GINDALBIE METALS LTD

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016

ACN 060 857 614

The Directors present their report together with the financial statements of the Company, Gindalbie Metals Ltd ('the Company', 'Gindalbie') for the financial year ended 30 June 2016 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 Extensive resource industry experience Director since March 2013 Appointed as Chairman April 2013
Mr Andrew R Marshall I. Eng, MAICD Independent Non-Executive Director	Former Project Director for Vale Inco Former Vice President – Asset Development Projects for BHP Billiton Iron Ore Former Project Manager for North Limited Former Project Director of Iron ore Company for Canada Former Manager Projects for Forrestainia Gold/LionOre Australia Former Project Manager and Manager of Engineering & Project Services for Western Mining Corporation Former Project Manager for Nedpac/Signet Engineering Former Non-Executive Director Sundance Resources NL (Oct 10-Jan 15) Director since December 2010
Mr Paul D Hallam BE (Hons) Mining, Grad Cert Mineral Economics, FAICD, FAUSIMM Independent Non-Executive Director	Former Director - Operations of Fortescue Metals Group Limited Former Executive General Manager – Development & Projects of Newcrest Mining Limited Former Director - Victorian Operations of Alcoa Former Executive General Manager – Base and Precious Metals of North Limited Former Chairman Powertrans Former Non-Executive Director of Enterprise Metals Limited Former Director – Karara Mining Limited Non-Executive Director of Altona Mining Limited (Mar 13) Non-Executive Director of Sandfire Resources NL (May 13) Non-Executive Director of Tintina Resources Inc (Sept 14) Director since 14 December 2011
Mr Shao An Lin PHD Mining Non-Executive Director	General Manager of Ansteel Consolidated entity Mining Company President of the Metallurgical Mine Association of China Former Chief Engineer of Dong An Shan Iron Ore Mine Former General Manager of Yan Qian Shan Iron Ore Mine Former Deputy General of Gong Chang ling Iron Ore Co Director since March 2015
Mr Li Ge B.Fin Non-Executive Director	Deputy Director of financial operations department at Ansteel Supervisor of the board of supervisors in two sub-corporations of Ansteel Director since March 2015

1. **DIRECTORS (Continued)**

Name & Qualifications	Experience and Special Responsibilities
Mr Michael J O'Neill Dip Bus Admin, SFFin, FAICD Independent Non-Executive Director Acting Chief Executive Officer	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 Director since April 2006 Acting Chief Executive Officer April 2014 Resigned October 2015
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 Resigned November 2015

2. COMPANY SECRETARY

Mr Gerrard resigned as Company Secretary on 5 October 2015 and is no longer employed by the Company.

Ms Rebecca Moylan was appointed Company Secretary from 25 May 2015. Ms Moylan has worked for Gindalbie since May 2011 and has corporate experience working with listed and unlisted companies in varied industries.

3. PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were the exploration for and evaluation of projects and potential joint ventures with other mining companies to explore for minerals. During the year the Company retained its 47.84% Equity Interest in the Karara Project ("Karara"), and exploration and potential development of its 100% owned projects. There has been no significant change in the nature of these activities during the year.

4. RESULT OF OPERATIONS

The net loss for the year ended 30 June 2016 was $6.2 million, (2015 - net loss of $15.7 million).

The net loss for Gindalbie represented corporate overheads ($3 million), non-cash impairment charge related to assets ($4.6 million), which was partially offset by interest income ($1.1million) and other income ($0.3 million).

As at the reporting date, the Company has $38.9 million of cash reserves, including $25 million in term deposits.

5. DIRECTORS' MEETINGS

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

Director	**Directors Meetings**	
	A	B
Mr K F Jones	7	7
Mr MJ O'Neill	2	2
Mr P Chen	4	4
Mr R Marshall	6	7
Mr P Hallam	7	7
Mr G Li	5	7
Mr A Shao	3	7

A. Number of meetings attended
B. Number of meetings held during the time the Director held office during the year

6. CORPORATE STRATEGY & LIKELY DEVELOPMENTS

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

7. EVENTS SUBSEQUENT TO REPORTING DATE

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

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 M J O'Neill - Acting Chief Executive Officer (resigned 26 October 2015)

Non-Executive Directors
Mr K F Jones – Chairman
Mr A R Marshall
Mr C Ping (resigned 27 November 2015)
Mr P Hallam
Mr L Ge
Mr S An Lin

Executives
Mr C Stevens - Chief Executive Officer (CEO) (commenced Acting CEO 23 November 2015 and CEO 23 May 2016)
Mr C Gerrard – Legal Counsel and Company Secretary (resigned 5 October 2015)
Ms R Moylan - Chief Financial Officer and Company Secretary

9.2. Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the 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 Board obtains independent data on compensation packages and trends in comparative companies, and this information is used as one of the determinants in deciding the appropriateness of the 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; and
- the key management personnel's assessed contribution to the Company's financial and operational performance.

9. REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation

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
Executives under service contracts		
CEO	64%	36%
Executives under standard Company Contracts		
CFO and Company Secretary	75%	25%

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

Compensation levels are reviewed annually by the Board through a process that considers individual performance and overall performance of the Company. In addition, external consultants may be used to provide benchmark data to the Board to ensure that key management personnel compensation is competitive in the market place. Key management personnel compensation is also reviewed on promotion. Compensation increases are usually effective from 1 July each year; however in July 2016 the Board approved a recommendation not to increase fixed compensation for all employees and will review salary increases in October 2016.

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 Chief Executive Officer 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. These objectives are reviewed and if considered appropriate, approved by the Board.

At the end of the financial year the Chief Executive Officer assesses the Company's performance against the Company KPI's to determine the overall business score. The Company performance ratings are applied against the Company KPI's 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 Board recommends and approves the cash incentive to be paid to the individuals.

Employees are eligible for a short term incentive award of 25% of Total Fixed Remuneration (base salary plus superannuation).

There were no company specific KPI's set for the 2015/6 financial year. STI bonus scheme and the bonus determined by the Chairman was based on his assessment of the performance of key management staff, with reference to KPI's business improvement – savings.

The Board approved an amount to be paid to members of the executive team for the 2015/16 year STIP bonus scheme in July 2016.

REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation (Continued)

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 no options granted to key personnel during the year ended 30 June 2016 (2015– nil options granted).

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.

Short-term and long-term incentive structure
Each year the Chief Executive Officer recommends the KPI's for the key management personnel, which are approved by the Board. The Board considers that the performance-linked compensation structure provides appropriate incentives to key management personnel. No KPI's were set for the 2015/16 year.

Consequences of performance on shareholder wealth
In considering the Company's performance and benefits for shareholder wealth during the year ended 30 June 2016, 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.

	2016	**2015**	**2014**	**2013**	**2012**
Total comprehensive income attributable to owners of the company ($000)	(6,260)	(11,240)	(588,792)	(136,643)	(37,372)
Change in share price ($)	(0.01)	(0.03)	(0.06)	(0.33)	(0.39)

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

Position	**Term**	**Notice Period**	**Redundancy Terms**
Chairman (Mr K Jones)	Unlimited	Nil	Nil
CEO (Mr C Stevens)	2 year term	12 weeks	3 months' salary
CFO and Company Secretary (Ms R Moylan)	Unlimited	4 weeks	6 months' salary

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 July 2015, the Non- Executive Director's remuneration has been reset to $57,750 per annum with the Chairman's base remuneration decreasing to $206,500 per annum.

9. REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation (Continued)

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. The Board has taken on the role of the Committees from 1 January 2015 and no Committee were paid from 1 January 2015.

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	**Short- term incentive bonus**	
	$ A	% vested in year	% forfeited in year
Executives			
Ms R Moylan	20,000	33.00%	67.00%

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		Value of options as proportion of remuneration	Total performance related remuneration
					Long term incentive	Other long term (LSL and AL)	Share based payments	compensation		%	%
		Salary & fees $	Cash bonus $	Superannuation benefits $	$		Value of options (a) $	Termination benefits $	Total $		
Directors											
Non-executive directors											
Mr KF Jones	2016	188,584	-	17,916	-	-	-	-	206,500	-	-
	2015	255,936	-	24,314	-	-	-	-	289,163	-	-
Mr R A Marshall	2016	52,740	-	5,010	-	-	-	-	57,750	-	-
	2015	90,753	-	8,622	-	-	-	-	108,288	-	-
Mr P Chen (resigned 27 November 2015)	2016	23,575	-	-	-	-	-	-	23,575	-	-
	2015	78,375	-	-	-	-	-	-	87,288	-	-
Mr P Hallam	2016	52,740	-	5,010	-	-	-	-	57,750	-	-
	2015	90,753	-	8,622	-	-	-	-	108,288	-	-
Mr S Anlin (commenced position 5 March 2015)	2016	57,750	-	-	-	-	-	-	57,750	-	-
	2015	26,596	-	-	-	-	-	-	29,478	-	-
Mr Li Ge (commenced position 5 March 2015)	2016	57,750	-	-	-	-	-	-	57,750	-	-
	2015	26,596	-	-	-	-	-	-	29,478	-	-
Sub-total non-executive directors remuneration	2016	433,139	-	27,936	-	-	-	-	461,075	-	-
	2015	673,019	-	41,557	-	-	-	-	651,984	-	-
Executive directors											
Mr MJ O'Neill	2016	44,257	-	14,754	-	-	-	90,000	149,011	-	-
(resigned 26 October 2015 as Acting Managing Director)	2015	261,328	-	40,201	-	-	-	-	310,442	-	-
Total, all directors	2016	477,396	-	42,690	-	-	-	90,000	610,086	-	-
	2015	934,348	-	81,758	-	-	-	-	962,426	-	-

9. REMUNERATION REPORT – Audited (Continued)

9.4 Directors' and executive officers' remuneration

		Short term		Post-employment	Other long term			Other			
					Long term incentive	Other long term (LSL and AL)	Share based payments	compensation		Value of options as proportion of remuneration %	Total performance related remuneration %
		Salary & fees $	Cash bonus $	Superannuation benefits $	$		Value of options (a) $	Termination benefits $	Total $		
Executives											
Mr C Stevens (Chief Executive Officer)	2016	135,669	-	2,933	-	2,515	-	-	141,117	0%	0%
(commenced Acting CEO (consultant) 23 November 2015 and (staff) CEO 23 May 2016)	2015	-	-	-	-	-	-	-	-	-	-
Mr C Gerrard (General Counsel and Company Secretary)	2016	55,636	-	5,285	-	-	-	41,000	101,921	0%	0%
(resigned 5 October 2015)	2015	306,000	77,108	35,000	-	- 68	18,529	-	445,482	4%	21%
Ms R Moylan (Chief Financial Officer and Company Secretary)	2016	207,935	20,000	32,965	-	820	-	-	261,720	0%	8%
	2015	215,769	51,000	26,498	-	- 5,241	6,982	-	303,922	2%	19%
Total, all executives	2016	399,240	20,000	41,183	-	3,335	-	41,000	504,758		
	2015	521,769	128,108	61,498	-	- 5,309	25,511	-	749,403		
Total, all key management personnel	2016	876,636	20,000	83,873	-	3,335	-	131,000	1,114,844		
	2015	1,456,117	128,108	143,256	-	- 5,309	25,511	-	1,711,829		

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 was 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.

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

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

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

9.7. Exercise of options granted as compensation

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

9.8. 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 personnel is detailed below:

	Granted in year (a) $	Value of Options exercised in year (b) $	Number of Options lapsed/forfeited in year	Year in which lapsed/forfeited options were granted
Ms R Moylan	-	-	-	-
Mr C Gerrard	-	-	-	-

(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.

9. REMUNERATION REPORT – Audited (Continued)

9.9. Key management personnel transactions

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

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

(b) Other transactions with key management personnel

The aggregate amounts recognised during the year relating to key management personnel and their related parties were $nil (2015: $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 30 June 2015	Options over ordinary shares	Held at 30 June 2016
Mr K F Jones	300,000	-	300,000
Mr A R Marshall	200,000	-	200,000
Mr P D Hallam	100,000	-	100,000

10. SHARE OPTIONS

10.1 Unissued shares under option

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

Expiry date	Exercise Price	Number of Options
15 November 2016	$0.00	546,280
31 October 2017	$0.00	848,214
		1,394,494

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 174,915 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 15 and forms part of the Directors' Report for the year ended 30 June 2016.

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 Board, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the independence and objectivity of the auditor.

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the 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:

	2016 $	2015 $
Audit services:		
Auditors of the Company– *KPMG Australia*		
- audit and review of financial reports	87,357	106,278
Other services:		
Auditors of the Company – *KPMG Australia*		
- taxation services	8,000	17,750
- other advisory services	-	17,500
	95,357	141,528

12. ROUNDING OFF

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

13. INDEMNIFICATION AND INSURANCE - OFFICER OR AUDITOR

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

- has not indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor; or
- paid a premium of $78,161 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 06 September 2016.

K F Jones
Director

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

To: the directors of Gindalbie Metals Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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

6 September 2016

KPMG

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 statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 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 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*.

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 2016 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 provided above, we draw attention to note 2(c) of the financial report regarding the ability of the Company to continue as a going concern. As a result of the matters set out in note 2(c), a material uncertainty exists which may cast significant doubt about the ability of the Company to continue as a going concern and whether the Company is able to realize its assets and extinguish its liabilities at the amount recorded 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 2016. 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.

Auditor's opinion

In our opinion, the remuneration report of Gindalbie Metals Ltd for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth

6 September 2016

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 2016 and of its performance, for the financial year ended on that date; and

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

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.

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

Dated at Perth this 6th day of September 2016.

Signed in accordance with a resolution of the Directors.

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KF Jones
Director

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Other income	6(a)	290	132
Administration expenses	6(b)	(3,077)	(3,886)
Other expenses	6(c)	(4,615)	(13,284)
Results from operating activities		(7,402)	(17,038)
Finance income	6(d)	1,142	1,343
Net financing income		1,142	1,343
Loss before income tax		(6,260)	(15,695)
Income tax benefit/(expense)	7	-	-
Loss for the period		(6,260)	(15,695)
Other Comprehensive Income Items that may be reclassified subsequently to profit or loss:			
Reclassification of equity-accounted investee from OCI on loss of significant influence		-	4,455
Income tax benefit/(expense) on other comprehensive income		-	-
Total other comprehensive income/ (loss) for the period net of tax		-	4,455
Total comprehensive (loss)		(6,260)	(11,240)
Loss attributable to:			
Owners of the Company		(6,260)	(15,695)
Loss for the year		(6,260)	(15,695)
Total comprehensive loss attributable to:			
Owners of the Company		(6,260)	(11,240)
Total comprehensive loss for the year		(6,260)	(11,240)
Earnings per share			
Basic (loss) per share - cents	18	(0.42)	(1.05)
Diluted (loss) per share - cents	18	(0.42)	(1.05)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 20 to 39. Refer to Note 2 (a) on basis of preparation.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Issued capital	Retained earnings	Reserves	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2016				
Opening balance at 1 July 2015	753,965	(717,642)	9,408	45,731
Loss for the period	-	(6,260)	-	(6,260)
Closing balance at 30 June 2016	753,965	(723,902)	9,408	39,471

	Issued capital	Retained earnings	Reserves	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2015				
Opening balance at 1 July 2014	753,965	(701,947)	4,984	57,002
Loss for the period	-	(15,695)	-	(15,695)
Reclassification of equity-accounted investee from OCI on loss of significant influence	-	-	4,455	4,455
Total comprehensive loss for the period	-	(15,695)	4,455	(11,240)
Transactions with owners of the Company, recognised directly in equity				
Share based payments	-	-	(31)	(31)
Closing balance at 30 June 2015	753,965	(717,642)	9,408	45,731

Amounts are stated net of tax, where applicable. Further details of issued capital and reserves are disclosed in Note 15.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 20 to 39. Refer to Note 2 (a) on basis of preparation.

STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Cash and cash equivalents	9	13,913	1,523
Term deposits	10	25,000	39,000
Trade and Other receivables	10	662	367
Prepayments		48	12
Inventories		-	4
TOTAL CURRENT ASSETS		39,623	40,906
Other receivables and Investments	10	25	331
Property, plant and equipment	11	172	929
Exploration and evaluation assets	12	1,046	5,025
TOTAL NON CURRENT ASSETS		1,243	6,285
TOTAL ASSETS		40,866	47,191
LIABILITIES			
Trade and other payables	13	1,342	1,231
Employee benefits	21	24	145
TOTAL CURRENT LIABILITIES		1,366	1,376
Employee benefits	21	29	84
TOTAL NON CURRENT LIABILITIES		29	84
TOTAL LIABILITIES		1,395	1,460
NET ASSETS		39,471	45,731
EQUITY			
Issued capital	15	753,965	753,965
Reserves	15	9,408	9,408
Retained earnings	14	(723,902)	(717,642)
TOTAL EQUITY		39,471	45,731

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 20 to 39. Refer to Note 2(a) on basis of preparation.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash receipts from customers		328	287
Cash payments to suppliers and employees		(3,289)	(3,557)
Interest received		1,241	1,231
Net cash used in operating activities	20	(1,720)	(2,039)
Cash flows from investing activities			
Receipts/(Payments) term deposits		14,000	(14,500)
Exploration and evaluation expenditure		(82)	(530)
Proceeds from sale of property, plant and equipment and tenements		250	87
Purchases of plant and equipment		(58)	-
Net cash from (used in) investing activities		14,110	(14,943)
Cash flows from financing activities			
Proceeds from the issue of shares		-	-
Payment of capital raising costs		-	-
Net cash used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		12,390	(16,982)
Cash and cash equivalents at 1 July		1,523	18,505
Cash and cash equivalents at 30 June	9	13,913	1,523

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 20 to 39. Refer to Note 2(a) on basis of preparation.

1. REPORTING ENTITY

Gindalbie is a company domiciled in Australia.

The address of the Company's registered office is 6 Altona Street, West Perth. These financial statements comprise the Company and its investments.

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 6 September 2016.

(b) Basis of measurement

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

(c) Investment in KML and Going Concern

Gindalbie has a 47.84% investment in Karara Mining Limited (KML), a special purpose entity established to develop and operate the Karara Iron Ore Project in Western Australia. The remaining 52.16% is ultimately owned by Ansteel Group Corporation (Ansteel). Gindalbie does not have joint control or the ability to significantly influence KML and the investment has been recorded at fair value.

The investment in KML is valued at $nil (2015: $nil).

The Company has contingent liabilities with respect to shareholders' guarantees provided by the Company to Ansteel and KML contractors. Refer to note 23.

For the guarantees to be called upon, it would require a default by KML on the loans provided by Ansteel or any other contracts where a shareholder's guarantee has been provided by Gindalbie, and for the holder of a guarantee or Ansteel to enforce their rights under the relevant guarantees. The Directors of the company review KML performance and at the date of this report, the Directors are unaware of any guarantees being called. There remains a risk that Ansteel may not continue to fund or support KML which could lead to guarantees being called upon. If Gindalbie is required to repay its proportional share of the shareholders' guarantees to Ansteel, the potential obligation is currently in excess of the value of the shares in KML and net assets of Gindalbie.

The Directors of the Company have identified that inherent uncertainties exist, being the contingent liabilities of the potential shareholders' guarantees. In the event the Company becomes liable under these guarantees, the inherent uncertainty casts significant doubt on Gindalbie's ability to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Nevertheless after making enquiries and considering the uncertainties described above the directors have a reasonable expectation that the guarantees will not be called upon and the company have adequate resources to continue in operational existence for the foreseeable future and pay its debts as and when they are due. For these reasons they continue to adopt the going concern basis in preparing the financial report.

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

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

A condition to arrangement of this additional working capital facility to KML was that at Ansteel's option KML's financial obligations under the prepaid sales agreement and the BOC USD130 million Facility could be repaid using proceeds received by KML, or through issue of new KML equity share capital to Ansteel at $3.02 per share. The potential impact of the conversion is KML issuing 80,848,132 new shares to Ansteel which would decrease Gindalbie's equity by 9.60%.

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

(e) Functional and presentation currency

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

(f) Use of estimates and judgements

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

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

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

- Note 12 - Impairment test: key assumptions underlying recoverable amounts
- Note 19 - Financial Instruments
- Note 21(b) - Share-Based Payments
- Note 23 - Contingent Liabilities

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) 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.

(b) Financial instruments

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

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

A financial instrument is recognised if the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

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(j).

(ii) Investments at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the 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.

(c) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

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.

(d) Impairment

(i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

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

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

(ii) Non-financial assets
The carrying amounts of the 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.

(e) 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 (Corporate bond rate) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Employee benefits (Continued)

(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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Finance income and expenses (Continued)

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.

(k) 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.

(l) 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.

(m) 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
(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.

(n) 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Segment reporting (Continued)

other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the 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.

(o) 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 2016, 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 2019 financial statements. Retrospective application is generally required. The Company has not yet determined the potential effect of the standard.

(ii) AASB 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. AASB will become mandatory for the Company's 30 June 2018 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) Investments
Investments and other financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity investments as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

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

5. FINANCIAL RISK MANAGEMENT

(a) Overview

The 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 fair value accounted Investment. 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 is responsible for developing and monitoring risk management policies. The Board reviews its activities regularly.

Risk management policies are established to identify and analyse the risks faced by the 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 Board 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.

The Company has an internal policy to ensure its cash assets are invested amongst reputable financial institutions.

(c) Guarantees

The Company's policy is to provide financial guarantees where contractually necessary to certain suppliers or Ansteel. Refer to Note 23 for a list of outstanding performance and financial 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's Board considers and implements appropriate investment strategies and ensures investment policies are adhered to.

(e) Liquidity risk

Liquidity risk is the risk that the 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 Notes 2(c), 13 and 19 for more information.

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the 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.

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) 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 14 and 15 respectively.

During 2016 the Company has maintained the capital base through a cash management strategy. Refer to Note 2(c).

6. REVENUE AND EXPENSES

	2016 $'000	2015 $'000
(a) Other income		
Other income	290	132
Total other income	290	132
(b) Administration expenses		
Director fees, employee salary and on costs expenses	(1,112)	(1,900)
Corporate and consultant costs	(444)	(682)
Office and marketing costs	(982)	(613)
Other administration costs	(539)	(691)
Total administration expenses	(3,077)	(3,886)
(c) Other expenses		
Depreciation		
Property, plant & equipment	(35)	(71)
Equity-settled share-based payments transactions	-	(44)
Impairment of assets – Property, plant and equipment	(529)	-
Loss on sale of assets	-	(26)
Impairment of Land	-	(465)
Reclassification of equity-accounted investee from OCI on loss of significant influence	-	(4,455)
Loss on sale of exploration tenements	-	(1,000)
Impairment of exploration assets (refer to note 12)	(4,051)	(7,223)
Total other expenses	(4,615)	(13,284)
(d) Net financing income		
Interest income	1,142	1,343
Financial income	1,142	1,343
Net financing income	1,142	1,343
(e) Personnel expenses		
Wages and salaries	(505)	(753)
Other associated personnel expenses	(64)	(83)
Redundancy payments	(32)	-
Contributions to defined contribution superannuation funds	(78)	(77)
Decrease /(Increase) in liability for annual leave	41	(37)
Decrease /(Increase) in liability for long service leave	56	(17)
Decrease /(Increase) in liability for bonuses	80	(91)
Equity Settled share based payment transaction	-	(44)
	(502)	(1,102)

7. INCOME TAX EXPENSE

	2016 $'000	2015 $'000
Current tax expense		
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Adjustments in relation to prior periods		
Benefit of tax losses and other deferred tax benefits not recognised	-	-
Total income tax expense/(benefit)	-	-
Numerical reconciliation between current tax expense/(benefit) and pre-tax net profit/(loss)		
Loss before tax	(6,260)	(15,695)
Income tax using the domestic corporation tax rate of 30% (2015: 30%)	(1,878)	(4,709)
Increase in income tax expense due to:		
Non-deductible expenses	-	1,490
Decrease in income tax expense due to:		
Prior year over/under	873	1,889
Income tax (recognised)/not recognised	1,005	1,330
Total income tax expense/(benefit)	-	-

Gindalbie has estimated unrecouped tax losses of $118,760,887 (2015: $115,410,667) available to be offset against future taxable income. The net deferred tax asset of 30% of $118,760,887 (2015: $115,410,667) 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.

7. INCOME TAX EXPENSE (Continued)

Tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Accrued interest	-	-	52	81	52	81
Diesel fuel rebate	-	-	-	1	-	1
Property, plant & equipment	(54)	(56)	-	-	(54)	(56)
Exploration expenditure	-	-	314	1,508	314	1,508
Capital raising costs	(159)	(446)	-	-	(159)	(446)
Provisions	(16)	(68)	-	-	(16)	(68)
Accrued superannuation	(3)	(3)	-	-	(3)	(3)
Accrued expenditure	(14)	(18)	-	-	(14)	(18)
Tax loss carry forward	(120)	(999)	-	-	(120)	(999)
Tax (assets)/liabilities	(366)	(1,590)	366	1,590	-	-
Set off of tax	366	1,590	(366)	(1,590)	-	-
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

	2016	2015
Audit services:	$	$
Auditors of the Company– *KPMG Australia*		
- audit and review of financial reports	87,357	106,278
Other services:		
Auditors of the Company – *KPMG Australia*		
- taxation services	8,000	17,750
- other advisory services	-	17,500
Auditor's Remuneration	95,357	141,528

9. CASH AND CASH EQUIVALENTS

	2016	2015
	$'000	**$'000**
Bank balances	1,413	1,523
Term deposits less than 3 month maturity	12,500	-
Cash and cash equivalents	13,913	1,523

10. TRADE, OTHER RECEIVABLES AND OTHER INVESTMENTS

Current		
Term deposits greater than 3 month maturity	25,000	39,000
Interest receivable	172	272
Trade receivables	4	17
Other receivables	486	78
	25,662	39,367
Non-current		
Cash security for performance bonds	25	331
Investment in KML	-	-
	25	**331**

Accounting for equity investments
Up to 31 December 2014, the Company applied the equity method of accounting to recognise the value of its KML investment. The equity method applies when an investor has significant influence over the investee.

Gindalbie no longer has the ability to significantly influence KML and has therefore reclassified the investment from an investment in an Associate to a financial asset on the Statement of Financial Position as at 30 June 2015.

The carrying amount of the investment determined by the equity method remains the carrying amount of the investment. The fair value of the investment in KML at both 30 June 2015 and 30 June 2016 is nil.

As the investment in KML is valued at nil, no further note disclosures in regards to the investment in KML are required, other than contingent liabilities set out in Note 23.

11. PROPERTY, PLANT AND EQUIPMENT

	2016 $'000	2015 $'000
Land & buildings		
At cost	820	1,551
Accumulated depreciation	(703)	(664)
	117	887
Plant & equipment		
At cost	1,148	2,143
Accumulated depreciation	(1,093)	(2,101)
	55	42
Total property, plant and equipment	172	929

11.1 Reconciliations

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

Land & buildings		
Carrying amount at beginning of year		
Additions	887	1,435
Impairment	(346)	(465)
Disposals	(385)	-
Depreciation	(39)	(83)
Carrying amount at end of year	117	887
Plant & equipment		
Carrying amount at beginning of year	42	162
Additions	58	-
Impairment	(24)	-
Disposals	-	(82)
Depreciation	(21)	(38)
Carrying amount at end of year	55	42

12. EXPLORATION AND EVALUATION ASSETS

Costs carried forward in respect of areas of interest in:	2016 $'000	2015 $'000
Exploration and evaluation assets		
Carrying amount at beginning of year	5,025	11,778
Additions	72	470
Impairment expense of exploration and evaluation assets	(4,051)	(7,223)
Carrying amount at end of year	1,046	5,025

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 reflect current market sentiment for Iron ore projects. Accordingly, $4,051,000 has been recognised as an impairment expense.

13. TRADE AND OTHER PAYABLES

Current		
Trade creditors	296	266
Other creditors and accruals	1,046	965
	1,342	1,231

14. RETAINED EARNINGS

Retained earnings at beginning of year	(717,642)	(701,947)
Net (loss) attributable to members of the entity	(6,260)	(15,695)
Retained earnings at end of year	(723,902)	(717,642)

15. CAPITAL AND RESERVES

(a) Issued Capital

	Number of ordinary shares, fully paid			
	2016	**2015**	**2016**	**2015**
			$'000	$'000
	1,495,622,940	1,495,448,025	753,965	753,965
Ordinary shares				
Movements during the year				
Balance at beginning of year	1,495,448,025	1,494,007,381	753,965	753,965
Shares issued				
- Exercise of options	174,915	1,440,644	-	-
Balance at end of year	1,495,622,940	1,495,448,025	753,965	753,965

During the year the Company:
- Issued 174,915 shares at nil amounts on exercise of options.

During the comparative year the Company:
- Issued 1,440,644 shares at nil amounts on exercise of options.

Terms and conditions
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. Note 21 provides details of shares issued on exercise of options.

(b) Equity Settled Share Based Payments Reserve

	2016	**2015**
	$'000	**$'000**
Balance at beginning of year	9,408	9,439
Equity settled share based payments	-	(31)
Balance at end of year	9,408	9,408

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 joint venture other comprehensive income reserve

Balance at beginning of year	-	(4,455)
Reclassification of equity-accounted investee from OCI on loss of significant influence	-	4,455
Balance at end of year	-	-

16. 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.

Payable no later than one year:

Rents and rates	57	55
Exploration	239	239
Total commitments	296	294

17. OPERATING LEASES

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

Less than one year	36	783
Between one and five years	37	-
	73	783

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.

18. EARNINGS PER SHARE

Basic earnings per share
The calculation of basic earnings per share at 30 June 2016 was based on the loss attributable to ordinary shareholders of $6,260,000 (2015: loss $15,695,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2016 of 1,495,609,522(2015: 1,495,232,237) calculated as follows:

Basic earnings per share

	2016 $'000	2015 $'000
Lost attributable to ordinary shareholders	(6,260)	(15,695)

Weighted average number of ordinary shares	2016 No. of shares	2015 No. of shares
Issued ordinary shares at 1 July	1,495,448,025	1,494,007,381
Effect of shares issued on exercise of share options	161,497	1,224,856
Weighted average number of ordinary shares at 30 June	1,495,609,522	1,495,232,237

In 2016 and 2015, as the potential ordinary shares on issue would decrease the loss per share, they are not considered dilutive.

19. 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	2016 $'000	2015 $'000
Interest receivable	10	172	272
Cash security for performance bonds (current and non-current)	10	25	331
Trade receivables	10	4	17
Other receivables	10	486	78
Term deposits over 3 months in maturity	10	25,000	39,000
Cash and cash equivalents	9	13,913	1,523

The Company's cash and cash equivalents of $13,913,000 at 30 June 2016 (2015: $1,523,000), and term deposits over 3 months of $25,000,000 represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated at between A2 and A1+ from Standard & Poor's and A from Moody's.

None of the Company's receivables are past due (2015: nil).

Refer to Note 23 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:

Non-derivative financial liabilities

	2016		2015	
	Carrying amount $'000	6 months or less $'000	Carrying amount $'000	6 months or less $'000
Trade and other payables	1,294	(1,294)	1,231	(1,231)

(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:

Variable rate instruments	30 June 2016 $'000	30 June 2015 $'000
Cash performance bonds	25	331
Cash	13,913	1,523
	13,938	1,854
Financial Assets		
Term Deposits - total	25,000	39,000
	25,000	39,000

The Company invests cash in term deposits and in doing so exposes itself to the fluctuations in interest rates that are inherent in such a market. As at 30 June 2016, the Company invested $25,000,000 into term deposits (2015: $39,000,000) at a weighted average interest rate of 2.84% (2015: 2.75%).

19. FINANCIAL INSTRUMENTS (Continued)
(c) Interest rate risk (Continued)

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	-100bps		+ 100 bps	
		Equity	Profit or loss	Equity	Profit or loss
	$'000	$'000	$'000	$'000	$'000
30 June 2016					
Cash performance bonds	25	-	(0)	-	0
Cash	1,413	-	(14)	-	14
Total increase/(Decrease)		-	(14)	-	14
30 June 2015					
Cash performance bonds	331	-	(3)	-	3
Cash	1,523	-	(15)	-	15
Total increase/(Decrease)		-	(18)	-	18

(d) Fair values

Fair values versus carrying amounts

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

20. NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of cash flows from operating activities	**2016 $'000**	**2015 $'000**
Loss for the period after income tax	(6,260)	(15,695)
Adjustments for:		
Depreciation	35	71
Impairment of assets	4,422	7,688
Other expenses	-	(70)
Loss on sale of assets	158	26
Reclassification of equity-accounted investee from OCI on loss of significant influence	-	4,455
Employee option expense	-	139
Operating loss before changes in working capital and provisions	(1,645)	(3,386)
Decrease/ (increase) in receivables	39	1,130
Decrease/ (increase) in inventory	4	(1)
Decrease/(increase) in prepayments	(36)	180
Increase / (decrease) in payables	(1)	85
Increase/ (decrease) in provisions	(176)	(150)
Increase/ (decrease) in other creditors	95	103
Net cash (used in) operating activities	(1,720)	(2,039)

21. EMPLOYEE BENEFITS

	2016 $'000	2015 $'000
Current		
Liability for annual leave	4	45
Liability for employee bonuses	20	100
	24	145
Non-Current		
Liability for long service leave	25	40
Liability for annual leave	4	44
	53	229

(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 9.5% of gross earnings. The amount recognised as expense or capitalised was $78,151 for the financial year ended 30 June 2016 (2015: $77,086).

(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 174,915 options exercised during the year (2015: 1,440,644).

Terms and conditions of share-options program:

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options granted to senior employees on 16 Nov 2012	1,801	1 years' service	4 years
	1,801	2 years' service	
	1,801	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	
	7,740		

21. EMPLOYEE BENEFITS (Continued)

(b) Share based payments (continued)

Reconciliation of outstanding share options:

Expiry date	Exercise price $	Number of options at beginning of year	Options granted	Options expired	Options lapsed	Options exercised	Options forfeited	Number of options on issue at end of year		Proceeds received $	Number of shares issued	Share price at date of exercise $
								Vested				
30-Jun-16												
15-Nov-16	$0.00	870,397	-	-	-	(174,915)	(149,202)	546,280	-	-	174,915	0.02
31-Oct-17	$0.00	1,089,245	-	-	-	-	(241,031)	848,214	-	-	-	-
		1,959,642	-	-	-	(174,915)	(390,233)	1,394,494	-	-	174,915	-
30-Jun-15												
15-Nov-16	$0.00	1,977,783	-	-	-	(921,387)	185,999)	870,397	-	-	921,387	0.04
31-Oct-17	$0.00	1,806,940	-	-	-	(519,257)	(198,438)	1,089,245	-	-	519,257	0.04
		3,784,723	-	-	-	(1,440,644)	(384,437)	1,959,642	-	-	1,440,644	-

The market value of shares under these options at 30 June 2016 was $0.01 each (30 June 2015: $0.02).

22. 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:

	2016 $	2015 $
Short-term employee benefits	896,636	1,584,225
Long-term employee benefits	3,335	(5,309)
Post-employment benefits	83,873	143,257
Termination benefits	131,000	-
Equity compensation benefits	-	25,511
	1,114,844	1,747,685

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

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

Apart from the details disclosed in this Note, no Director has entered into a material contract with the 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 related party transactions

Investments

An office cost recovery fee was charged by the Company to KML totalling $40,264 (2015: $456,851) representing recharge of administrative costs to KML.

A labour cost recovery fee was charged by the Company to KML totalling $27,504 (2015: $306,435) representing recharge at market rates of employees seconded to the Karara project.

There is a balance of $3,405 outstanding as at 30 June 2016 (2015: $77,682) due from KML.

23. CONTINGENT LIABILITIES

There has been a material change in the contingent liabilities of the Company since 30 June 2015. The amended Anshan Share Mortgage was not approved by the non-Ansteel associated Gindalbie shareholders at the annual general meeting held on 27 November 2015, resulting in the Company being released from an estimated maximum potential liability, based on funding facilities provided as at 30 June 2015, of $708 million USD.

The Company has the following remaining contingent liabilities with respect to potential shareholders' guarantees provided by the Company in relation to certain liabilities and obligations of KML.

Under the Agreement for the Joint Development of the Karara Iron Ore Project between Ansteel and Gindalbie ("the Joint Development Agreement"), Gindalbie has provided a shareholder guarantee to Ansteel whereby, with prior consent of Gindalbie, any guarantees given by Ansteel to third party in respect of any liabilities or obligations of KML will be guaranteed by Gindalbie for its proportionate participating interest. As at 30 June 2016, Gindalbie has provided shareholder guarantees totalling $688 million in relation to term loans that have been provided to KML by various banks and bank guarantees provided to a supplier of KML. Gindalbie has accepted its proportionate share of the liability under the guarantees, which at the date of this report has not been triggered.

Gindalbie has also provided parent company performance guarantees to a combined value of $70 million (2015- $70 million), in terms of KML contract for rail haulage facility and tailings management facility.

24. EVENTS SUBSEQUENT TO REPORTING DATE

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