infrastructure		
At cost	357	357
Accumulated depreciation	(355)	(350)
	2	7
Total property, plant and equipment	1,599	1,886

Notes to the Financial Statements

For the year ended 30 June 2014

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

11.1 Reconciliations

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

	30 June 2014 $'000	30 June 2013 $'000
Land & buildings		
Carrying amount at beginning of year	1,517	1,438
Additions	-	162
Depreciation	(82)	(83)
Carrying amount at end of year	1,435	1,517
Plant & equipment		
Carrying amount at beginning of year	362	545
Additions	2	89
Depreciation	(202)	(272)
Carrying amount at end of year	162	362
Mine Infrastructure		
Carrying amount at beginning of year	7	22
Depreciation	(5)	(15)
Carrying amount at end of year	2	7

12. EXPLORATION AND EVALUATION ASSETS

Costs carried forward in respect of areas of interest in: Exploration and evaluation assets	30 June 2014 $'000	30 June 2013 $'000
Carrying amount at beginning of year	24,715	25,560
Additions	2,774	4,607
Sale of assets	(13,327)	-
Impairment of exploration and evaluation assets	(2,384)	(5,452)
Carrying amount at end of year	11,778	24,715

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.

At the balance date the Directors have reviewed the Company's exploration assets and determined that certain areas of interest have been impaired to nil as either the tenements have been relinquished or no further exploration is planned in the area. Accordingly, $2,384,000 has been recognised as an impairment expense.

13. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Trade creditors	167	372
Other creditors and accruals	856	994
	1,023	1,366

14. INVESTMENT IN ASSOCIATE

(a) Associate investments and principal activities

The Company has a 47.84% (2013: 50%) interest in Karara Mining Ltd (KML) and its unincorporated subsidiaries.

KML is a company incorporated and domiciled in Australia, owned by Gindalbie Metals Ltd (Gindalbie) and Ansteel, a major Chinese state owned iron and steel producer.

The principal activities of KML during the course of the year were the exploration, development and operation of the Karara Project. There were no significant changes in the nature of the activities of KML during the year.

On 19 March 2014 as a result of Ansteel converting two loans to KML into equity, Gindalbie's proportional equity interest in KML decreased from 50% to 47.84%. In addition Gindalbie and Ansteel agreed to the following changes to the governance of KML as a consequence of the change of their respective proportional equity interests:

- The KML board has been increased from 4 to 5 directors – 3 from Ansteel and 2 from Gindalbie.
- The Chairman of KML will be one of the three Directors appointed by Ansteel and will have a casting vote at KML board meetings
- All board decisions are to be made by ordinary resolution of the Board apart from decisions concerning the pricing and quality of product sold by KML to Ansteel, any amendment to existing off take sales agreements and the pricing policy of KML products. These matters require unanimous resolution of the Directors of KML.

As a result of Ansteel conversion of its two shareholder loans on 19 March 2014, GBG's equity interest in KML decreased by 2.16% and the carrying value of its equity investment in KML was adjusted resulting in a dilution loss.

The dilution loss is the difference between the carrying amounts of the investment in the equity accounted investee, immediately before and after the transaction that resulted in the dilution. The loss on the dilution of an interest in an equity accounted investee is recognised in the profit or loss.

	$000
Carrying value of investment in KML pre dilution @ 50%	583,604
Carrying value of investment post dilution @ 47.84%	580,264
Loss on dilution	(3,340)

The Company has fair valued its investment in KML and recorded an investment impairment expense of $592 million and loan impairment expense of $39 million, a total impairment in net investment of Associate of $631 million as set out below:

	2014 $'000	2013 $'000
Company's 47.84% interest (2013: 50% interest)	600,459	558,785
Less: intercompany eliminations	(8,181)	(8,181)
Carrying value of Associate net assets	592,278	550,604

14. INVESTMENT IN ASSOCIATE (Continued)

	2014 $'000	2013 $'000
Investment in Associate accounted for using the equity method		
Associate opening balance	550,604	653,000
Share of profit	48,177	(133,584)
Other Comprehensive income/(loss)	(3,163)	7,738
Payments for investments	-	2,700
Interest free loan investment	-	20,714
Loss on dilution	(3,340)	-
Impairment of investment	(592,278)	-
Associate accounted for using the equity method	-	550,604
Loan to Associate entity		
Carrying amount at beginning of year	59,931	-
Additions/(Repayments)	(30,000)	80,000
Fair Value adjustment (refer below)	8,681	(20,069)
Impairment of loan	(38,612)	-
Carrying amount at end of year	-	59,931

The recoverable amount of equity accounted investment in Associate, KML, has been determined based on fair value less costs of disposal applying a discounted cash flow methodology.

The Directors believe that changes in the key fundamentals underpinning Karara has caused Gindalbie's carrying value in KML to exceed its recoverable amount. In particular the production profile of the magnetite processing plant has not reached targeted levels as set out in the plant design. Iron ore prices remain soft and have significantly decreased over the last year, cash operating costs remain high due to economies of scale from increased production not eventuating as expected and the Australian Dollar increasing in value over the last year.

The Company has provided interest free loans to Associate entity KML totalling $50 million (2013: $80 million) as at the reporting date. These loans are unsecured and are subordinate to the existing project finance facility, and therefore are not generally repayable until after the project finance facility has been repaid in full or 31 December 2022. In accordance with Australian Accounting Standards these loans were based on the expected life of the loans and the prevailing market interest rate on a similar loan at the time the loans were granted. During the year a portion of the loan was repaid and interest income of $8.6 million was recognised with the balance of the loan impaired to nil at 30 June 2014.

(b) Associate Project Finance Facility

On 21 June 2010, KML entered into a project finance agreement with the Chinese Banking Syndicate in respect of a US$1.2 billion facility for the development of Karara. Pursuant to an amendment agreement entered into in February 2013, the size of the facility was increased to US$1.536 billion (Senior Debt Facility). The total of (Senior Debt Facility provided by the Chinese Banking Syndicate has been fully drawn by KML.

Under the terms of the Senior Debt Facility, KML is required to comply and report compliance with specified cover ratios comprising the (i) debt equity ratio (ii) debt service cover ratio, and (iii) life of loan cover ratio ("LLCR"). KML did not comply with the debt service cover ratio (DSCR) on 31 December 2013 and 31 March 3014 and obtained a waiver of these non-compliances from the Facility Agent on behalf of the Chinese Banking Syndicate.

KML is forecast not to comply with the LLCR on 30 June 2014, 30 September 2014 and 31 December 2014. KML is forecast not to comply with the DSCR on 30 September 2014 and 31 December 2014. If KML is in breach of a cover ratio for two consecutive quarterly dates, and one (or both) of which is not waived by the Facility Agent, or cured by an equity contribution from shareholders within 30 days of notification from the Facility Agent, this is an Event of Default under the Senior Debt Facility and the Facility Agent has the right to call for repayment by KML of the total loans outstanding. Requests for waivers of these non-compliances have been submitted to the Facility Agent.

14. INVESTMENT IN ASSOCIATE (Continued)

(b) Associate Project Finance Facility (Continued)

China Merchants Bank Hong Kong Branch provided a USD$300 million loan facility as an additional funding facility for KML in May 2014. The facility has been used for a combination of scheduled debt and interest repayments, capital expenditure to address plant bottlenecks and working capital requirements. The funding was fully drawn as at 30 June 2014.

China Development Bank and Bank of China provided a USD$400 million syndicated loan facility as an additional funding facility for KML in August 2014. The facility will be used for working capital requirements.

Security under Senior Debt Facility
The following security arrangements are in place to secure repayment of the Senior Debt Facility:

i) KML has granted a charge over all of its assets in favour of the Chinese Banking Syndicate.

ii) Gindalbie and Ansteel subsidiary Angang Group Investment (Australia) Pty Ltd (Angang) have each provided a several undertaking to fund any shortfall if project costs exceed the funds available to KML until project completion occurs, the Shareholder Guarantee.

iii) Gindalbie and Angang have each severally guaranteed KML's obligations under the facility until project completion occurs, the Shareholder Guarantee.

iv) Ansteel has provided a sponsor guarantee, under which it guarantees Gindalbie's and Angang's payment obligations under the undertakings and guarantees referred to in paragraphs (ii) and (iii) above, until project completion occurs, the Sponsor Guarantee.

v) Gindalbie and Angang have each provided a limited recourse first ranking share mortgage in favour of the Chinese Banking Syndicate over all of their shares in KML.

vi) Gindalbie has provided an indemnity to Ansteel in order to pay Ansteel any amount paid by Ansteel on Gindalbie's behalf pursuant to the sponsor guarantee, and has granted a second ranking share mortgage over its shares in KML in favour of Ansteel to secure any amounts owing under the indemnity. The indemnity and second ranking share mortgage will both expire once the undertaking and guarantee given by Gindalbie to the Chinese Banking Syndicate falls away at project completion.

vii) Gindalbie has granted a featherweight charge, which only becomes operative if a default occurs and an administrator is appointed over Gindalbie. The featherweight charge allows the Chinese Banking Syndicate to appoint a receiver and enforce their rights under the share mortgage.

viii) Gindalbie and Angang have each provided a cross charge to the other over their shares in KML to secure their obligations under the joint development agreement, and to ensure that the undertakings and guarantees above are effectively confined to each party's respective proportional interest in KML (Gindalbie: 47.84%).

If an Event of Default occurred under the Senior Debt Facility and the Chinese Banking Syndicate were to accelerate the repayment of project finance debt prior to project completion occurring, then the Chinese Banking Syndicate or Ansteel could act under the share mortgage security. Gindalbie has a contingent liability by reason of an indemnity given to Ansteel so that if there is a loss after exercise of the security, Ansteel could seek to recover the loss from Gindalbie.

No dividends have been received from KML during the period. Under the terms of the Senior Debt Facility, KML is prohibited from paying dividends to shareholders or making loans to shareholders if the Company is in breach of financial covenants. Further, no dividend payments or loans to shareholders are permitted until after the fourth anniversary of the first utilisation date under the Senior Debt Facility (6 August 2010).

14. INVESTMENT IN ASSOCIATE (Continued)

(c) Associate entity financial statements

The summarised financial information of KML below represents amounts shown in the associate's management accounts for the 12 months ended 30 June 2014.

KARARA MINING LIMITED AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION
For the 12 months ended 30 June 2014

	Consolidated	
	2014 $'000	**2013 $'000**
Continuing Operations		
Revenue	485,703	249,259
Profit/(loss) after tax *	84,046	(267,095)
Other comprehensive Income	-	-
Effective portion of changes in fair value of cash flow hedge net of tax	(6,476)	15,475
Total comprehensive Income	77,570	(251,620)
Total Current Assets	194,889	141,634
Total Non-Current Assets	3,973,349	3,510,449
Total Current Liabilities	(708,317)	(588,111)
Total Non-Current Liabilities	(2,204,781)	(1,946,401)
NET ASSETS	1,255,140	1,117,571

* KML has recorded a profit after tax for the year ended 30 June 2014 due to profitable hematite iron ore sales and foreign exchange gain on USD debt. Magnetite operating losses are capitalised as the plant is still in the commissioning phase.

Gindalbe's net share of the investment and loans in KML totalled $631 million. As detailed in section 14 (a), the full carrying value of these assets were written down.

(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 prepaid sales agreement for delivery of magnetite concentrate to an Ansteel subsidiary (US$100 million) and a new US$130 million bank debt facility (guaranteed by Ansteel). A condition to arrangement of this additional working capital facility was that at Ansteel's option KML's financial obligations under the prepaid sales agreement and the bank debt facility could be repaid using proceeds received by KML 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 by 9.60%.

15. RETAINED EARNINGS

	2014 $'000	2013 $'000
Retained earnings at beginning of year	(116,318)	28,063
Net loss attributable to members of the Company	(585,629)	(144,381)
Retained earnings at end of year	(701,947)	(116,318)

16. CAPITAL AND RESERVES

(a) Issued Capital

	2014	2013	2014	2013
	Number of ordinary shares fully paid		$'000	$'000
	1,494,007,381	1,492,154,301	753,965	753,965
Ordinary shares				
Movements during the year				
Balance at beginning of year	1,492,154,301	1,247,487,454	753,965	693,173
Shares issued				
- Issue of ordinary shares	-	244,666,847	-	62,390
- Exercise of options	1,853,080	-	-	-
- Transaction costs of share issues	-	-	-	(1,598)
Balance at end of year	1,494,007,381	1,492,154,301	753,965	753,965

During the year the Company:
- Issued 1,853,080 shares at 0.00 cents on exercise of options.

During the comparative year the Company:
- Issued 87,804,101 shares at 25.5 cents to Ansteel raising $22,390,045.
- Issued 156,862,746 shares at 25.5 cents on a share purchase plan and institutional placement raising $40,000,000.

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 Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. Note 23 provide details of shares issued on exercise of options.

(b) Equity Settled Share Based Payments Reserve

	2014 $'000	2013 $'000
Balance at beginning of year	9,410	7,829
Equity settled share based payments	29	1,581
Balance at end of year	9,439	9,410

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

(c) Equity accounted Associate fair value of cash flow hedge

Balance at beginning of year	(1,292)	(9,030)
Changes in fair value of cash flow hedges	(3,163)	7,738
Balance at end of year	(4,455)	(1,292)

The recognition of other comprehensive income of Associate entity comprises changes to the fair value of cash flow hedges.

17. CAPITAL AND OTHER COMMITMENTS

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company 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.

	2014 $'000	2013 $'000
Payable no later than one year:		
Rents and rates	333	194
Exploration	1,059	1,070
Total commitments	1,392	1,264

18. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	746	913
Between one and five years	783	1,732
	1,529	2,645

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

19. SEGMENT INFORMATION

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units have different ownership and operating structures and are managed separately for this reason. For both of the strategic business units, the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Company's reportable segments:

- Karara Project – includes the Company's share of this incorporated Associate
- All other segments – includes all other 100% owned or Joint Venture projects.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

(a) Reconciliation of reportable segment assets and liabilities:

Information about reportable segments	**Karara Project**		**All other segments**		**Total**	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
External revenues	-	-	-	57	-	57
Inter-segment revenue	--		-	-	-	-
Interest income	-	-	9,618	2,034	9,618	2,034
Depreciation and amortisation	-	-	(193)	(225)	(193)	(225)
Share of profit of equity accounted Associate	48,177	(133,548)	-	-	48,177	(133,548)
Impairment of net investment in Associate	(630,890)	-	-	-	(630,890)	-
Impairment of exploration	-	-	(2,384)	(5,452)	(2,384)	(5,452)
Reportable segment (loss)/ profit before tax	(582,713)	(133,548)	7,041	(3,586)	(575,672)	(137,134)

19. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment assets and liabilities (Continued)

	2014 $'000	2013 $'000
Total profit or loss for reportable segments before tax	(575,672)	(137,134)
Unallocated amounts:		
Other corporate expenses	(9,957)	(7,247)
Income tax (expense)/benefit	-	-
Net Profit/ (loss)	(585,629)	(144,381)

	Karara Project		All other segments		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Investment in Karara Associate	-	550,604	-	-	-	550,604
Other assets	-	-	58,404	97,281	58,404	97,281
Liabilities	-	-	(1,402)	(2,120)	(1,402)	(2,120)
Reportable segment net assets	-	550,604	57,002	95,161	57,002	645,765

Geographical information
The Iron Ore segment is managed and operates processing facilities in Australia.

20. EARNINGS PER SHARE

Basic earnings per share
The calculation of basic earnings per share at 30 June 2014 was based on the loss attributable to ordinary shareholders of $585,629,000 (2013: loss $144,381,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 1,493,328,070 (2013: 1,359,301,092) calculated as follows:

Basic earnings per share

	2014 $'000	2013 $'000
Lost attributable to ordinary shareholders	(585,629)	(144,381)

Weighted average number of ordinary shares	2014 No. of shares	2013 No. of shares
Issued ordinary shares at 1 July	1,492,154,301	1,247,487,454
Effect of share placement/ issue	-	111,813,638
Effect of shares issued on exercise of share options	1,173,769	-
Weighted average number of ordinary shares at 30 June	1,493,328,070	1,359,301,092

In 2014 and 2013, as the potential ordinary shares on issue would decrease the loss per share, they are not considered dilutive.

21. FINANCIAL INSTRUMENTS

(a) Credit Risk

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

	Note	2014 $'000	2013 $'000
Interest receivable	10	160	7
Cash security for performance bonds (current and non-current)	10	331	36
Trade receivables	10	311	839
Other receivables	10	1,026	57
Loan to joint venture entity	14	-	59,931
Term deposits over 3 months in maturity	10	24,500	-
Cash and cash equivalents	9	18,505	9,166

The Company cash and cash equivalents of $18,505,000 at 30 June 2014 (2013: $9,166, 000), and term deposits over 3 months of $24,500,000 which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated of between A2 and A1+ from Standard & Poor's and A from Moody's.

None of the Company's receivables are past due (2013: nil).

Refer to Note 25 for disclosure of the Company's guarantees.

(b) Liquidity risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Non-derivative financial liabilities

	2014		2013	
	Carrying amount $'000	6 months or less $'000	Carrying amount $'000	6 months or less $'000
Trade and other payables	1,023	(1,023)	1,366	(1,366)

Refer to Note 2 (c) and 14 for potential liquidity risk associated with KML.

(c) Interest rate risk

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

	30 June 2014 $'000	30 June 2013 $'000
Variable rate instruments		
Financial Assets	331	36
Cash performance bonds	1,505	2,166
Cash	1,836	2,202

21. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

Financial Assets	**30 June 2014 $'000**	**30 June 2013 $'000**
Term Deposits - total	41,500	7,000
	41,500	7,000

The Company invests surplus 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 2014, the Company invested $41,500,000 into term deposits (2013: $7,000,000) at a weighted average interest rate of 3.42% (2013: 3.40%).

Sensitivity analysis
The following table summarises the sensitivity of the Company's financial assets and liabilities to interest rate risk:

		Interest Rate Risk			
	Carrying amount $'000	**-100bps Equity $'000**	**Profit or loss $'000**	**+ 100 bps Equity $'000**	**Profit or loss $'000**
30 June 2014					
Cash performance bonds	331	-	(3)	-	3
Cash	1,505	-	(15)	-	15
Total increase/(Decrease)		-	(18)	-	18
30 June 2013					
Cash performance bonds	36	-	0	-	0
Cash	2,166	-	(22)	-	22
Total increase/(Decrease)		-	(22)	-	22

(d) Fair values

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		30 June 2014		**30 June 2013**	
	Note	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Interest receivable	10	160	160	7	7
Cash security for performance bonds	10	331	331	36	36
Trade receivables	10	311	311	839	839
Cash and cash equivalents	9	1,505	1,505	2,166	2,166
Loan to Associate entity	14	-	-	59,931	59,931
Term deposits	9 &10	41,500	41,500	7,000	7,000
Trade and other payables	13	(1,023)	(1,023)	(1,366)	(1,366)
		42,784	42,784	68,613	68,613

22. NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of cash flows from operating activities	**2014 $'000**	**2013 $'000**
Loss for the period after income tax	(585,629)	(144,381)
Adjustments for:		
Share of loss of equity accounted Associate	544,101	133,548
Impairment of loan to Associate	38,612	-
Depreciation	289	313
Write off of exploration assets	2,384	5,452
Loss on dilution	3,340	-
Employee expenses	(307)	-
Fair Value Interest	(8,681)	-
Employee option expense	133	312
Operating loss before changes in working capital and provisions	(5,758)	(4,756)
Decrease/ (increase) in receivables	(436)	630
Decrease/ (increase) in inventory	(2)	18
Decrease/ (increase) in prepayments	(142)	(641)
Increase / (decrease) in payables	(17)	(91)
Increase/ (decrease) in provisions	21	(465)
Increase/ (decrease) in other creditors	(278)	712
Net cash (used in)/from operating activities	(6,612)	(4,573)

23. EMPLOYEE BENEFITS

	2014 $'000	2013 $'000
Current		
Liability for long service leave	-	-
Liability for annual leave	122	428
Liability for employee bonuses	168	258
	290	686
Non Current		
Liability for long service leave	35	68
Liability for annual leave	54	-
	379	754

(a) Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The Company has a legally enforceable obligation to contribute to these plans and contributes at the statutory rate of 9.25% of gross earnings. The amount recognised as expense or capitalised was $422,514 for the financial year ended 30 June 2014 (2013: $395,777).

(b) Share based payments

The Company 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 Company'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 Company on the Australian Securities Exchange as at close of trading on the date of issue.

There were 1,853,080 options exercised during the year.

23. EMPLOYEE BENEFITS (Continued)

(b) Share based payments (continued)

Terms and conditions of share-options programme:

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options granted to senior employees on 16 Nov 2012	1739	1 years' service	4 years
	1739	2 years' service	
	1739	3 years' service	
Options granted to senior employees on 31 Oct 2013	779	1 years' service	4 years
	779	2 years' service	
	779	3 years' service	
	7,804		

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: Vested	Number of options on issue at end of year: Unvested	Proceeds received $	Number of shares issued	Share price at date of exercise $
Consolidated 2014												
8-Oct-15	$1.12	250,000	-	-	(250,000)	-	-	-	-	-	-	-
16-Nov-16	$0.00	5,216,963		-	(31,994)	(1,662,098)	(1,545,088)	675,619	1,302,164	-	1,662,098	-
31-Oct-17	$0.00	-	2,336,756	-		(190,982)	(338,834)	-	1,806,940		190,982	-
		5,466,963	2,336,756	-	(281,994)	(1,853,080)	(1,883,922)	675,619	3,109,104	-	1,853,080	-
Consolidated 2013												
1-Aug-12	$0.92	1,500,000	-	-	(1,500,000)	-	-	-	-	-	-	-
1-Aug-12	$1.28	1,000,000	-	-	(1,000,000)	-	-	-	-	-	-	-
8-Oct-15	$1.12	250,000	-	-	-	-	-	250,000	-	-	-	-
9-May-16	$1.17	600,000	-	-	(600,000)	-	-	-	-	-	-	-
16-Nov-16	$0.00	-	5,216,963	-	-	-	-	-	5,216,963	-	-	-
		3,350,000	5,216,963	-	(3,100,000)	-	-	250,000	5,216,963	-	-	-

The market value of shares under these options at 30 June 2014 was $0.05 each (30 June 2013: $0.11).

The options outstanding at 30 June 2014 have an exercise price of $0.00 and the weighted average remaining contractual life of the options is 978 days.

Grant date	16-Nov-12	31-Oct-13
Fair value at measurement date (cents)	0.3050	0.1320
Option pricing model	Black Scholes	Black Scholes
Share price at grant date	$0.30	$0.13
Exercise price	$0.00	$0.00
Expected volatility (expressed as weighted average volatility used in the pricing modelling) (%)	82.93%	66.39%
Option life (expressed as weighted average life used in the pricing modelling) (years)	4	4
Expected dividends	Nil	Nil
Risk-free interest rate (based on national government bonds) (%)	2.54%	3.35%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

24. 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(n) are as follows:

	2014 $	2013 $
Short-term employee benefits	2,488,626	2,799,321
Long-term employee benefits	4,563	-
Post-employment benefits	100,053	113,522
Termination benefits	225,851	-
Equity compensation benefits	35,031	339,994
	2,854,124	3,252,837

(b) Individual Directors and executives compensation disclosures

Information regarding individual Directors 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 Company or the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

(c) Other transactions with key management personnel

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial and/or operating policies of those entities.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were $nil (2013: $nil).

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

All additional required key management personnel disclosures are contained in the Remuneration Report section of the Directors' Report.

(d) Other related party transactions

Associates
The Karara Associate makes the results of its activities available to the Company. From time to time, to support the activities of the Associate, the investors increase their investment in the Associate. During the year $nil equity contributions (2013: $2,700,000) were made to the Associate and granted $nil (2013: $80,000,000) in interest free loans. During the year $30,000,000 of the 2013 loan was repaid.

An office cost recovery fee was charged by the Company to the Associate totalling $972,927 (2013: $1,107,053) representing recharge of office and administrative costs to Karara. Of this amount $486,463 (2013: $553,526) related to the Company's share in the Associate.

A labour cost recovery fee was charged by the Company to the Associate totalling $1,598,460 (2013: $2,466,081) representing recharge at market rates of employees seconded to the project. Of this amount $799,230 (2013: $1,233,040) related to the Company's share in the Associate.

There is a balance of $311,051 outstanding as at 30 June 2014 (2013: $839,149) due from the Associate.

25. CONTINGENT LIABILITIES

The Company has provided several parent company performance guarantees to a combined value of $70 million (2013 - $220 million), in terms of KML contracts for rail haulage and a tailings management facility. Pursuant to the Joint Venture Development Agreement Ansteel has agreed to stand behind 52.16% of these liabilities, pending Chinese regulatory approval and those noted in Notes 2 (c) and 14.

The Company also has performance guarantees in place to secure payment of rent under the Company's lease of premises at its office premises at 216 St Georges Terrace, Perth totalling $330,737 (2013: $nil). These guarantees are secured by term deposits.

26. EVENTS SUBSEQUENT TO REPORTING DATE

In August 2014, KML subsidiary Karara Power Pty Ltd completed the sale of the 330kV double circuit transmission line to Western Power for the net sale price of $82,633,000.

The Associate entity KML obtained a bank loan facility of US$400 million in August 2014 for the purpose of additional working capital support on terms and conditions including security arrangements substantially similar to those of existing debt finance facilities (refer Note 14).

Corporate Governance Statement

Gindalbie is committed to creating and building sustainable value for shareholders and protecting stakeholder interests.

Gindalbie recognises that high standards of corporate governance are essential to achieving that objective. Gindalbie continues to develop and review its corporate governance practices by reference to the ASX Corporate Governance Principles and Recommendations (**Governance Principles**).

The specific elements of Gindalbie's corporate governance practices are set out below.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. The Board takes responsibility for the Company's corporate governance program and oversees its strategic direction and conduct of business activities.

Board Functions

The Company has established the functions reserved for the Board. These functions are provided in the Board Charter. The Board Charter recognises that the following overall powers and responsibilities are reserved for the Board.

- Corporate governance;
- Approving strategic direction;
- Approving and monitoring capital expenditure;
- Monitoring of financial performance and integrity with financial reporting;
- Reviewing and monitoring the systems of risk management, internal controls and compliance;
- Appointing, removing and setting succession policies for the Board and Executives; and
- Establishing and monitoring the achievement of management's goals.

A copy of the Board Charter is available on the Company's website (www.gindalbie.com.au).

Management Functions

The Company has established the functions that are reserved for management. These reserved functions are provided for in the Board Charter.

The Board Charter recognises that the actual implementation of corporate strategy and day to day management of project development and exploration has been delegated by the Board to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations and detailed in relevant executive contracts of employment.

Board Composition

The composition of the Board provides the Company with a broad base of industry, business, financial, technical and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The Board currently comprises one Executive and six Non-Executive Directors. During the majority of the reporting period there was one Executive and seven Non-Executive Directors.

The Company is required to comment on Recommendation 2 of the Governance Principles as relates to the "independence" of the Chair and the Board. The Company agrees in principle with the definition of "independence" proposed by Recommendation 2.

The Chairman, Mr Keith Jones, meets the definition of "independence" under Recommendation 2 as he has not served as an Executive Director of the Company.

As concerns the overall composition of the other Non-Executive Directors, the Company recognises that the Board does not currently have a majority of Directors who meet the test of "independence" under Recommendation 2 of the ASX Corporate Governance Principles and Recommendations. Of the Board's six current Non-Executive Directors, three are considered independent by the Company: Mr Keith Jones, Mr Robin Marshall and Mr Paul Hallam. As Mr Yu Wanyuan, Mr Chen Ping, and Mr Tang Fuping, are all

Corporate Governance Statement

representative Directors of major shareholder Ansteel, these Directors are not considered “independent” for the purposes of Recommendation 2.

The Board is mindful of the Governance Principles and the preference for a majority of independent Directors. The Board will continue to monitor and review its composition

Mr Michael O’Neill is currently the Acting Managing Director of the Company.

The skills, experience and expertise relevant to each Director are provided in the Directors’ Report on pages 14-15. The Board selects Board members by reference to the relevance of their overall industry experience and ultimately their ability to contribute towards the strategic direction of the Company. The Board assesses the skills and diversity of its existing Board members when considering selecting new Board appointees and will engage with external search providers where appropriate. The Board has developed a diversity policy and understands the importance of ensuring diversity of Board members and employees as concerns, age, gender, ethnicity and cultural background.

Board Meetings and Committees

The Board currently holds eight scheduled meetings during the year together with additional meetings for strategic planning and special matters. During the reporting period ten formal Board meetings were held. The Chairman manages the conduct of Gindalbie meetings and strives to ensure open and constructive discussions between Board members and management.

Standing agenda items include:

- Managing Director’s report (Legal, corporate, project development, EH&S);
- Disclosure and Compliance – ASX & ASIC;
- Chief Financial Officer’s report;

During the reporting period there were two Board Committees assisting in the execution of the Board’s responsibilities. The current membership and function of each of the Committees is provided below.

Current Committees

Audit and Risk Committee

Current members:

Michael O’Neill (Chairman), Keith Jones, Yu Wanyuan, Robin Marshall and Paul Hallam

Function:

- Reviews and oversees integrity of financial reporting;
- Evaluates and recommends the appointment of the external auditor on an annual basis, in particular by reference to skills and knowledge of the team involved, quality of work, and continuing independence of the audit firm;
- Reviews the independence of the external auditor;
- Ensures Managing Director and Chief Financial Officer provide statutory financial reporting declarations as to true and fair accounts;
- To monitor and review the propriety of any related party transactions; and
- Review the strategy and monitor the overall integrity of the Company’s risk. Governance, compliance and sustainability systems.

Meetings:

During the reporting period three Audit and Risk Committee meetings were held.

Interim Arrangements

Whilst the Chairman of the Audit and Risk Committee is Acting Managing Director, the full Board of the Company attends all Audit and Risk Committee meetings. This is to ensure full disclosure and maintain independence.

Corporate Governance Statement

Charter:

A copy is available on Company's website (www.gindalbie.com.au).

Remuneration and Nomination Committee

Current members:

Michael O'Neill (Chairman), Robin Marshall and Tang Fuping

Function:

- Develop remuneration and nomination strategy to deliver sustainable shareholder value;
- Performance measurement and review of key executives and Directors;
- Succession planning for key executives; and
- Review and recommend terms of appointment for key executives and Directors.

Meetings:

There were no Remuneration and Nomination Committee meetings held during the reporting period as remuneration matters were dealt with by the Board.

Charter:

A copy is available on Company's website (www.gindalbie.com.au).

The Project Oversight Committee and Operations Oversight Committee are no longer operational following completion of construction and commencement of operations at the Karara Project.

Evaluation of Board, Committees and Senior Executives

The performance of the Board, its Committees and Senior Executives is reviewed on an ongoing basis to ensure alignment to the Company's corporate objectives.

In particular the assessment of Senior Executives is conducted by reference to agreed key performance indicators which are agreed at the start of each year and formally reviewed at the end of the relevant year. The evaluation of the Board is overseen by the Chairman and Board members are required to complete questionnaires providing feedback on the Board's performance. The review process for Committees is undertaken by way of feedback from the Board. Committees are regularly adapted and changed as required to oversee the Company's highest priorities.

The review process for Senior Executives was undertaken either during or shortly following the end of the reporting period in accordance with the process disclosed.

Board Education

The Company has a process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of Directors. Directors also have the opportunity to visit all operations and meet with management to gain a better understanding of each business unit. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information, to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense.

Corporate Governance Statement

Code of Conduct

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure the Company is considered reputable by the industry and outside entities. Gindalbie has adopted a Code of Conduct setting out minimum standards for Directors, managers and employees as to the practices necessary to maintain confidence in the Company's integrity and to take into account the Company's legal obligations and expectations of stakeholders. The code of conduct sets out responsibility and accountability for reporting and investigating any unethical practices.

A copy of the Code of Conduct is on the Company's website (www.gindalbie. com.au).

The key elements of the Code include:

- Obligation to abide by laws and regulations where the Company operates;
- Responsibility to community and broader stakeholder interests;
- Mandatory compliance with breaches reportable to relevant managers; and
- Ongoing disclosure in respect of any conflicts of interest.

Trading in Company Securities by Directors and Senior Executives

To safeguard against insider trading, Gindalbie's Policy on Trading in Company Securities prevents Directors and employees trading if they are aware of any information that would be expected to have a material effect on the price of Company securities.

A copy of the Policy on Trading in Company Securities is located on the Company's website (www.gindalbie. com.au).

The key elements of the Policy include:

- Explanation of insider trading provisions and consequences;
- Additional restrictions on trading by Directors and senior executives requiring disclosure;
- Hedging restrictions in respect of unvested remuneration entitlements
- Restrictions on trading by Directors and senior executives within periods leading up to and following ASX announcements; and
- Restrictions on trading by Directors and senior executives within nominated 'black out' periods prior to reporting of statutory accounts.

Continuous Disclosure

Gindalbie is committed to ensuring compliance with the continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. The Board has implemented a Continuous Disclosure Policy. A copy is available on the Company's website (www.gindalbie.com.au).

The Managing Director and Company Secretary have responsibility to oversee compliance with the Policy.

The key elements of the Policy include:

- Overview of continuous disclosure obligations;
- Reporting to Managing Director and Company Secretary for factual assessment and release as ASX announcement; and
- Restrictions on Directors, senior managers and employees governing market sensitive information prior to release of ASX announcements.

Corporate Governance Statement

Shareholder Communication

Gindalbie is committed to promoting effective communications with shareholders. The Board has implemented a Policy to Promote Effective Communication with Shareholders. A copy is available on the Company's website (www. gindalbie.com.au).

The key elements of the Policy include:

- Production of annual report, quarterly reports, and release of ASX announcements;
- Release of information on Company website – including announcements, policies and Charter documents;
- Release of shareholder communications by email;
- Question time encouraging participation by shareholders at the Annual General Meeting;
- Manager Investor Relations provides central contact point within Gindalbie;
- Attendance of external auditor at Annual General Meeting; and
- Shareholder voting on key issues impacting Directors' remuneration and other matters.

Risk Management

Gindalbie is committed to ensuring it has effective risk management systems in place. The Board oversees the establishment, implementation, and annual review of the Company's risk management process through the Audit & Risk Committee.

The Charter for the Audit & Risk Committee is available on the Company's website (www.gindalbie. com.au). The Charter establishes responsibility on the Committee to ensure oversight and management of material business risks.

The Committee ensures that management designs and operates a risk management and internal control system to manage the Company's material business risks. Through the Committee, management provides updates on those risks to confirm if those risks are being managed effectively. The Committee reports to the Board on any matters of significance. Based on management's reports during the financial year, the Board considers that the Company's material business risks are being properly managed.

The key elements of the risk management process include:

- Undertaking periodic risk assessments of material business risks;
- Developing reporting systems to the Board to provide assurance that key business risks are being managed effectively;
- Audit & Risk Committee provides Board with assurance as to integrity of financial reporting and Auditor performance;
- Managing Director and Chief Financial Officer provide the Board with assurance that their section 295A Corporations Act declaration is based on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. This assurance has been provided for this reporting period;
- Risk management and reporting systems to oversee control of occupational, health and safety obligations, environment and sustainability risks;
- Regular assessment by the Audit & Risk Committee of material business risks and relevant controls on a formal risk register; and
- Reporting of the highest level material business risks and updates to risk controls by the Audit & Risk Committee.

Corporate Governance Statement

Remuneration

Gindalbie is committed to developing effective remuneration policies that are aligned to the Governance Principles. The Board has implemented a remuneration policy within its Remuneration and Nomination Committee Charter and a copy of the Charter is available on the Company's website (www.gindalbie.com.au).

An overview of the Company's strategy towards remuneration is set out on pages 18-26 of the Annual Report.

Diversity Policy

Gindalbie understands the value inherent in a diverse workforce and promotes a high performance culture that draws on the diverse and relevant experience, skills, expertise, perspectives and the unique personal attributes of its Board members and employees.

Measurable Objective	Measurable Objective	Proportion of female employees	Progress towards target
Female employees in Gindalbie and Karara Mining Limited (KML)	20%	17.6% (82 of 466)	Progressing towards target
Female employees in combined executive and senior management positions within Gindalbie and KML	10%	12.12% (4 of 33)	Exceed
Female members on Boards of Gindalbie and KML	0%	0%	No target

Gindalbie has no barriers to diversity and supports equality of opportunity to all in employment, based on ability and merit irrespective of their gender, race, ethnic origin, disability, age, nationality, national origin, sexuality, religion or belief, marital status and social class.

The Company sets out above its Board approved measurable objectives and targets in connection with gender diversity for the reporting period.

The Company has set targets that it considers reasonably achievable within the mining industry taking into account the higher proportion of male employees working in this segment of the market.

A copy of the Diversity Policy is available on the Company's website (www.gindalbie.com.au).

Shareholder Information

For the year ended 30 June 2014

1. SHAREHOLDER INFORMATION AT 17 SEPTEMBER 2014

(a) Distribution of Shareholders

Size of Holding	Number of Holders	Shares Held
1 – 1.000	1.748	1.017.214
1.000 – 5.000	4.371	13.404.314
5.001 – 10.000	2.852	23.021.146
10.001 – 100.000	6.123	215.321.766
100.001 and over	1.438	1.242.542.371
Total	16.532	1.495.306.811

There are 9,288 shareholders who hold less than a marketable parcel of 11,627 shares.

(b) The twenty largest shareholders hold 52.05% 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	35.81

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 17 SEPTEMBER 2014

Rank	Shareholder	Number of Shares	%
1	Angang Group Hong Kong (Holdings) Limited	535,492,521	35.81%
2	Citicorp Nominees Pty Limited	62,713,101	4.19%
3	HSBC Custody Nominees (Australia) Limited	36,210,569	2.42%
4	J P Morgan Nominees Australia Limited	25,411,604	1.70%
5	BNP Paribas Noms (NZ) Ltd	16,922,943	1.13%
6	Mr Pedram Mirkazemi	11,500,000	0.77%
6	Bond Street Custodians Limited	11,500,000	0.77%
7	Connemara Investments Pty Ltd	11,300,000	0.76%
8	Monna Mirkazemi Superannuation Pty Ltd	8,500,000	0.57%
9	Sun Phoong Corporation Pty Ltd	7,370,851	0.49%
10	Nefco Nominees Pty Ltd	6,349,571	0.42%
11	National Nominees Limited	5,810,506	0.39%
12	QIC Limited	5,418,998	0.36%
13	Excalibur Trading PTY LTD	5,400,000	0.36%
14	Bell Potter Nominees Ltd	4,483,333	0.30%
15	Mr Delin Zou	4,320,000	0.29%
16	S C F I Pty Ltd	4,243,000	0.28%
17	UBS Wealth Management Australia Nominees Pty Ltd	3,879,196	0.26%
18	Loong Phoong Pty Ltd	3,870,950	0.26%
19	In Style Australia Pty Ltd	3,870,000	0.26%
20	DMG & Partners Securities Pte Ltd	3,722,739	0.25%
		778,289,882	52.05%
Total issued shares		**1.495.306.811**	**100.00%**

Summary Resources Statements

For the year ended 30 June 2014

LODESTONE MAGNETITE RESOURCES INCLUSIVE OF RESERVES AS AT 30 JUNE 2014

Deposit	Classification JORC 2004	Oxidation State	Tonnes Mt	Fe %	SiO2 %	Al2O3 %	P %	S %	LOI %
Lodestone	Inferred	Oxide	215	29.2	44.4	5.9	0.03	0.05	4.1
	Inferred	Fresh	1,267	26.8	46.3	5.4	0.05	1.07	2.1
Total			**1,482**	**27.1**	**46.0**	**5.5**	**0.05**	**0.92**	**2.4**

The Lodestone Magnetite Resource (Resource) was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported to the ASX on 21 February 2012.

The Resource estimate is reported above a 0% Fe cut-off grade, with the extrapolated portion, below the drilling data, representing approximately 20% of the total tonnage

Small discrepancies may occur due to the effects of rounding

Competent Person's Statement

The information in this report that relates to the Exploration results and data that was used to compile the Gindalbie Metals Limited Mineral Resource estimate for Lodestone deposit is based upon information compiled by Ian Shackleton. Ian Shackleton is a member of the Australasian Institute of Geoscientists (MAIG) 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ian Shackleton is a full-time employee of Karara Mining Limited. Ian Shackleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Gindalbie Metals Limited Mineral Resources for Lodestone deposit is based upon information compiled by John Graindorge. John Graindorge is 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 2004 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. John Graindorge consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Tenement Schedule

For the year ended 30 June 2014

Lease	Status	Holder	Ownership
Gindalbie Metals Ltd 100%			
E59/1522	Granted	Gindalbie Metals Ltd	100%
E59/1536	Granted	Gindalbie Metals Ltd	100%
E59/1573	Granted	Gindalbie Metals Ltd	100%
E59/1581	Granted	Gindalbie Metals Ltd	100%
E59/1582	Granted	Gindalbie Metals Ltd	100%
E59/1583	Granted	Gindalbie Metals Ltd	100%
E59/1584	Granted	Gindalbie Metals Ltd	100%
E59/1585	Granted	Gindalbie Metals Ltd	100%
E59/1586	Granted	Gindalbie Metals Ltd	100%
E59/1587	Granted	Gindalbie Metals Ltd	100%
E59/1588	Granted	Gindalbie Metals Ltd	100%
E59/1589	Granted	Gindalbie Metals Ltd	100%
E59/1606	Granted	Gindalbie Metals Ltd	100%
E59/1791	Granted	Gindalbie Metals Ltd	100%
E59/1798	Granted	Gindalbie Metals Ltd	100%
L59/115	Granted	Gindalbie Metals Ltd	100%
L59/120	Granted	Gindalbie Metals Ltd	100%
L59/72	Granted	Gindalbie Metals Ltd	100%
P59/1845	Granted	Gindalbie Metals Ltd	100%
P59/1847	Granted	Gindalbie Metals Ltd	100%
P59/1850	Granted	Gindalbie Metals Ltd	100%
P59/1859	Granted	Gindalbie Metals Ltd	100%
P59/1902	Granted	Gindalbie Metals Ltd	100%
P59/1913	Granted	Gindalbie Metals Ltd	100%
P59/1915	Granted	Gindalbie Metals Ltd	100%
E47/3088	Application	Gindalbie Metals Ltd	100%
E47/3089	Application	Gindalbie Metals Ltd	100%
E59/1950	Application	Gindalbie Metals Ltd	100%
E59/1955	Application	Gindalbie Metals Ltd	100%
E59/2054	Application	Gindalbie Metals Ltd	100%
P59/2034	Application	Gindalbie Metals Ltd	100%

Lease	Status	Holder	Ownership
Windaning JV			
Gindalbie 78.47%; Falcon Minerals 21.53%			
M59/379	Granted	Falcon Minerals Ltd & Gindalbie Metals Ltd	78.47%
M59/380	Granted	Falcon Minerals Ltd & Gindalbie Metals Ltd	78.47%

Lease	Status	Holder	Ownership
Minjar Gold JV Gindalbie 100% Fe; Minjar Gold 100% Gold and Base Metals			
E59/1002	Granted	Gindalbie Metals Ltd	100%
E59/1012	Granted	Minjar Gold Pty Ltd	100%
E59/1021	Granted	Minjar Gold Pty Ltd	100%
E59/1023	Granted	Minjar Gold Pty Ltd	100%
E59/1042	Granted	Minjar Gold Pty Ltd	100%
E59/1136	Granted	Gindalbie Metals Ltd	100%
E59/1139	Granted	Gindalbie Metals Ltd	100%
E59/1152	Granted	Minjar Gold Pty Ltd	100%
E59/1169	Granted	Minjar Gold Pty Ltd	100%
E59/1180	Granted	Gindalbie Metals Ltd	100%
E59/1181	Granted	Minjar Gold Pty Ltd	100%
E59/1189	Granted	Minjar Gold Pty Ltd	100%
E59/1199	Granted	Minjar Gold Pty Ltd	100%
E59/1200	Granted	Minjar Gold Pty Ltd	100%
E59/1201	Granted	Minjar Gold Pty Ltd	100%
E59/1202	Granted	Minjar Gold Pty Ltd	100%
E59/1203	Granted	Gindalbie Metals Ltd	100%
E59/1210	Granted	Gindalbie Metals Ltd	100%
E59/1327	Granted	Minjar Gold Pty Ltd	100%
E59/1328	Granted	Minjar Gold Pty Ltd	100%
E59/1329	Granted	Minjar Gold Pty Ltd	100%
E59/1330	Granted	Minjar Gold Pty Ltd	100%
E59/1331	Granted	Minjar Gold Pty Ltd	100%
E59/1332	Granted	Minjar Gold Pty Ltd	100%
E59/1333	Granted	Minjar Gold Pty Ltd	100%
E59/887	Granted	Minjar Gold Pty Ltd	100%
E59/888	Granted	Minjar Gold Pty Ltd	100%
E59/935	Granted	Minjar Gold Pty Ltd	100%
E59/985	Granted	Minjar Gold Pty Ltd	100%
L59/133	Granted	Minjar Gold Pty Ltd	100%
L59/143	Granted	Minjar Gold Pty Ltd	100%
L59/44	Granted	Minjar Gold Pty Ltd	100%
L59/54	Granted	Minjar Gold Pty Ltd	100%
L59/56	Granted	Minjar Gold Pty Ltd	100%
L59/61	Granted	Minjar Gold Pty Ltd	100%
M59/219	Granted	Minjar Gold Pty Ltd	100%
M59/406	Granted	Minjar Gold Pty Ltd	100%
M59/420	Granted	Minjar Gold Pty Ltd	100%

Tenement Schedule

For the year ended 30 June 2014

Lease	Status	Holder	Ownership
Minjar Gold JV **Gindalbie 100% Fe; Minjar Gold 100% Gold and Base Metals**			
M59/421	Granted	Minjar Gold Pty Ltd	100%
M59/431	Granted	Minjar Gold Pty Ltd	100%
M59/457	Granted	Minjar Gold Pty Ltd	100%
M59/458	Granted	Minjar Gold Pty Ltd	100%
M59/460	Granted	Gindalbie Metals Ltd	100%
M59/497	Granted	Minjar Gold Pty Ltd	100%
M59/591	Granted	Minjar Gold Pty Ltd	100%
M59/731	Granted	Minjar Gold Pty Ltd	100%
P59/1706	Granted	Minjar Gold Pty Ltd	100%
P59/1707	Granted	Minjar Gold Pty Ltd	100%
P59/1758	Granted	Minjar Gold Pty Ltd	100%
P59/1759	Granted	Minjar Gold Pty Ltd	100%
P59/1760	Granted	Minjar Gold Pty Ltd	100%
P59/1761	Granted	Minjar Gold Pty Ltd	100%
P59/1781	Granted	Gindalbie Metals Ltd	100%
P59/1782	Granted	Gindalbie Metals Ltd	100%
P59/1783	Granted	Gindalbie Metals Ltd	100%
P59/1784	Granted	Gindalbie Metals Ltd	100%
P59/1787	Granted	Gindalbie Metals Ltd	100%
P59/1790	Granted	Gindalbie Metals Ltd	100%
P59/1791	Granted	Minjar Gold Pty Ltd	100%
P59/1793	Granted	Minjar Gold Pty Ltd	100%
P59/1794	Granted	Minjar Gold Pty Ltd	100%
P59/1796	Granted	Minjar Gold Pty Ltd	100%
P59/1797	Granted	Minjar Gold Pty Ltd	100%
P59/1798	Granted	Minjar Gold Pty Ltd	100%
P59/1800	Granted	Minjar Gold Pty Ltd	100%
P59/1803	Granted	Minjar Gold Pty Ltd	100%

GINDALBIE
METALS LTD

Level 9, London House
216 St Georges Terrace
Perth WA 6000
AUSTRALIA

www.gindalbie.com.au