GINDALBIE
METALS LTD

ABN 24 060 857 614

GINDALBIE METALS LTD
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
31 DECEMBER 2012

Your directors present their report together with the consolidated financial report for the half-year ended 31 December 2012 and the auditor's review report thereon.

DIRECTORS

The Directors of the Company during or since the end of the half-year are:

Name & Qualifications	**Period of Directorship**
Mr George F Jones (AM) B.Bus, FCIS, FAICD Non-Executive Chairman	Director since September 2005. Resigned as Chairman 31 August 2009 Re-appointed as Chairman 29 June 2010
Mr Timothy C Netscher BSc, BCom, MBA, FIChE, CEng, MAICD Managing Director and CEO	Independent Non-Executive Director September 2010 Managing Director and CEO April 2011
Mr Michael J O'Neill Dip Bus Admin, SFFin, FAICD Independent Non-Executive Director	Director since April 2006
Mr Yu Wanyuan B.Eng Non-Executive Director	Director since June 2009
Mr Chen Ping B.Eng Non-Executive Director	Director since June 2009
Mr Shao AnLin PhD Non-Executive Director	Director since March 2011
Mr Robin Marshall I. Eng, MAICD Independent Non Executive Director	Director since December 2010
Mr Paul Hallam BE (Hons) Mining, AICD, Grad Cert Mineral Economics Independent Non Executive Director	Director since December 2011

Review of Operations

<u>Key events for the half year to 31 December 2012:</u>

- Significant progress was achieved with construction of the Karara Project close to completion, and a total of $2.55 billion spent on development to date. Construction costs are expected to remain broadly in line with the previously announced budget estimate of $2.57 billion.

- First magnetite concentrate was produced in November 2012, representing the Karara Project's greatest achievement to date and signalling the start of the six-month commissioning and ramp-up plan. The ramp-up is progressing in line with expectations, with no material issues encountered. Nameplate capacity of 8Mtpa of magnetite concentrate is expected to be achieved by the end of April 2013.

- The first shipment of magnetite concentrate, comprising approximately 55,000 tonnes, was completed in early January 2013, with several shipments since and a steady increase expected. The first shipment of hematite DSO departed from the Karara Export Terminal on 17 October 2012, signalling the start of regular shipments. During the reporting period there were 21 shipments of low, medium and high grade hematite DSO, comprising 1.2 million tonnes.

- A total of 901,000 tonnes of magnetite and 756,000 tonnes of DSO hematite was mined during the reporting period. The DSO hematite comprised 589,000 tonnes of low-grade, 147,000 tonnes of high-grade and 20,000 tonnes of medium-grade material.

- Karara's supporting infrastructure and logistics chain, including the water pipeline, power line, rail spur and Karara Export Terminal port facilities in Geraldton, were completed and successfully commissioned. All supporting infrastructure has ramped up exceptionally well, with no material issues encountered.

- Three trains per day are currently running between Karara and the Karara Export Terminal, with a fourth train due to be added as required to achieve the total Stage 1 production capacity of 10Mtpa (2Mtpa of DSO hematite and 8Mtpa of magnetite concentrate).

- The Karara Export Terminal was officially opened on 18 September 2012 by the Hon. Troy Buswell, the Western Australian Treasurer and Minister for Transport. The Karara ship-loader is performing to expectations and is achieving the targeted ship-loading rate of 5,000tph, in line with the production ramp-up.

- A $40 million fully underwritten share placement to institutional and sophisticated investors was successfully completed, with the proceeds being used to strengthen the Company's balance sheet and provide additional liquidity during the ramp-up phase of the magnetite concentrator to full commercial production levels.

- Gindalbie's major shareholder and Joint Venture partner, Ansteel, indicated its intention to maintain its 36% interest in Gindalbie by subscribing for an additional $22 million share placement. Subsequent to the end of the reporting period, shareholders approved this additional placement at a meeting on 8 February 2013 however completion of this share placement still remains subject to certain Chinese government regulatory approvals. These approvals are expected to be granted, and the new shares issued before 30 June 2013.

- As at 31 December 2012, Gindalbie Metals Ltd had cash reserves including term deposits of just over A$70 million and Karara Mining Limited (KML) had cash reserves of just over A$106 million.

RESULTS OF OPERATIONS

The net loss for the six months ended 31 December 2012 was $18.8 million, compared with a net loss of $13.6 million for the previous corresponding half. The loss for the half year comprised an after tax loss of $15.4 million from Gindalbie's 50 per cent equity share of income from Karara Mining Limited (KML) and a $3.4 million net loss for Gindalbie Metals Ltd, representing corporate overheads less interest income.

Karara Magnetite Concentrator

Results of JV Entity – Karara Mining Ltd (KML)

KML commenced shipments of DSO hematite during the December Quarter, with a total of 1.2 million tonnes of DSO hematite shipped up to the end of the reporting period in 21 shipments, generating sales revenue and income for the half year.

As planned, 46 per cent of the tonnes shipped during this period comprised low grade (<54% Fe) ore. The average CFR price received for DSO hematite shipped during the reporting period was US$73.48/tonne. The average price achieved was negatively impacted by the high proportion of low grade ore sold, combined with the sharp drop in iron ore prices experienced in August and September 2012 (when some sales orders were negotiated), before prices recovered strongly towards the end of the year.

The mining of low grade DSO formed a deliberate part of KML's DSO hematite mining strategy, with much of the lower grade product extracted as part of pre-strip mining activities to uncover the main magnetite ore body at Karara. Material that would have formed part of overburden removal and would otherwise have been classified as waste was thereby converted into saleable product. The ability to secure buyers for this material and realise a financial return therefore represents a very positive outcome for KML.

The mining of this lower grade material has also had other important benefits for the Karara operations, enabling KML to establish, commission, fully test and operate all elements of the Karara infrastructure and logistics system – helping to de-risk the Mine, Rail and Port operations prior to the start-up of magnetite operations. At the same time, the early start-up of rail haulage and shipping operations for DSO hematite has enabled KML to fully utilise its rail capacity and minimise the impact of take-or-pay obligations for rail access.

KML's financial results for the half year to 31 December 2012 are summarised below, broken down to show the relative contributions of DSO hematite and magnetite operations:

All amounts in AUD millions

	Total	Hematite	Magnetite	Unallocated
Revenue (FOB)	62.8	62.8	-	-
Operating cash costs (ex. royalties)	64.7	64.7	-	-
Royalties	4.4	4.4	-	-
Depreciation & Amortisation	7.8	7.7	0.1	
Other expenses *	18.5	9.7	28.8	(20.0)
	95.4	86.5	28.9	(20.0)
EBIT	(32.6)	(23.7)	(28.9)	20.0
Net interest income	1.8	-	-	1.8
Profit/(loss) before tax	(30.8)	(23.7)	(28.9)	21.8
Income Tax	-	-	-	-
Net profit/(loss) after tax	(30.8)	(23.7)	(28.9)	21.8
Reported Gindalbie Metals Ltd, share (50%) of profit/(loss) from equity accounted JV	(15.4)			
** Other expenses :-*				
Take-or-pay obligations	*28.1*		*28.1*	
Inventory impairment	*9.7*	*9.7*		
Net foreign exchange (gains)/losses	*(17.2)*			*(17.2)*
Asset Retirement Obligations	*0.7*		*0.7*	
Other Income	*(2.8)*			*(2.8)*
Total Other Expenses	*18.5*	*9.7*	*28.8*	*(20.0)*

Exclusive of depreciation, amortisation and inventory impairment expenses, the operating cost for DSO hematite operations for the reporting period was A$51.93/dry tonne. KML also incurred a $9.7 million inventory impairment charge for hematite operations for the period, incorporating a mark to market adjustment on the value of the low grade DSO, reflecting the prevailing market iron ore price at the end of the reporting period. This is in accordance with the accounting standards adopted by the company.

Construction and commissioning of the processing plant was incomplete as at 31 December 2012 and therefore most of the expenses and all revenue, relating to the magnetite operations continued to be capitalised in accordance with accounting standards. However, KML has adopted a conservative policy with respect to 'take-or-pay' contractual obligations for the purchase of both electricity and track (rail) access. These 'take-or-pay' contractual obligations accounted for $28.1 million in costs which have been expensed from the time the contractual obligations commenced through to the commencement of commissioning of the processing plant.

The loss from magnetite operations was partially offset by a net realised foreign exchange gain of $17.5 million. The foreign exchange gains were primarily related to the revaluation of the fully drawn US$1.78 billion project finance facility based on the prevailing exchange rate at the end of the reporting period. The foreign exchange gains reflected the appreciation of the Australian Dollar against the US Dollar during the reporting period.

KARARA PROJECT UPDATE

Gindalbie is developing the world-class Karara Project, located 200km east of Geraldton, in a 50/50 joint venture with Ansteel, China's second-largest steel maker and biggest iron ore producer. The project consists of a smaller-scale hematite operation plus a substantial, long-life, magnetite concentrate operation with the potential to produce +30Mtpa for more than 35 years.

Karara Magnetite Concentrator

At the end of the reporting period, a total of $2.55 billion had been spent on Karara construction costs with the Project on track to be completed broadly in line with the previously announced construction budget.

During the reporting period Karara achieved its greatest milestone yet with the first magnetite concentrate produced in November, signalling the start of the ramp-up phase toward the targeted annualised production rate of 8Mtpa.

At the Karara Concentrator, wet and dry commissioning activities commenced during the December Quarter in parallel with the completion of final construction activities. As part of the detailed commissioning and ramp-up plan, successive areas of the plant will be completed, tested and commissioned in sequence, underpinning a progressive increase in concentrate production rates and quality with the introduction of additional circuits.

This ramp-up process to meet production rates is expected to take approximately six months and to be completed by the end of April 2013.

At the end of the reporting period, in addition to all plant services (air, water, power, etc.) three of nine areas of the concentrator plant had been commissioned with no material issues encountered.

The first concentrate production as part of the commissioning process consisted of a small amount of standard-grade magnetite concentrate, slightly below the specifications of the premium-grade concentrate expected from the plant during steady-state production.

The first shipment of magnetite concentrate, comprising approximately 55,000 tonnes, was made in early January 2013. Further shipments of magnetite concentrate will be made progressively as production levels increase. In the meantime, Karara continues with its hematite DSO sales strategy, which is detailed below.

Gindalbie intends to be in a position to start reporting cash costs and more detailed production and cash flow information on its magnetite operations once commercial production at Karara has been declared, which is likely to be in the June 2013 Quarter.

Infrastructure

Karara's supporting infrastructure and logistics chain was completed and successfully commissioned during the reporting period and the entire infrastructure chain has ramped up better than expected with no material issues encountered.

The infrastructure alone represents an investment of approximately $1 billion. Most of the infrastructure for Stage 1 of Karara has in-built surplus capacity to cater for the potential Stage 2 expansion to 16Mtpa.

The Stage 2 Feasibility Study is in an advanced stage and is expected to be considered by the Board in the March 2013 Quarter.

In summary, the key supporting infrastructure and logistics chain completed for Karara includes:

- an 80km Karara rail spur, connecting the Karara Project to the common-user rail system at Tilley Siding, near Morawa. In addition Brookfield Rail has undertaking an upgrade of its common-user rail system between Tilley Siding and Geraldton, to cater for Karara's expected tonnages;

- a 180km 330kV powerline from Eneabba to Karara, which connects the Karara site into the WA's South West power grid;

- a 145km water pipeline, supplying process water from a borefield near Mingenew to Karara; and

- the Karara Export Terminal at Geraldton, a facility which is capable of handling up to 16Mtpa of magnetite concentrate or hematite DSO exports from a dedicated berth with associated rail and unloading infrastructure. The terminal consists of:

  - a dedicated 4th railway line inside the Port, connecting the facility with the Karara Project, located 225km inland;
  - a twin-car rotary dumper (or train unloader), which is also capable of bottom dumping;
  - a 297m long storage facility with a capacity of 255,000t which will house stockpiles of magnetite concentrate and hematite DSO delivered to port;
  - a dedicated Berth 7 which can accommodate Panamax vessels (loaded to approximately 60,000t); and a 5,000tph ship-loader, with a long-travel, luffing and slewing mechanism.

Karara rail operations

Three trains per day are currently running between Karara and the Karara Export Terminal at Geraldton. The fourth train, which is required to achieve the anticipated Stage One capacity of 10Mtpa (2Mtpa of DSO hematite and 8Mtpa of magnetite concentrate), will be added as required in line with the production ramp-up.

At Geraldton, trains are regularly being unloaded in approximately two hours and this is expected to further improve with ongoing fine-tuning of the in-loading circuit.

The Karara ship-loader is performing to expectations and can achieve the target ship loading rate of 5,000tph in line with the production ramp-up.

A MoorMaster automated mooring system has been installed on Berth 7 as part of the infrastructure investment by Karara. The MoorMaster system is designed to limit downtime caused by adverse weather conditions by using berth-mounted suction units, in conjunction with mooring lines, to secure vessels to the Berth.

Karara's MoorMaster system has been undergoing certification testing and it is expected that the Geraldton Port Authority will progressively provide clearance for Karara vessels to remain berthed during certain adverse weather classifications as confidence is gained with the MoorMaster system's performance in Geraldton.

Mining and Shipping

Magnetite Mining

Approximately 1.3 million tonnes of magnetite ore had been mined and crushed or stockpiled up to the end of the reporting period, providing feed for the commissioning and ramp up of the magnetite concentrator.

Hematite Mining

Hematite mining operations were completed at Blue Hills North during the reporting period. Mining then moved to the Terapod North, Terapod South and Terapod West deposits.

The first shipment of hematite DSO was made from the Karara Export Terminal on 17 October, 2012, signalling the start of regular shipments. During this reporting period there were initially two trains per day between Karara and the Karara Export Terminal at Geraldton. This has increased to three trains per day, with a fourth train due to be added as required by the ramp-up schedule.

During the reporting period there were 21 shipments, totalling 1.2 million tonnes of hematite DSO. More than 600,000 tonnes of crushed and uncrushed hematite DSO remained stockpiled as at 31 December 2012. The following tables summarise mining activities to the end of the reporting period:

Karara Magnetite			
Unit: '000t	**Sept Qtr**	**Dec Qtr**	**Total**
Magnetite Total	**442**	**459**	**901**

Karara Hematite DSO			
Unit: '000t	**Sept Qtr**	**Dec Qtr**	**Total**
High Grade Hematite	-	**147**	**147**
Medium Grade Hematite	-	**20**	**20**
Low Grade Hematite	**350**	**239**	**589**
Hematite DSO Total	**350**	**406**	**756**

Karara Project Exploration

Karara's exploration activities during the reporting period focused on completing and upgrading resource estimates to support mine planning and operations.

An updated resource block model was prepared for Terapod West, a satellite deposit located immediately adjacent to the existing Terapod mine, enabling mining to commence during the December Quarter. The updated resource estimate includes results from an additional 66 Reverse Circulation (RC) holes for 6,396m completed on a nominally 25m by 25m spacing during the September 2012 Quarter. This drilling program confirmed the extent of the Banded Iron Formation (BIF) hosted mineralisation at Terapod West.

At Hinge, located approximately 11km north of the Terapod mine, a maiden hematite and magnetite resource estimate was prepared incorporating the results of 98 RC holes for 7,303m completed on a 50m by 25m spacing. The Mineral Resource estimate was completed by Snowden Mining Industry Consultants ("Snowden") and is reported in the tables below:

Hinge Hematite Mineral Resource Reported above a 57% Fe cut-off grade

JORC (2004)	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI (%)
Measured	0.68	60.2	6.4	1.8	0.08	0.02	4.9
Indicated	0.99	60.4	6.9	1.8	0.07	0.01	4.0
Inferred	0.04	58.1	7.1	1.9	0.12	0.01	7.0
Total	**1.70**	**60.3**	**6.7**	**1.8**	**0.07**	**0.02**	**4.4**

**Small discrepancies may occur due to rounding*

Hinge Magnetite Mineral Resource Reported above a 0% Fe cut-off grade

JORC (2004)	Oxidation State	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI (%)
Inferred	Transitional	0.61	59.6	9.0	0.8	0.06	0.01	2.3
Inferred	Fresh	0.75	60.7	7.7	0.8	0.06	0.01	2.4
Total		**1.37**	**60.2**	**8.3**	**0.8**	**0.06**	**0.01**	**2.4**

Assay results were returned from a reconnaissance drilling program comprising 60 RC holes for 4,262m drilled on a 200m by 50m spacing to test an undercover aeromagnetic target and anomalous rock chip results (>55% Fe) at the Jasper Hill Prospect, located approximately 5km south-west of Hinge.

The best results (>5m @ >57% Fe) were from two 50m spaced holes on one section and comprised 5m @ 60.2% Fe from 61m in hole JHC052 and 6m @ 59.2% Fe from 34m in hole JHC053. Mineralisation appears to be of limited extent and associated with localised alternation occurring at the contact between the target BIF and a package of mafic volcanic rocks.

Karara drilling

Project Funding

Debt and Equity

During the reporting period all conditions precedent under the Tranche 3, US$250 million project debt facility for the Karara Project were satisfied. The Tranche 3 facility provided a debt solution to the anticipated funding shortfall which arose because of the exchange rate assumptions made in respect of the original Karara Project Loan Facility and subsequent Working Capital Facility (both of which were denominated in US Dollars).

The anticipated funding shortfall arose because of the exchange rate assumptions made in respect of the original US$1.2 billion Karara Project Loan and US$336 million Working Capital Facility (which were denominated in US Dollars), compared with the actual performance of the Australian Dollar during the draw-down period.

As at 31 December 2012, all three tranches of the project debt facility, totalling US$1.786 billion were fully drawn down.

GINDALBIE REGIONAL EXPLORATION

A diamond drilling program comprising 9 holes for 1,062m was completed to provide data and samples required to assess the geotechnical properties used for mine planning at the Shine hematite deposit.

At Shine, a revised resource estimate was completed incorporating the results of a recent drilling program comprising 49 RC holes for 5,341m on a 50m by 25m spacing. The Mineral Resource estimate was completed by Snowden Mining Industry Consultants ("Snowden") and is reported, above a 57% Fe cut-off grade, in the table below:

Shine Mineral Resource

JORC (2004)	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI (%)
Measured	2.2	60.5	6.8	2.0	0.08	0.01	4.0
Indicated	3.2	59.6	8.2	1.6	0.07	0.02	3.9
Inferred	0.7	58.6	9.0	1.4	0.08	0.03	4.6
Total	**6.1**	**59.8**	**7.8**	**1.7**	**0.07**	**0.02**	**4.0**

**Small discrepancies may occur due to rounding*

Assay results from reconnaissance exploration, comprising 11 RC holes for 767m on 5 sections nominally spaced 200m apart, have been received for the Dog Leg Prospect, located approximately 50km east of the Blue Hills North Mine. The best result (≥5m at ≥55% Fe) comprised 5m at 55.9% Fe from 29m in hole DLC002.

Environmental Spring surveys commenced in order to gain approvals required to test high priority regional aeromagnetic targets. It is anticipated that testing of these targets will commence during March Quarter 2013.

A reconnaissance exploration program comprising 7 RC holes for 262m was drilled at the Andorra Project, located about 40km north of Shine. A total of 2 holes were drilled 30m apart on a single line to test a small approximately 400m by 30m outcrop of Channel Iron Deposits (CID) and further 5 holes were drilled 40m apart on a single line to test iron-enriched Banded Iron Formation (BIF).

Preliminary interpretation, based on visual geological logging, indicate that the CID has very limited thickness (<4m) with no significant mineralisation identified in the BIF and assay results are pending.

Exploration activities for Gindalbie and Karara during the March Quarter 2013 will focus on RC drill testing of high priority aeromagnetic targets.

DIRECTORS' REPORT

CORPORATE

Equity Raising

During the reporting period Gindalbie successfully completed a A$40 million fully underwritten placement to institutional and sophisticated investors.

Approximately 156.9 million shares were issued to sophisticated and institutional investors under the Institutional Placement at an offer price of A$0.255 per share, representing a 13.6% discount to the last closing price of Gindalbie shares on 29 November, 2012. The Institutional Placement was fully underwritten and managed by UBS AG, Australia Branch and was made in accordance with ASX Listing Rule 7.1 (issues not exceeding 15% of capital).

The equity proceeds strengthened Gindalbie's balance sheet, and were partly earmarked by Gindalbie to fund its share of contributions to the Karara Mining joint venture during commissioning of the Karara Project.

Ansteel, Gindalbie's major shareholder wishes to maintain its approximate 36% interest in Gindalbie. Therefore, in addition to the Institutional Placement, Gindalbie proposes to conduct an additional conditional placement of approximately A$22 million to Ansteel at the Institutional Placement Price, to enable Ansteel to regain its approximate 36% equity interest it held in Gindalbie prior to settlement of the Institutional Placement. The Ansteel Placement remains conditional subject to certain Chinese government regulatory approvals. These approvals are expected to be granted, and the new shares issued before 30 June 2013.

Cash Reserves

At 31 December 2012, Gindalbie Metals Ltd had cash reserves including term deposits of just over A$70 million and Karara Mining Limited (KML) had cash reserves of just over A$106 million. Gindalbie has nil corporate debt.

Shareholder Information

As at 31 December, the Company had 1,404,350,200 shares on issue and 18,371 shareholders. The Top 40 shareholders held 61.18% of the Company.

Dated this 27th day of February 2013.

Signed in accordance with a resolution of the directors.

T C Netscher
Director

G F Jones
Director

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

Report on the financial report

We have reviewed the accompanying interim financial report of Gindalbie Metals Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Gindalbie Metals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Gindalbie Metals Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Brent Steedman
Partner

Perth

27 February 2013

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 review for the half-year ended 31 December 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Brent Steedman
Partner

Perth

27 February 2013

DIRECTORS' DECLARATION

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

1. the financial statements and notes set out on pages 15 to 24 are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2012 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

Dated at Perth this 27th day of February 2013.

Signed in accordance with a resolution of the directors.

TC Netscher
Director

GF Jones
Director

GINDALBIE METALS LTD AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2012

	Note	Consolidated 31-Dec-12 $'000	31-Dec-11 $'000
Other income	3(a)	13	-
Administration expenses		(4,108)	(3,697)
Other expenses	3(b)	(198)	(99)
Results from operating activities		(4,293)	(3,796)
Finance income		888	6,392
Net financing income	4	888	6,392
Share of loss from equity accounted Joint Venture (net of tax)		(15,394)	(16,216)
(Loss)/profit before income tax		(18,799)	(13,620)
Income tax benefit/(expense)		-	-
(Loss)/profit for the period		**(18,799)**	**(13,620)**
Other comprehensive income of equity accounted Joint Venture		(4,787)	(4,400)
Income tax on other comprehensive income		-	-
Total other comprehensive income for the period net of tax		(4,787)	(4,400)
Total comprehensive (loss)/income		**(23,586)**	**(18,020)**
Earnings per share			
Basic earnings per share – cents		(1.34)	(1.20)
Diluted earnings per share – cents		(1.34)	(1.20)

The condensed notes on pages 19 to 24 are an integral part of these consolidated interim financial statements.

GINDALBIE METALS LTD AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2012

	Consolidated			
	Issued capital $'000	Retained earnings $'000	Reserves $'000	Total $'000
Six months ended 31 December 2012				
Opening balance at 1 July 2012	693,174	29,188	(1,201)	721,161
Loss for the period	-	(18,799)	-	(18,799)
Changes in fair value of cash flow hedges - equity accounted joint venture	-	-	(4,787)	(4,787)
Total comprehensive income for the period	-	(18,799)	(4,787)	(23,586)
Transactions with owners of the Company, recognised directly in equity				
Shares issued				
- Issue of ordinary shares	40,000	-	-	40,000
- Transaction costs	(1,466)	-	-	(1,466)
- Share options issued	-	-	1,649	1,649
Closing balance at 31 December 2012	731,708	10,389	(4,339)	737,758
Six months ended 31 December 2011				
Opening balance at 1 July 2011	488,301	56,405	7,823	552,529
Loss for the period	-	(13,620)	-	(13,620)
Changes in fair value of cash flow hedges - equity accounted joint venture	-	(4,400)	-	(4,400)
Total comprehensive income for the period	-	(18,020)	-	(18,020)
Transactions with owners of the Company, recognised directly in equity				
Shares issued				
- Issue of ordinary shares	208,954	-	-	208,954
- Transaction costs	(4,037)	-	-	(4,037)
Closing balance at 31 December 2011	693,218	38,385	7,823	739,426

The condensed notes on pages 19 to 24 are an integral part of these consolidated interim financial statements.

GINDALBIE METALS LTD AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Note	Consolidated	
		31-Dec-12	30-Jun-12
		$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents		54,388	40,517
Term deposits		16,500	-
Other receivables		595	1,434
Prepayments		1,496	3
Inventories		46	19
TOTAL CURRENT ASSETS		73,025	41,973
NON CURRENT ASSETS			
Other receivables		280	303
Property, plant and equipment		2,062	2,166
Exploration and evaluation assets	5	28,202	25,560
Joint venture accounted for using the equity method		636,644	654,126
TOTAL NON CURRENT ASSETS		667,188	682,155
TOTAL ASSETS		740,213	724,128
CURRENT LIABILITIES			
Trade and other payables		1,587	1,769
Employee benefits		804	1,149
TOTAL CURRENT LIABILITIES		2,391	2,918
NON CURRENT LIABILITIES			
Employee benefits		64	49
TOTAL NON CURRENT LIABILITIES		64	49
TOTAL LIABILITIES		2,455	2,967
NET ASSETS		737,758	721,161
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	6	731,708	693,174
Reserves		(4,339)	(1,201)
Retained earnings		10,389	29,188
TOTAL EQUITY		737,758	721,161

The condensed notes on pages 19 to 24 are an integral part of these consolidated interim financial statements.

GINDALBIE METALS LTD AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2012

	Consolidated	
	31-Dec-12	31-Dec-11
	$'000	$'000
Cash flows from operating activities		
Cash payments to suppliers and employees	(3,373)	(4,573)
Interest received	714	5,686
Net cash used in operating activities	(2,659)	1,113
Cash flows from investing activities		
Payments for term deposits	(16,500)	-
Exploration and evaluation expenditure	(2,632)	(10,946)
Proceeds from sale of property, plant and equipment	-	-
Acquisition of property, plant and equipment	(172)	(58)
Payments for investments in Joint Venture	(2,700)	(80,000)
Net cash used in investing activities	(22,004)	(91,004)
Cash flows from financing activities		
Proceeds from the issue of shares	40,000	208,954
Payment of capital raising costs	(1,466)	(4,037)
Net cash used in financing activities	38,534	204,917
Net increase in cash and cash equivalents	13,871	115,026
Cash and cash equivalents at 1 July	40,517	149,335
Cash and cash equivalents at 31 December	54,388	264,361

The condensed notes on pages 19 to 24 are an integral part of these consolidated interim financial statements

1 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated 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 consolidated 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 27 February 2013.

(b) Basis of measurement

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

(c) Going Concern - Joint Venture Entity

These financial statements of the consolidated entity have been prepared on the going concern basis. The primary asset of Gindalbie Metals Limited (Gindalbie) is a 50% joint venture equity interest in Karara Mining Ltd (KML), a special purpose entity established to develop and operate the Karara Iron Ore Project (KIOP) in Western Australia. The remaining 50% is owned by Anshan Iron and Steel Group Corporation ("Ansteel"). Details on the consolidated entity investment in the joint venture, including contingent liabilities related to guarantees provided in relation to KML are disclosed in notes 8 & 9.

The Directors of the consolidated entity have identified inherent uncertainties regarding the potential future funding requirements of KML. The uncertainties primarily relate to the KIOP achieving production rates in accordance with the planned ramp up schedule through April 2013 and funding during this period. Once the planned ramp up is achieved the key uncertainties include, sustainable production, future Australian Dollar iron ore prices relative to market consensus forecasts and achievement of forecast operating costs.

In the event that one or more uncertainties adversely impact KML's funding requirements such that a deficiency in working capital emerges, KML may be required to make further cash calls upon its two joint venture shareholders to ensure that KML has sufficient funds to pay its debts as and when they become payable.

Subsequent to the balance date, both shareholders of KML have provided $50 million each ($100 million in total) to KML by way of unsecured subordinated shareholders loans (see note 11). Should the consolidated entity receive further requests from KML for funding during the course of the next 12 months, the consolidated entity may need to raise additional capital to meet KML funding calls to maintain its ownership interest in the KIOP, and continue as a going concern. As at 31 January 2013 the consolidated entity had cash reserves of $35 million, with a further $22 million expected to be received before 30 June 2013, pursuant to a share subscription agreement with major shareholder Ansteel (refer note 11).

The going concern basis largely depends on the factors set out above, and accordingly these financial statements do not include any adjustments relating to the recoverability of the carrying value of the consolidated entity investment in KML, or the carrying value of other consolidated entity assets that might be necessary should KML, or the consolidated entity not be able to continue as a going concern.

2 SIGNIFICANT POLICIES

(a) Reporting entity

Gindalbie Metals Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at, and for the six months ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Consolidated entity") and the Group's interest in jointly controlled entities.

The consolidated annual financial report of the Company as at, and for the year ended 30 June 2012 is available upon request from the Company's registered office at Level 9, 216 St George's Terrace, Perth WA or at www.gindalbie.com.au.

(b) Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012.

This consolidated interim financial report was approved by the Board of Directors on 27 February 2013.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements, and have been applied consistently by the consolidated entities.

(d) Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the period ended 31 December 2012.

3 INCOME AND EXPENSES

	Consolidated	
	31-Dec-12	31-Dec-11
	$'000	$'000
(a) Other income		
Other income	13	-
Total other income	13	-
(b) Other expenses		
Depreciation – property, plant & equipment	(107)	(99)
Employee option expense	(91)	0
Total other expenses	(198)	(99)

4 NET FINANCING INCOME

Interest income	888	6,392
Net finance income	888	6,392

5 EXPLORATION AND EVALUATION ASSETS

	Consolidated	
Costs carried forward in respect of areas of interest in:	31-Dec-12	30-Jun-12
Exploration and evaluation assets	$'000	$'000
Carrying amount at beginning of period	25,560	12,924
Additions	2,800	15,201
Expenditure written off	(158)	(2,565)
	28,202	25,560

The recoverability of the carrying amounts of exploration and evaluation assets is dependent upon the successful development and commercial exploitation or sale of the respective area of interest.

In order to maintain current rights to exploration tenements, the consolidated entity is required to perform minimum exploration work to meet expenditure requirements specified by the West Australian state government. These requirements are subject to renegotiation when an application for a mining lease is made and at other times.

Exploration expenditure commitments	Consolidated	
	31-Dec-12	30-Jun-12
	$'000	$'000
Payable no later than one year :-		
Rents and rates	187	100
Exploration	1,025	772
	1,212	872

6 ISSUED CAPITAL

Share capital

The consolidated entity recorded the following amounts within shareholder's equity as a result of the issue of ordinary shares:

	Ordinary shares		Share capital	
	31-Dec-12	30-Jun-12	31-Dec-12	30-Jun-12
	No.	No.	$'000	$'000
On issue at 1 July	1,247,487,454	935,615,590	693,174	488,301
Shares issued at $0.255 per share (30 June 2012: $0.67 per share)	156,862,746	311,871,864	40,000	208,954
Shares issued from exercise of employee options	-	-	-	-
Capital raising costs	-	-	(1,466)	(4,081)
On issue at 31 December	1,404,350,200	1,247,487,454	731,708	693,174

7 OPERATING SEGMENTS

The consolidated entity has two reportable segments, as described below, which are the consolidated entity's strategic business units. The strategic business units have different ownership and operating structures and are managed separately for this reason. The Chief Executive Officer reviews internal management reports on a monthly basis. The following summary describes the operations in each of the consolidated entity's reportable segments:

- The company's investment in the Karara Iron Ore Project (the company accounts for its' share of this incorporated joint venture by the equity method).
- All other segments – includes all other 100% owned or joint venture projects.

	Karara Iron Ore Project		**All other segments**		**Total**	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	-	-	13	-	13	-
Depreciation and amortisation	-	-	(107)	(99)	(107)	(99)
Interest income	-	-	888	6,392	888	6,392
Share of loss of equity-accounted investee (net of tax)	(15,394)	(16,216)	-	-	(15,394)	(16,216)
Reportable segment (loss)/ profit before tax	(15,394)	(16,216)	794	6,293	(14,600)	(9,923)

Reconciliation of reportable segment profit or loss

	31-Dec-12	31-Dec-11
	$'000	$'000
Total profit or loss for reportable segments before tax	(14,600)	(9,923)
Unallocated amounts:		
Other corporate expenses	(4,199)	(3,697)
Net Profit/ (loss)	(18,799)	(13,620)

7 OPERATING SEGMENTS (CONT)

Segment assets

	Karara Iron Ore Project		All other segments		Total	
	31-Dec-12	30-Jun-12	31-Dec-12	30-Jun-12	31-Dec-12	30-Jun-12
	$'000	$'000	$'000	$'000	$'000	$'000
Investment in Karara joint venture	636,644	654,126	-	-	636,644	654,126
Other assets	-	-	103,569	70,002	103,569	70,002
Liabilities	-	-	(2,455)	(2,967)	(2,455)	(2,967)
Reportable segment net assets	636,644	654,126	101,114	67,035	737,758	721,161

8 CONTINGENT LIABILITIES

There has been no material change in the contingent liabilities of the consolidated entity since 30 June 2012 except for:-

a. the consolidated entity's contingent liability in relation to its guarantee of project financing facilities for its' joint venture entity Karara Mining Limited (KML), have increased to US$893 million (30 June 2012 - US$768 million).

9 INVESTMENT IN JOINT VENTURE

Major shareholdings in jointly controlled entities	Country of incorporation	Principal activities	Reporting date	Ownership interest	
				2012 %	2011 %
Karara Mining Ltd	Australia	Iron ore development	30-Jun	50	50
Subsidiaries of Karara Mining Ltd:					
Karara Management Services Pty Ltd	Australia	Iron ore development	30-Jun	50	50
DSO Ventures Pty Ltd	Australia	Iron ore development	30-Jun	50	50
Karara Infrastructure Pty Ltd	Australia	Iron ore development	30-Jun	50	50
Karara Port Services Pty Ltd	Australia	Port Infrastructure	30-Jun	50	50
Karara Energy Pty Ltd	Australia	Electricity Wholesaler	30-Jun	50	50
Karara Rail Pty Ltd	Australia	Rail Infrastructure	30-Jun	50	50
Karara Power Pty Ltd	Australia	Electricity transmission Infrastructure	30-Jun	50	50

Karara Mining Limited (joint venture) or (KML) is a company domiciled in Australia.

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

The consolidated entities share of loss in Karara Mining Limited for the period to 31 December 2012 was a $15.4 million loss (2011 loss $16.2 million).

None of the consolidated entity's equity-accounted investees are publicly listed entities and consequentially do not have published price quotations.

9 INVESTMENT IN JOINT VENTURE (CONT)

Karara Iron Ore Project Funding

As at 31 December 2012, the total US$1.786 billion Karara Project Loan Facility had been fully drawn. Under the terms of the Project Loan Facility signed by KML on 6 August 2010, KML is prohibited from paying dividends to shareholders or making loans to shareholders if the company is in breach of financial covenants related to the company's (i) debt equity ratio (ii) interest cover ratio, or (iii) life of loan cover ratio. In addition no dividend payments or loans to shareholders are permitted until after the fourth anniversary of the first utilization date (6 August 2010). Both shareholders of KML have provided First Ranking Share Mortgages in favour of the banks over their respective equity interests in KML. In addition both shareholders have provided unsecured guarantees to the Chinese banking syndicate for all of KML's liabilities under this facility, in accordance with their respective 50% equity interests in the company.

10 RELATED PARTIES

Other transactions with subsidiaries and the Karara Joint Venture were of a similar nature to those disclosed in the consolidated financial statements as at and for the year ended 30 June 2012.

11 SUBSEQUENT EVENTS

On the 30 November 2012 the company announced a $62 million equity raising via a private placement. A $40 million placement to institutional shareholders was completed on 2 December 2012, while a $22 million placement to major shareholder Angang Group Hong Kong (Holdings) Ltd ("Ansteel") was subject to both shareholder and numerous other regulatory approvals. On the 8th February 2013 an Extraordinary General Meeting of shareholders approved the placement to Ansteel. All conditions precedent other than certain Chinese regulatory authority approvals has now been satisfied, and the placement to Ansteel is expected to be completed before 30 June 2013.

Subsequent to the reporting date the consolidated entity has contributed a $50 Million subordinated interest free shareholder loan to its joint venture entity KML. This loan funded from existing cash reserves, and KML's other shareholder Ansteel has provided an identical loan.