



KEY POINTS

- On 11 March 2019, Gindalbie Metals Limited (“Gindalbie”) (ASX: GBG) announced a proposal to be acquired by Angang Group Hong Kong (Holdings) Limited (“Ansteel”) for cash consideration of \$0.026 per Gindalbie share (“Acquisition Scheme”).
- The Acquisition Scheme consideration is priced at a 90% premium to Gindalbie’s 30-day pre-announcement VWAP and allows Gindalbie shareholders to exit their exposure to Gindalbie’s significant contingent liabilities relating to the loss-making and capital-intensive Karara Iron Ore Project (“Karara”).
- The Acquisition Scheme is proposed to occur alongside a proposed inter-conditional demerger by Gindalbie of its wholly owned subsidiary, Coda Minerals Limited (“Coda”), to Gindalbie shareholders (“Demerger”).
- Coda holds Gindalbie’s interest in the highly prospective Mt Gunson Copper-Cobalt Project in South Australia (“Mt Gunson”).
- Gindalbie’s Directors (excluding Ansteel’s representatives) (“Independent Directors”) unanimously recommend that Shareholders vote in favour of the Acquisition Scheme and the Demerger, in the absence of a superior proposal and in each case subject to the Independent Expert concluding that the relevant transaction is in the best interests of Gindalbie shareholders.
- Scheme Booklets relating to the Acquisition Scheme and the Demerger are expected to be released and sent to Gindalbie shareholders in late May.
- Subsequent to quarter-end, Gindalbie received results from 2018-19 drilling program at Emmie Bluff, at Mt Gunson, including:
 - 2.05m @ 1.51% Cu, 0.07% Co from 399.2m;
 - 3.12m @ 1.14% Cu, 0.08% Co from 393.66m; and
 - 1.7m @ 1.28% Cu, 0.05% Co from 443.3m.
- As at 31 March 2019, Gindalbie had term deposits of \$29.6 million, and cash equivalents of \$1.99 million.

CORPORATE

PROPOSED ACQUISITION OF GINDALBIE AND DEMERGER OF CODA MINERALS

On the 11 March 2019, Gindalbie announced two inter-conditional schemes of arrangements (the “Acquisition Scheme” and the “Demerger Scheme”) and a capital reduction to effect the Demerger (“Transaction”).

Gindalbie and Ansteel have executed a Scheme Implementation Agreement (“SIA”), under which Ansteel has agreed to acquire all the ordinary shares in Gindalbie that it does not currently own for cash consideration of \$0.026 per share. Ansteel currently has a relevant interest in 535,492,521 ordinary shares, which represents 35.71% of Gindalbie’s issued capital. More information in relation to the Acquisition Scheme will be set out in the Acquisition Scheme Booklet, currently expected to be released and sent to Gindalbie shareholders in late May.

In addition, Gindalbie is proposing to undertake a demerger of its wholly owned subsidiary, Coda, that holds interests in Mt Gunson, via the Demerger. If implemented, Gindalbie shareholders will receive a pro-rata distribution of Coda shares for every Gindalbie share they hold on the record date for the Demerger Scheme at a ratio to be determined (and which will then be disclosed in the Scheme Booklets).

The Demerger Scheme and the capital reduction to effect the Demerger will each be put to Gindalbie shareholders for approval, along with the Acquisition Scheme. More information in relation to the Demerger Scheme and the capital reduction and other information in relation to Coda will be set out in the Demerger Scheme Booklet, currently expected to be released and sent to Gindalbie shareholders in late May.

An indicative timetable for the Acquisition Scheme and the Demerger Scheme will be included in the Acquisition Scheme Booklet and the Demerger Scheme Booklet respectively.

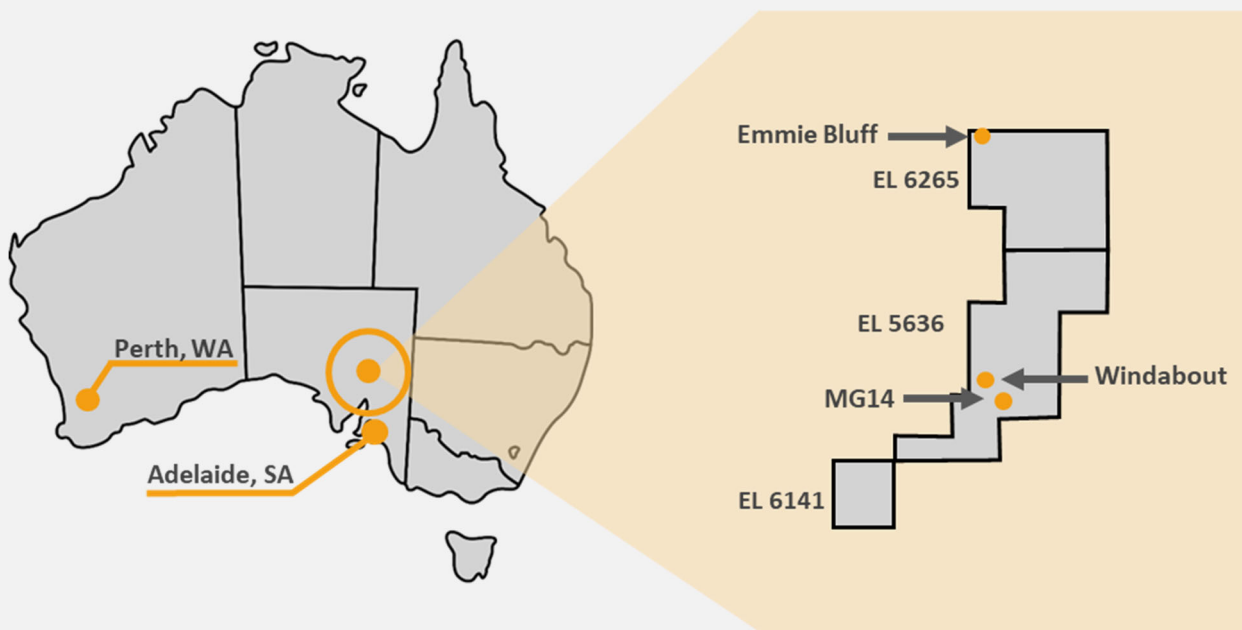
The Demerger Scheme, the Acquisition Scheme and the capital reduction will effectively be conditional on each other.

The Transaction will see Karara become fully owned by Ansteel, who will take responsibility for the massive debt and contingencies related to the project. Karara is making large annual losses and incurring negative cashflow at the operational level and is increasing its debt. Gindalbie’s interest in KML has been consistently valued at nil (\$0) by Gindalbie since 2014.

Mount Gunson Project Update

During the March quarter, work on the Mt Gunson Project focussed on three major areas

- Sample preparation and metallurgical analysis of material received from the 2018 large diameter drill program at MG14 and Windabout;
- The completion of a HQ diamond drilling program at the Emmie Bluff prospect, as well as the geotechnical and metallurgical analysis of material received from that program; and
- The planning and commencement of a passive seismic survey to test the effectiveness of this technology at Mt Gunson.



Metallurgical analysis of MG14 and Windabout Large Diameter Core

Wide diameter drill core was shipped to ALS laboratories in Balcatta, and work began in the March quarter to prepare this material for metallurgical analysis. Following assay, this work included the crushing and blending of mineralised material into a number of composites:

MG14 Master composite:

Composed of samples from all MG14 holes, used in roughly equal masses, with the intention of creating material metallurgically representative of MG14 Run of Mine (RoM) ore. Target Cu grade was between 1.2 and 1.3 % Cu, with minor dilution added from the immediately overlying Whyalla Sandstone as well as Tapley Hill formation waste to simulate mining conditions and achieve required grade.

Windabout: Master composite:

Composed of samples from all Windabout holes, used in roughly equal masses, with the intention of creating material metallurgically representative of Windabout RoM ore. Target Cu grade was between 0.8 and 1.0 % Cu, with minor dilution added from the immediately overlying Whyalla Sandstone as well as Tapley Hill formation waste to simulate mining conditions and achieve required grade.

Windabout Variability Composite 1

Designed to be metallurgically representative of first year of mined ore from Windabout.

Windabout Variability Composites 2 and 3

Designed to be metallurgically representative of the upper and lower mineralised zones within the ore body.

Windabout Variability Composites 4

Designed to be metallurgically representative of material in the north-west of the ore body, primarily as a means of comparison against Composite 1.

These composites have been provided to metallurgical consultants Strategic Metallurgy, who are currently undertaking further test work to refine the processing flowsheet first developed during the published Mt Gunson Scoping study in 2018 (Please see 23 May 2018 ASX Announcement "Entry into Stage 2 of the Mt Gunson Copper Cobalt Project" for more details). Material was also provided to Mining Process Solutions, who are undertaking leaching analysis on the MG14 material to determine the effectiveness of their proprietary GlyLeach™ glycine technology (to which Gindalbie has a global license) at that deposit.

Studies in both cases are ongoing, and no results are available for publication at the time of this announcement.

Emmie Bluff Drilling Program Completion

An HQ diamond programme at Emmie Bluff was concluded in early January 2019. A total of five drill holes were attempted, with three successfully intersecting meaningful mineralisation. Of the remaining two, one failed to reach target depth, and the other failed to collect sample from the Whyalla/Tapley contact, though a small amount of material from the lower ore zone was collected. A plan view of the location and collar details of the successful holes are included below as Figure 1 and

Table 1 respectively. Significant intercepts are included as Table 2. Metallurgical analysis of these mineralised intervals is currently ongoing with the aim of determining whether Emmie Bluff material can be beneficiated using a similar process to that outlined in the Mt Gunson Scoping Study update (Please see 23 May 2018 ASX Announcement "Entry into Stage 2 of the Mt Gunson Copper Cobalt Project" for more details).

Table 1 Emmie Bluff 2018/19 drill collars

HoleID	Easting (GDA94 Z53)	Northing (GDA94 Z53)	RL (m)	Precollar Depth (m)	Total Depth (m)	Dip	Azimuth	Comments
DD18EB0001	706110	6555382	162	380.6	441.88	-90	0	
DD18EB0002	706122	6555939	157	370.9	444.04	-90	0	
DD19EB0001	706378	6555681	161	443.3	467.5	-60	90	Hole dip dropped precipitously, pre-collar penetrated upper ore zone
DD19EB0002	705792	6556452	154	179.7	240.5	-60	270	Abandoned due to bogging, did not reach ore zone.
DD19EB0002A	705792	6556452	154	355.9	456.9	-90	0	

Table 2 2018/19 Emmie Bluff drilling significant intersections (i.e. >0.5m @ >0.5% Cu).

Interval	Ore Zone
DD18EB0001: 0.83m @ 1.81% Cu, 0.1% Co, and 14.94 g/tonne Ag from 398.38m	Upper Ore Zone
DD18EB0001: 1.15m @ 0.95% Cu, 0.08% Co, and 10 g/tonne Ag from 408.35m	Lower Ore Zone
DD18EB0002: 2.05m @ 1.51% Cu, 0.07% Co, and 22.34 g/tonne Ag from 399.2m	Upper Ore Zone
DD19EB0001: 1.7m @ 1.28% Cu, 0.05% Co, and 18.82 g/tonne Ag from 443.3m	Presumed Lower Ore Zone
DD19EB0002a: 3.12m @ 1.14% Cu, 0.08% Co, and 14.1 g/tonne Ag from 393.66m	Upper Ore Zone
Including: 0.3m @ 3.05% Cu, 0.33% Co, and 25 g/tonne Ag from 394.53m	Upper Ore Zone

For full details, including JORC Table 1 and Competent Person's statement, please see 18th April 2019 ASX Announcement "Emmie Bluff Drill Results".

Basic geotechnical analysis has been carried out by Geohart Limited in Melbourne to determine the viability of underground mining at Emmie Bluff. The geotechnical work completed to date confirms very good roof conditions in the Whyalla Sandstone overlying the Tapley Hill Formation. It also suggests that, should future stress measurements confirm similarity to nearby projects such as the Olympic Dam mining complex, which is located to the north of the Emmie Bluff, the mining conditions would be quite favourable, allowing a high overall extraction ratio.

This is expected to allow conventional room and pillar underground mining methods to be employed at Emmie Bluff, maximising the extractable volume and decreasing risk associated with mining methodologies based on caving.

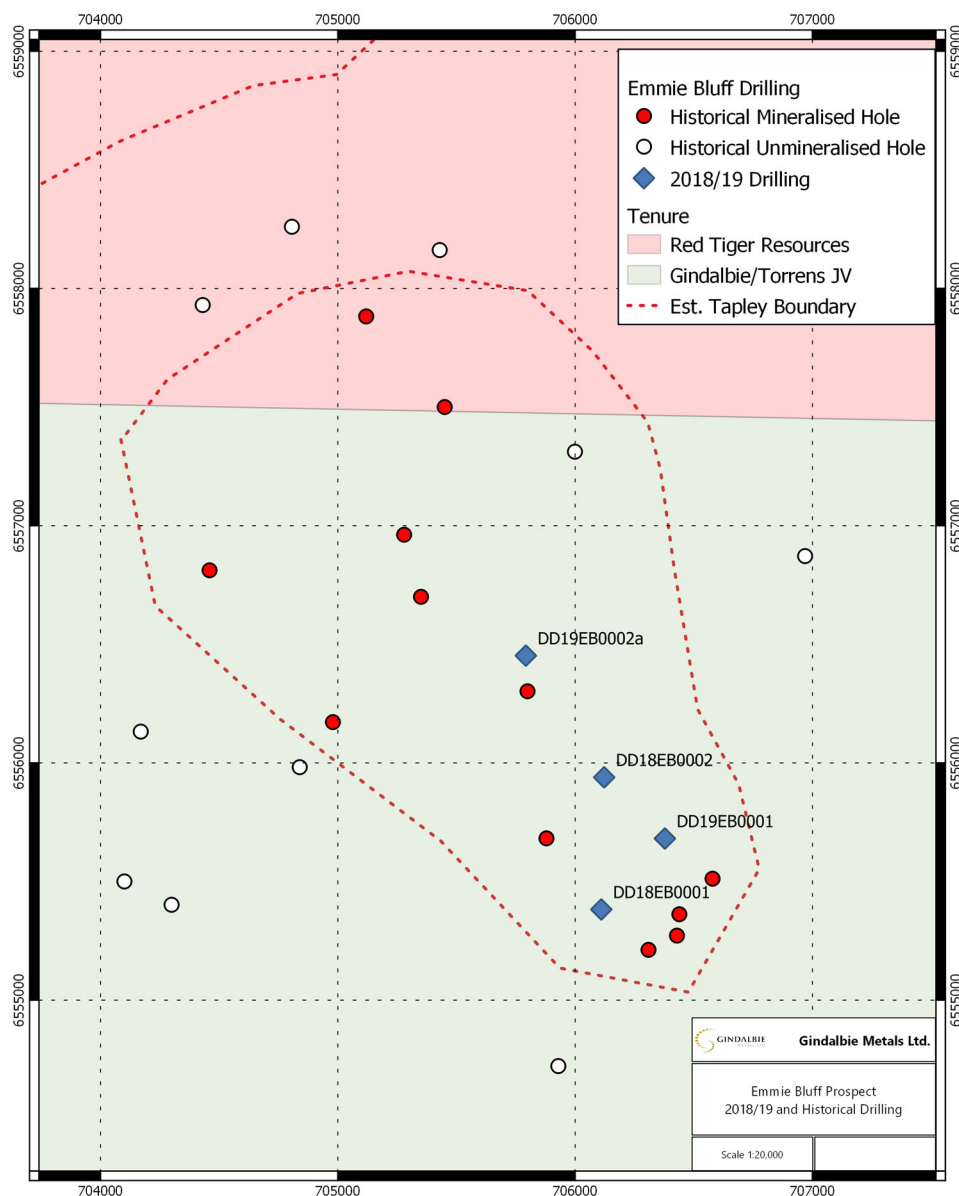


Figure 1 Emmie Bluff 2018/19 drill collars plan view.

Mt Gunson Passive Seismic Technology Test

Gindalbie engaged Resource Potentials, a Perth based geophysical consulting company, to undertake a technology test of their Tromino passive seismic technology. This test involved an attempt to delineate the Tapley Hill formation at Mt Gunson, using known deposits and existing drilling to calibrate their readings.

Surveying began at the end of March 2019 and concluded in April of the same year. Full results are not available at the time of publication, but initial indications are that the technology appears capable of delineating the Tapley Hill formation but may not be able to penetrate the ground conditions associated with broken surficial Simmens Quartzite at Emmie Bluff. Nonetheless, it is hoped that this technology will, in combination with other geophysical methods, serve as a means to improve drill targeting in brownfields drill programs in the area of the project around MG14 and Windabout, or in other areas where the sedimentary column is less thick than at Emmie Bluff and Simmens Quartzite is absent.



Passive seismic data collection at Emmie Bluff

Strategic Development

Although exploration at Mt Gunson continued during the quarter as part of the company's ongoing efforts to grow that project organically, Gindalbie has temporarily halted its evaluation of strategic development opportunities outside of Mt Gunson while the Transaction is ongoing.

Gindalbie Regional Exploration - Midwest Tenements

In February of 2019, Gindalbie was granted a retention license over the Lodestone resource in the Midwest, with the newly granted R59/2 replacing the previously held exploration license (E59/1002). This has removed the exploration expenditure obligations associated with the exploration tenure and considerably reduced the holding cost of the Lodestone resource. The Independent Directors consider that Lodestone is not economic to mine in the current iron ore price environment, and there is no economic basis to proceed with any additional drilling and feasibility work.

Shareholder Information

As at 31 March 2019, Gindalbie had 1,499,637,059 shares on issue and 12,195 shareholders.

The Top 20 shareholders held 60.38% of the issued share capital of Gindalbie.

Cash Reserves

At 31 March 2019, Gindalbie had term deposits of AUD\$29.6 million, and cash equivalents of AUD\$1.99 million.

KARARA PROJECT

During the March 2019 Quarter KML produced approximately 1.817million dry metric tonnes ('DMT') of magnetite concentrate at Karara, a decrease of 4.01% over December 2018 Quarter production of 1.893 million DMT. This decrease was primarily due to the mining and subsequent processing of high alumina material (refractory ore) leading to a reduction in plant performance.

A total of 33 shipments were completed by KML from the Karara Export Terminal at Geraldton totalling approximately 1.864 million DMT of magnetite concentrate. Magnetite production grade quality during the March 2019 Quarter averaged 65.4% Fe.

Karara Magnetite Unit '000 DMT			
Quarter (Qtr)	Sep -18 Qtr	Dec -18 Qtr	Mar -19 Qtr
Ore Mined	4,886	4,382	4,853
Concentrate Product	1,806	1,893	1,817
Concentrate Shipped	1,826	1,950	1,864

For the March 2019 Quarter, average magnetite C1 unit cash cost (mining, processing, maintenance, rail, port and site administration) excluding depreciation and amortisation, corporate administration, exploration, sale, royalties, ocean freight, interest and financing costs was approximately AUD¹ \$95.75 per DMT (December 2018 Quarter: approximately AUD \$90.43 per DMT).

Sales

The realised price for Karara magnetite concentrate is represented by the published benchmark assessment of the spot price of a standard specification of iron ore fines with 65% iron (Platts IODEX 65% Fe) plus a premium for magnetite concentrate (March 2019 Quarter – average of approximately USD\$1.18 per DMT) and adjusted for its higher iron grade relative to the benchmark (March 2019 Quarter – average of approximately 65.4% Fe), less standard penalties for impurities.

The average realised CFR² price for the March 2019 Quarter was approximately AUD \$134.36 per DMT³ on provisional basis (December 2018 Quarter: approximately AUD \$128.49 per DMT).

ENDS

¹ Unit cost reported is based on production volume.

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

³ Average price is based on provisional payments received as final price for March 2019 cargoes are not settled yet. Pricing formulas contained in KML sale contracts are based on the final price being determined in the month after the month of shipment. A reconciliation and settlement takes place once a final price is known in the actual month of settlement.

March 2019

QUARTERLY REPORT



On behalf of:

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