ABN 24 060 857 614

GINDALBIE METALS LTD
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
31 DECEMBER 2013

GINDALBIE METALS LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

Your directors present their report together with the consolidated financial report for the half-year ended 31 December 2013 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 Keith F Jones B.Bus, FCA, FAICD F Fin Independent Non-Executive Chairman	Director since March 2013 Appointed as Chairman April 2013
Mr Tang Fuping Non-Executive Director	Director since June 2013
Mr Michael J O'Neill Dip Bus Admin, SFFin, FAICD Independent Non-Executive Director	Director since April 2006
Mr Dale Harris B.Eng (Hons), MBA, MAICD Managing Director	Managing Director since November 2013
Mr Timothy C Netscher BSc, BCom, MBA, FIChE, CEng, MAICD Managing Director and CEO	Managing Director and CEO April 2011 Resigned as Managing Director October 2013
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 Andrew R Marshall I. Eng, MAICD Independent Non Executive Director	Director since December 2010
Mr Paul D Hallam BE (Hons) Mining, Grad Cert Mineral Economics, FAICD, FAUSIMM Independent Non Executive Director	Director since December 2011

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Key events for the half year to 31 December 2013:

- The ramp-up of the Karara Project continued, with 1.59 million wet metric tonne (wmt) of magnetite concentrate and 2.54 million wmt of DSO hematite shipped for the six months to 31 December 2013.
- A total of 68 shipments were completed through the Karara Export Terminal in Geraldton, with exports at a record 9.47 million tonnes per annum annualised rate during the December 2013 Quarter.
- While individual areas of the Karara Concentrator have operated at their design rate, it was identified during the commissioning program that a higher proportion of fine tailings are produced than design. As a result the tailings thickeners and filters are seeing approximately 54% more fines tailings than originally designed.
- A refurbishment program of the tailings filters has been completed and the construction of a temporary wet tailings system was completed in February 2014. Optimisation trials on the tailings thickeners continue.
- The Karara magnetite concentrator is expected to be capable of approximately 75% of nameplate capacity by the end of March 2014 with ramp up to this rate on a sustainable basis during the June quarter.
- Karara are continuing with the technical review of the Karara Project ramp-up and this review remains on track for completion during the March 2014 Quarter. The review will outline a clear plan, timetable and cost to achieve nameplate production capacity.
- KML expects production of magnetite concentrate to be in the range of 2.4-2.7 million wmt for the six months to 30 June 2014, supplemented by production of DSO hematite. Shipments of DSO hematite for this period are expected to be in the range of 1.8-2.0 million wmt at an average weighted grade of 58% Fe, with third party purchases accounting for approximately 60% of total shipments.
- Agreement was reached to sell the 100%-owned Shine Hematite Deposit to Mount Gibson Iron for $15 million cash plus a trailing price participation royalty.

Corporate

- Former senior Rio Tinto Iron Ore executive Mr Dale Harris was appointed as Gindalbie's Managing Director, succeeding Mr Tim Netscher in line with the Company's previously announced succession plan.
- To support KML's working capital requirements, a US$230 million working capital facility was arranged by Ansteel comprising a concentrate pre-sale agreement (US$100 million) and loan facility (US$130 million) provided by the Bank of China (and guaranteed by Ansteel). This formed part of a key financial and ownership restructure of KML which saw Ansteel step up its support to KML in exchange for the option to increase its equity stake in KML. Refer note 9.
- As at 31 December 2013, Gindalbie had cash reserves of A$34.5 million.

RESULTS OF OPERATIONS

The net profit for the six months ended 31 December 2013 was A$2.9 million, compared with a net loss of $18.8 million for the previous corresponding half.

The profit for the half year comprised an after tax loss of A$1.5million from Gindalbie's 50 per cent equity share of income from Karara Mining Limited (KML) and a A$4.4 million net profit for Gindalbie Metals Ltd.

Sales of magnetite concentrate generated revenue of $200.6 million for the half while magnetite operating costs, including depreciation and amortisation, were $318.72 million, reflecting the Project's high fixed cost base and below-nameplate production. KML's magnetite costs, net of revenue earned, continue to be capitalised until such time as commercial production is declared, which is forecast to be in the June Quarter, 2014.

Sales of hematite generated revenue of $267.6 million for the half, while operating costs, including depreciation and amortisation were $225.53 million.

KML incurred other expenses of $51.04 million, largely made up of net realised and unrealised foreign exchange losses.

KARARA PROJECT (Ansteel 50%)

The Karara Project ("Project"), which is located 200km east of Geraldton in Western Australia, is owned and operated by Karara Mining Limited ("KML", "Karara"), which is jointly owned by Gindalbie Metals Ltd ("Gindalbie") and Ansteel, one of largest steel-makers and the biggest iron ore producer in China.

Production Ramp-up

While individual areas of the Karara Concentrator have operated at their design rate, it was identified during the commissioning program that a higher proportion of fine tailings are produced than design. As a result the tailings thickeners and filters are seeing approximately 54% more fines tailings than originally designed. This has limited the plant's ability to produce at nameplate capacity.

The following remedial actions were instigated during the reporting period:

1. Tailings filters refurbishment program;
2. Installation of a temporary wet tailings system to allow partial by-pass of the tailings filters; and
3. Thickener optimisation trials.

The tailings filters refurbishment program was completed during the reporting period and has resulted in improved operational efficiency.

The installation of a temporary wet tailings system was completed on schedule in February 2014 while optimisation trials on the tailings thickener are continuing in order to assess the optimum operating conditions.

With the program of work currently underway, it is expected the magnetite concentrator plant at Karara will be capable of achieving approximately 75% of nameplate capacity by the end of March 2014.

A complete technical review of Karara, focusing on the tailings system and also assessing other parts of the Concentrator to identify potential bottlenecks and any additional work required to achieve full design throughput, remains on track for completion during the March 2014 Quarter. The technical review will outline a clear plan, timetable and cost to achieve nameplate capacity.

Production

A total of 68 shipments were made during the half totalling 4.12 million wet metric tonnes (wmt) of combined magnetite concentrate and hematite DSO.

The mining of magnetite ore from the Karara pit was managed throughout the reporting period to match the concentrator throughput requirements during the ramp up phase and to ensure that sufficient higher recovery fresh ore feed was available.

Low Weight Recovery Ore associated with the near-surface weathering zone was also mined and stockpiled during the period. Waste movement was maintained to position the pit for uniform supply of ore to the concentrator plant,

A small tonnage of higher grade magnetite ore from the Blues Hills North DSO pit was mined and processed during the September Quarter to assist with the overall magnetite blending requirements.

Magnetite production quality averaged 64% during the December Quarter.

Karara Magnetite			
Unit '000 wmt	Sep-13 Qtr	Dec-13 Qtr	YTD total
Ore mined	1,815	2,265	4,080
Concentrate Produced	657	829	1,486
Concentrate Shipped	685	897	1,582

Hematite DSO production was accelerated as part of the DSO strategy to flex production to best utilise rail and shipping capacity during commissioning and ramp-up of the Karara magnetite operation.

In addition, in order to fully utilise rail and port capacity, agreements were entered into for the purchase of limited quantities of hematite DSO ore from third parties. During the half third party purchases amounted to approximately 0.494 million wmt.

Karara Hematite DSO			
Unit '000 wmt	Sep-13 Qtr	Dec-13 Qtr	YTD total
Ore Mined:			
High Grade	786	593	1,379
Medium Grade	49	87	136
Low Grade	203	76	279
Total	1,038	756	1,794
DSO Shipped	1,042	1,495	2,537

The following production guidance is provided for the six months to 30 June 2014:

Magnetite concentrate:	2.4-2.7 million wmt at an average grade of approximately 65% Fe
Hematite DSO shipments:	1.8-2.0 million wmt, including approximately 60% third party purchases. The percentage of 3rd party purchases has increased compared to previous guidance as a result of geotechnical and dewatering issues in the Terapod pit.

KML Funding and Ownership Restructure

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

KML has required significant levels of bridging finance to cover working capital requirements. Funding has been received from a variety of sources including additional bank debt guaranteed by Ansteel, subordinated shareholder loans from Ansteel, and prepayments under concentrate presale agreements with Ansteel.

In accordance with previously announced funding arrangements agreed with Ansteel, Ansteel has the right to subscribe for new equity in KML to provide KML if required with sufficient funds to repay the Bank of China term loan (US$130m) and an Ansteel presale agreement (US$100m) and the right to convert an Ansteel shareholder loan ($60m) to new KML shares.

If Ansteel elects to subscribe for new equity in KML to extinguish the US$230 million working capital facility and converts all of its convertible shareholder loan of A$60 million into equity, based on current exchange rates, it would increase its stake in KML to approximately 62 per cent, with Gindalbie retaining approximately 38 per cent ownership (for further details please refer to Note 9).

After assessing the alternative of Gindalbie raising new equity to maintain its ownership interest in KML, the Board of Gindalbie decided that the Ansteel funding arrangements represented by far the best option for shareholders, as the dilutionary effect of the issue of new Gindalbie shares under an entitlement offer at the current market price would be far greater than the impact on Gindalbie shareholders of KML issuing new shares to Ansteel.

As at 31 December 2013 KML had the following funding related obligations recognised:

KML debt obligations	
Debt type	**$'000**
Bank debt	2,056,007
Subordinated shareholder loans	215,616
Concentrate presale agreements	212,831
Total	**2,484,454**

KML is continuing with the technical review of the Karara Project ramp-up and this review remains on track for completion during the March 2014 Quarter. While the review is yet to be completed the work is sufficiently advanced to highlight that capital expenditure in the order of $150-$200 million will be required in 2014. The level and extent of capital required will be finalised when the technical review has been completed. As outlined in Note 1(d) Going Concern, KML requires additional funding to meet its future debt obligations, capital expenditure to address plant bottlenecks and working capital requirements during the extended ramp up of the project. Ansteel has advised the Directors of Gindalbie that Ansteel is currently in advanced negotiations with the Chinese Banking Syndicate to provide the facility necessary to meet these obligations subject to appropriate documentation and approvals. The Directors believe that the going concern basis for the preparation of the consolidated financial statements is appropriate for the reasons outlined in Note 1(d).

Karara Project Exploration

Exploration activities conducted during the reporting period involved planning of drilling programs and the commencement of environmental and heritage surveys required to gain the necessary approvals to test targets.

Drilling is currently underway in the March 2014 Quarter.

GINDALBIE REGIONAL EXPLORATION

Exploration activities conducted during the reporting period involved planning of drilling programs and the commencement of environmental and heritage surveys required to gain the necessary approvals to test targets.

Drilling is scheduled to take place in the March 2014 Quarter.

CORPORATE

Managing Director

Former senior Rio Tinto Iron Ore executive Mr Dale Harris was appointed as the Gindalbie's Managing Director, succeeding Mr Tim Netscher in line with the Company's previously announced succession plan.

Mr Harris is a highly accomplished mining executive in the global iron ore sector. He most recently held the role of Chief Operating Officer for Rio Tinto Iron Ore (RTIO), where he played a key leadership role in RTIO's expansion plan including the delivery of key safety, operational and financial objectives.

Sale of Shine

During the reporting period, Gindalbie reached agreement to sell its 100%-owned Shine Hematite Deposit, located 40km north-east of the Karara Project, to Mount Gibson Iron Limited (ASX: MGX) for a total of $15 million plus a trailing price participation royalty under a Binding Term Sheet executed by Gindalbie and Mount Gibson.

Subsequent to the end of the reporting period the sale was completed with the Company receiving the upfront $12 million cash consideration. A further milestone payment of $3 million is due on the first commercial sale of iron ore – effectively a non-refundable pre-payment on a price participation royalty.

Under this royalty, on a month average for every A$1 the Platt's 62% Fe CFR price is above A$115 per tonne Gindalbie will receive an additional A$0.20 per dry tonne sold with the $3 million having been prepaid under the milestone payment.

The sale crystallised significant upfront value for one of Gindalbie's 100%-owned assets in the Midwest region and represents a positive outcome for shareholders.

As part of Mt Gibson's future assessment of ore transport options, the Term Sheet provides the ability for Mt Gibson to negotiate commercial terms for use of Karara Mining Limited's rail infrastructure.

Chief Financial Officer

Subsequent to the end of the reporting period, Gindalbie announced the appointment of experienced corporate finance executive Mr Wayne Zekulich as its new Chief Financial Officer, effective from 28 January 2014.

Mr Zekulich replaces Mr David Richardson who left Gindalbie at the end of January 2013 to take up the position of Chief Financial Officer with another company.

Mr Zekulich was most recently the Chief Financial Officer and Chief Development Officer with Oakajee Port & Rail and has previously held senior roles with Commonwealth Bank, N.M. Rothschild & Sons and Deutsche Bank.

Cash Reserves

At 31 December 2013, Gindalbie Metals Ltd had cash reserves of A$34.5 million.

During the period Gindalbie received $30 million from KML representing the repayment of its previous shareholder loan to KML.

The repayment of the shareholder loan was been made possible by Ansteel paying $30 million to KML in addition to its own previous $30 million shareholder loan to KML.

Subsequent Events

During the reporting period, Gindalbie reached agreement to sell its 100%-owned Shine Hematite Deposit, located 40km north-east of the Karara Project, to Mount Gibson Iron Limited (ASX: MGX) for a total of $15 million plus a trailing price participation royalty.

Subsequent to the end of the reporting period, all conditions precedent were satisfied and the sale was completed with the Company receiving the upfront $12 million cash consideration. A further milestone payment of $3 million is due on the first commercial sale of iron ore – effectively a non-refundable pre-payment on a price participation royalty.

Gindalbie Metals has appointed Michael Weir as an additional Company Secretary.

Other than the matters discussed above, there have been no events subsequent to reporting date which would have a material effect on the Consolidated entity's financial statements at 31 December 2013.

Shareholder Information

As at 31 December 2013, the Company had 1,493,660,842 shares on issue and 17,913 shareholders. The Top 40 shareholders held 55.33% of the Company.

Dated this 10th day of March 2014.

Signed in accordance with a resolution of the directors.

D Harris
Director

K Jones
Director

KPMG

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 2013 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

10 March 2014

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 2013, 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 1 to 12 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 2013 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*.

KPMG

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 2013 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*.

Material uncertainty regarding continuation as a going concern

Without modification to the conclusion expressed above, attention is drawn to note 1(d) to the financial report. The Group's principal asset is a 50% equity interest in Karara Mining Ltd (KML). As stated in note 1(d), at 31 December 2013 KML has net current liabilities of $623 million and is currently negotiating new debt facilities with existing financiers to enable it to meet its forecasted financial obligations. Due to a combination of agreements explained in note 1(d), the Company may become liable under guarantees to the banking syndicate for 50% of the secured debts of KML. The outcome of the negotiations between KML and the financiers cannot presently be determined with certainty, although as outlined in note 1(d), the Directors anticipate a successful outcome to these negotiations and accordingly the financial report has been prepared on a going concern basis. These outcomes are reliant on the continued support of Anshan Iron and Steel Group Corporation (Ansteel), the remaining 50% partner in KML. The existence of this uncertainty, and other uncertainties set out in note 1(d) may cast significant doubt about the Company's and the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the annual financial report.

KPMG

KPMG

Brent Steedman
Partner

Perth

10 March 2014

DIRECTORS' DECLARATION

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

1. the consolidated financial statements and notes set out on pages 12 to 28 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 2013 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. for the reasons set out in note 1(d) 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 10th day of March 2014.

Signed in accordance with a resolution of the directors.

D Harris
Director

K Jones
Director

GINDALBIE METALS LTD AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2013

	Note	Consolidated 31-Dec-13 $'000	Consolidated 31-Dec-12 $'000
Other income	3(a)	-	13
Administration expenses		(3,668)	(4,108)
Other expenses	3(b)	(264)	(198)
Results from operating activities		(3,932)	(4,293)
Finance income		8,390	888
Net financing income	4	8,390	888
Share of (loss) from equity accounted Joint Venture (net of tax)		(1,565)	(15,394)
Profit/(loss) before income tax		2,893	(18,799)
Income tax benefit/(expense)		-	-
Profit/(loss) for the period		2,893	(18,799)
Other Comprehensive Income Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges - equity accounted Joint Venture (net of tax)		1,016	(4,787)
Income tax benefit/(expense) on other comprehensive income		-	-
Total other comprehensive income for the period net of tax		1,016	(4,787)
Total comprehensive income/(loss)		3,909	(23,586)
Profit/(loss) attributable to:			
Owners of the Company		2,893	(18,799)
Profit/(loss) for the year		**2,893**	(18,799)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		3,909	(23,586)
Total comprehensive income/(loss) for the year		**3,909**	(23,586)
Basic earnings per share – cents		0.26	(1.34)
Diluted earnings per share – cents		0.26	(1.34)

The condensed notes on pages 16 to 28 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 2013

	Consolidated			
	Issued capital $'000	Retained earnings $'000	Reserves $'000	Total $'000
Six months ended 31 December 2013				
Opening balance at 1 July 2013	753,965	(116,318)	8,118	645,765
Profit for the period	-	2,893		2,893
Changes in fair value of cash flow hedges - equity accounted joint venture	-	-	1,016	1,016
Total comprehensive income for the period	-	2,893	1,016	3,909
Transactions with owners of the Company, recognised directly in equity				
Shares issued				
- Issue of ordinary shares	-	-	-	-
- Transaction costs	-	-	-	-
- Share based payments expense	-	-	119	119
Closing balance at 31 December 2013	753,965	(113,425)	9,253	649,793
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 based payments expense	-	-	1,649	1,649
Closing balance at 31 December 2012	731,708	10,389	(4,339)	737,758

The condensed notes on pages 16 to 28 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 2013

	Note	Consolidated 31-Dec-13 $'000	Consolidated 30-Jun-13 $'000
CURRENT ASSETS			
Cash and cash equivalents		11,522	9,166
Term Deposits		23,000	-
Other receivables		483	903
Prepayments		542	643
Inventories		-	1
Assets held for sale	11	12,700	-
TOTAL CURRENT ASSETS		48,247	10,713
NON CURRENT ASSETS			
Other receivables		331	36
Property, plant and equipment		1,729	1,886
Exploration and evaluation assets	5	13,089	24,715
Loan to Joint Venture entity		38,035	59,931
Joint venture accounted for using the equity method	9	550,055	550,604
TOTAL NON CURRENT ASSETS		603,239	637,172
TOTAL ASSETS		651,486	647,885
CURRENT LIABILITIES			
Trade and other payables		947	1,366
Employee benefits		651	686
TOTAL CURRENT LIABILITIES		1,598	2,052
NON CURRENT LIABILITIES			
Employee benefits		95	68
TOTAL NON CURRENT LIABILITIES		95	68
TOTAL LIABILITIES		1,693	2,120
NET ASSETS		649,793	645,765
EQUITY			
Issued capital	6	753,965	753,965
Reserves		9,253	8,118
Retained earnings		(113,425)	(116,318)
TOTAL EQUITY		649,793	645,765

The condensed notes on pages 16 to 28 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 2013

	Consolidated	
	31-Dec-13	31-Dec-12
	$'000	$'000
Cash flows from operating activities		
Cash payments to suppliers and employees	(3,541)	(3,373)
Interest received	172	714
Cash payments from customers	239	-
Net cash used in operating activities	(3,130)	(2,659)
Cash flows from investing activities		
Payments for term deposits	(23,000)	(16,500)
Exploration and evaluation expenditure	(1,944)	(2,632)
Proceeds from sale of exploration assets	430	-
Acquisition of property, plant and equipment	-	(172)
Payments for investments in Joint Venture	-	(2,700)
Loan repayments from Joint Venture	30,000	-
Net cash used in investing activities	5,486	(22,004)
Cash flows from financing activities		
Proceeds from the issue of shares	-	40,000
Payment of capital raising costs	-	(1,466)
Net cash used in financing activities	-	38,534
Net increase in cash and cash equivalents	2,356	13,871
Cash and cash equivalents at 1 July	9,166	40,517
Cash and cash equivalents at 31 December	11,522	54,388

The condensed notes on pages 16 to 28 are an integral part of these consolidated interim financial statements

1) BASIS OF PREPARATION

(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 2013 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 Consolidated Entity as at, and for the year ended 30 June 2013 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 2013.

This consolidated interim financial report was approved by the Board of Directors on 10th March 2014.

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) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets are measured at fair value

(d) Going Concern

The 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 ultimately owned by Anshan Iron and Steel Group Corporation (Ansteel). Further details on the Gindalbie equity investment in the joint venture, including security, indemnities and guarantees provided by Gindalbie in relation to KML are included in Note 9 to this financial report. At the date of this report the financial position including debt obligations of KML create an inherent uncertainty with respect to Gindalbie's ability to continue as a going concern and realise the carrying value of its assets, in the normal course of business.

At 31 December 2013, KML had net current liabilities of $623 million which includes $213 million in prepaid sales agreements with Ansteel and interest bearing liabilities of $322 million due to the syndicate of KIOP financiers led by Bank of China (Facility Agent) and China Development Bank (Chinese Banking Syndicate) under the terms of KML's US$1.786 billion syndicated debt facility (Senior Debt Facility). The Senior Debt Facility requires KML to make principal and interest repayments each May and November.

KML's cash flow forecast as of the date of this report indicates that KML will not be able to meet the above interest or debt repayments, or deliver product under the prepaid sales agreements, without the provision of further funding by the shareholders, renegotiation and/or extension of repayment terms of the Senior Debt Facility with the existing Chinese Banking Syndicate or the provision of new financing.

Under the terms of the Senior Debt Facility, KML is required to comply with and commence reporting specific financial cover ratios effective on 31 December 2013 and quarterly thereafter. KML did not comply with the debt service cover ratio (DSCR) on 31 December 2013 and is forecast not to comply with the DSCR on 31 March 2014. If KML is in breach of a cover ratio for two consecutive quarterly dates, and one (or both) of which is not waived by the Facility Agent, or cured by an equity contribution from shareholders within 30 days of notice, this is an Event of Default under the Senior Debt Facility and the Facility Agent has the right to call KML for repayment of the total loans outstanding.

Through a combination of the provisions of the Senior Debt Facility, the shareholder guarantee and share mortgage provided by Gindalbie to the Chinese Banking Syndicate and the indemnity and share mortgage provided by Gindalbie to Ansteel, if there is an Event of Default and a call for repayment by KML which is not met in full, then, prior to KIOP Project Completion which is not expected for at least the next 12 months, the Chinese Banking Syndicate (or Ansteel) has the right to take ownership of Gindalbie's shares in KML under their respective share mortgages. Under the indemnity provided by Gindalbie to Ansteel, where Ansteel has repaid the total loans outstanding, Ansteel has the right to recover any loss it may have suffered after sale of Gindalbie's KML shares from Gindalbie.

Ansteel has advised the Directors of Gindalbie that Ansteel is currently in advanced discussions with the Chinese Banking Syndicate to provide a minimum of $300 million as an additional funding facility for KML subject to the appropriate documentation and approvals. The facility would be used for a combination of scheduled debt and interest repayments, capital expenditure to address plant bottlenecks and working capital requirements. The funding would be needed in two tranches with the first draw down of $160m required on 30 April 2014 and the second draw down required in October 2014.

The Directors of Gindalbie have identified inherent uncertainties regarding the potential future funding requirements of KML. The uncertainties primarily relate to one or more of the following events:

- KIOP achieving production quantities and cost profiles in accordance with the planned ramp up schedule;
- Future Australian dollar iron ore prices;
- The successful completion of the additional funding facility with the first tranche of $160 million being drawn down no later than 30 April 2014 and the second tranche being drawn down no later than 31 October 2014;
- The ability of KML to either deliver into the prepaid sale agreements, settle these within the prescribed terms of the agreement or else renegotiate the settlement terms of the prepaid sales agreements;
- The continued support of the Chinese Banking Syndicate to maintain the Senior Debt Facility and to waive any breach or breaches of cover ratios which are not expected to be met by KML on 2 consecutive quarterly dates as at December 2013 and March 2014; and
- The continued provision of financial support by Ansteel to KML as required.

The Directors acknowledge KML's future funding requirements have the potential to impact Gindalbie. If KML defaults under the Senior Debt Facility, Gindalbie may be required, if called on, to meet the shareholder guarantee provided to the Chinese Banking Syndicate or the indemnity provided to Ansteel. Failure to do so may result in the loss and/or sale of its mortgaged shares in KML.

However, the Directors believe that the going concern basis of preparation remains appropriate for the following reasons:

- Ansteel has informed the Directors that Ansteel is in advanced negotiations with the Chinese Banking Syndicate (or a member or members of the syndicate) with the aim of finalising the additional funding facility by 30 April 2014 and obtaining a waiver of breaches of cover ratio requirements under the Senior Debt Facility;
- Ansteel has provided a non-binding letter to KML stating its intention to arrange alternative funding to meet KML's current forecast 2014 funding shortfall ($308 million) to enable KML to meet its currently forecast financial obligations during the period up until the additional funding facility becomes available for drawdown;

- KML continues to ramp up its operations and is forecasting positive operating cash flows to be generated from the production of iron ore during 2014, subject to the uncertainties outlined above; and
- KML has historically received financial support from Ansteel and the Chinese Banking Syndicate (or a member of members of the syndicate) for provision of additional funding facilities and Ansteel has successfully arranged these facilities as and when required in the past.

The Directors acknowledge that KML is reliant on Ansteel to either provide or arrange for provision of additional financing to KML to meet KML's current forecast 2014 funding shortfall and to enable KML to meet currently forecast financial obligations, including the impending debt repayment obligations and costs of completion of KIOP including capital expenditure. An inherent uncertainty therefore exists that KML and Ansteel may not be successful in efforts to negotiate additional debt facilities or raise further additional equity, or that Ansteel will not provide or arrange for provision of additional funding to KML (or a combination of the foregoing). If the funding needed is not raised this may impact on Gindalbie's ability to continue as a going concern and therefore that it may be unable to recover the carrying value of Gindalbie's investment in KML or the carrying value of other Gindalbie assets.

2) SIGNIFICANT POLICIES

(a) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the consolidated entity's annual financial statements as at and for the year ended 30 June 2013.

(b) 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 30 June 2013.

3) INCOME AND EXPENSES

	Consolidated	
	31-Dec-13	31-Dec-12
	$'000	$'000
(a) Other income		
Other income	-	13
Total other income	-	13
(b) Other expenses		
Provision for loan impairment	(2)	-
Depreciation – property, plant & equipment	(111)	(107)
Employee option expense	(89)	(91)
Loss on sale of exploration tenements	(62)	
Total other expenses	(264)	(198)

4) NET FINANCING INCOME

Interest income	8,390	888
Net finance income	8,390	888

Interest income includes income of $8.29 million in 2013, which represents the discount received from the unwind of an interest free loan to KML due to early prepayment by KML.

5) EXPLORATION AND EVALUATION ASSETS

	Consolidated	
Costs carried forward in respect of areas of interest in:	31-Dec-13	30-Jun-13
Exploration and evaluation assets	$'000	$'000
Carrying amount at beginning of period	24,715	25,560
Additions	1,636	4,607
Reclassification to assets held for sale	(12,700)	-
Disposals	(562)	-
Expenditure written off	-	(5,452)
	13,089	24,715

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 AND EVALUATION ASSETS (Cont)

Exploration expenditure commitments	Consolidated	
	31-Dec-13	30-Jun-13
	$'000	$'000
Payable no later than one year :-		
Rents and rates	202	194
Exploration	1,073	1,070
	1,275	1,264

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-13	30-Jun-13	31-Dec-13	30-Jun-13
	No.	No.	$'000	$'000
On issue at 1 July	1,492,154,301	1,247,487,454	753,965	693,173
Issue of ordinary shares	-	244,666,847	-	62,390
Exercise of options	1,506,541	-	-	-
Capital raising costs	-	-	-	(1,598)
On issue at 31 December	1,493,660,842	1,492,154,301	753,965	753,965

1,506,541 ordinary shares were issued on the exercise of employee options. Options were exercised at a price of $nil per share.

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.

OPERATING SEGMENTS (Cont)

Reconciliation of reportable segment profit or loss

	Karara Iron Ore Project		**All other segments**		**Total**	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	-	-	-	13	-	13
Depreciation and amortisation	-	-	(111)	(107)	(111)	(107)
Interest income	8,289	-	101	888	8,390	888
Other corporate expenses	-	-	(3,821)	(4,199)	(3,821)	(4,199)
Share of loss of equity-accounted investee (net of tax)	(1,565)	(15,394)	-	-	(1,565)	(15,394)
Net Profit/ (loss)	6,724	(15,394)	(3,831)	(3,405)	2,893	(18,799)

Segment assets

	Karara Iron Ore Project		**All other segments**		**Total**	
	31-Dec-12	30-Jun-13	31-Dec-12	30-Jun-13	31-Dec-12	30-Jun-13
	$'000	$'000	$'000	$'000	$'000	$'000
Investment in Karara joint venture	550,055	550,604	-	-	550,055	550,604
Other assets	38,035	59,931	63,396	37,350	101,431	97,281
Liabilities	-	-	(1,693)	(2,120)	(1,693)	(2,120)
Reportable segment net assets	588,090	610,535	61,703	35,230	649,793	645,765

8) CONTINGENT LIABILITIES

There has been no material change in the contingent liabilities of the consolidated entity since 30 June 2013 except for:-

(a) The consolidate entity's contingent liability in relation to its guarantee of project financing facilities for its joint venture entity Karara Mining Limited (KML), has decreased to US$853.7 million (30 June 2013 – US$892.5 million). Under the $1.786 billion USD project financing facility provided to KML by a syndicate of Chinese banks, the company has provided a First Ranking Share Mortgage in favour of the banks over all shares in KML. The company has also provided a Second Ranking Share Mortgage to its joint venture partner in KML, Anshan Iron & Steel Group Corporation ("Ansteel") in respect of 50% of the liability Ansteel may incur under a Sponsor Guarantee Ansteel has provided to the banks. Refer note 9.

(b) The consolidated entity has a contingent liability of $1.5m in relation to its Settlement and Cooperation Deed with Minjar Gold Pty Ltd. During the reporting period, Gindalbie reached agreement to sell its 100%-owned Shine Hematite Deposit (Shine) to Mount Gibson Iron Limited (ASX: MGX) under a Binding Term Sheet executed by Gindalbie and Mount Gibson. Subsequent to the end of the reporting period the sale was completed. Under the Term Sheet Gindalbie's rights and obligations with respect to the Shine Hematite Project (including its obligation to make the above payment of $1.5 million) were assigned to Mount Gibson. The effect of the assignment is that Mount Gibson is required to make the required payment of $1.5 million to Minjar by two instalments after Mt Gibson commences commercial production from Shine.

9) INVESTMENT IN JOINT VENTURE

Major shareholdings in jointly controlled entities	Country of incorporation	Principal activities	Reporting date	Ownership interest	
				2013 %	2012 %
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 entity's share of loss in Karara Mining Limited for the period to 31 December 2013 was a $1.6 million loss (2012 loss $15.4 million).

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

Senior Debt Facility

The total of the senior syndicated secured debt facility signed by KML on 6 August 2010, as amended in February 2012, (US$1.786 billion) (Senior Debt Facility) provided by the Chinese Banking Syndicate has been fully drawn by KML.

Under the terms of the Senior Debt Facility, KML is required to comply and report compliance with specified cover ratios comprising the company's (i) debt equity ratio (ii) debt service cover ratio, and (iii) life of loan cover ratio. KML did not comply with the debt service cover ratio (DSCR) on 31 December 2013 and is forecast not to comply with the DSCR on 31 March 2014. If KML is in breach of a cover ratio for two consecutive quarterly dates, and one (or both) of which is not waived by the Facility Agent, or cured by an equity contribution from shareholders within 30 days of notification from the Facility Agent, this is an Event of Default under the Senior Debt Facility and the Facility Agent has the right to call for repayment by KML of the total loans outstanding.

INVESTMENT IN JOINT VENTURE (Cont)

Security under Senior Debt Facility

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

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

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

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

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

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

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

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

(h) Gindalbie and Angang have each provided a cross charge to the other over their shares in KML to secure their obligations under the joint development agreement, and to ensure that the undertakings and guarantees above are effectively confined to each party's 50% interest in KML.

If an Event of Default occurred under the Senior Debt Facility and the Chinese Banking Syndicate were to accelerate the repayment of project finance debt prior to project completion occurring, then the Chinese Banking Syndicate or Ansteel could act under the share mortgage security. Gindalbie has a contingent liability by reason of an indemnity given to Ansteel so that if there is a loss after exercise of the security, Ansteel could seek to recover the loss from Gindalbie. Refer Note 8(a).

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

Joint Venture entity financial statements

KARARA MINING LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF COMPREHENSIVE INCOME
For the six months ended 31 December 2013

	Consolidated	
	31-Dec-13	31-Dec-12
Continuing Operations	$'000	$'000
Revenue	267,597	84,462
Cost of Sales	(206,812)	(152,481)
Depreciation & Amortisation	(17,806)	(13,971)
Gross Profit	42,979	(81,990)
Other Income	3,447	2,781
Other expenses	(834)	30,134
Take or pay obligations	(209)	-
Results from operating activities	45,383	(49,075)
Interest income	822	19,564
Interest expense	(50,206)	(1,277)
Net financing income	(49,384)	18,287
Profit / (Loss) before tax	(4,001)	(30,788)
Income tax (expense) / benefit	871	-
Profit / (Loss) for the year	(3,130)	(30,788)
Other comprehensive Income		
Effective portion of changes in fair value of cash flow hedge net of tax	2,032	(9,574)
Total comprehensive Income	(1,098)	(40,362)

KARARA MINING LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2013

	Consolidated	
	31-Dec-13	30-Jun-13
	$'000	$'000
CURRENT ASSETS		
Cash and cash equivalents	38,564	8,899
Trade and other receivables	91,128	64,791
Prepayments	4,761	7,989
Stock on hand	24,223	20,244
Inventories	50,360	39,711
TOTAL CURRENT ASSETS	209,036	141,634
NON CURRENT ASSETS		
Trade and other receivables	32,907	41,926
Prepayments	11,697	12,128
Deferred tax asset	-	-
Property, plant and equipment	3,671,452	3,437,017
Exploration and evaluation assets	19,676	19,378
TOTAL NON CURRENT ASSETS	3,735,732	3,510,449
TOTAL ASSETS	3,944,768	3,652,083
CURRENT LIABILITIES		
Trade and other payables	511,285	406,312
Employee Benefits	2,660	4,275
Senior debt	318,235	157,869
TOTAL CURRENT LIABILITIES	832,180	568,456
NON CURRENT LIABILITIES		
Long Term Provisions	28,254	34,657
Employee Benefits	581	487
Other Payables	13,103	19,654
Derivatives	789	3,692
Senior debt	1,737,772	1,787,705
Shareholders Loan	215,616	119,861
TOTAL NON CURRENT LIABILITIES	1,996,115	1,966,056
TOTAL LIABILITIES	2,828,295	2,534,512
NET ASSETS	1,116,473	1,117,571
EQUITY		
Share Capital	1,419,104	1,419,104
Reserves	(1,325)	(3,357)
Accumulated losses	(301,306)	(298,176)
TOTAL EQUITY	1,116,473	1,117,571

INVESTMENT IN JOINT VENTURE (Cont)

Consolidated entity's 50% interest	558,236	558,785
Less: intercompany eliminations	8,181	8,181
Carrying value of Joint Venture net assets	550,055	550,604
Joint venture Opening balance	550,604	653,000
Loss for the period	(1,565)	(133,548)
Other Comprehensive income/(loss)	1,016	7,738
Payments for investments	-	2,700
Interest free loan investment	-	20,714
Joint venture accounted for using the equity method	550,055	550,604

Ansteel Funding and Options for Equity Conversion and Subscription

A Binding Memorandum of Cooperation was executed by Gindalbie and Ansteel on 1 July 2013 pursuant to which Ansteel arranged provision of bridging finance facilities to KML to a maximum of $275 million (1st Funding Package) on terms which included the right to convert up to $60 million of shareholder loans to new KML equity share capital to Ansteel at $4.31 per share.

The bridging finance facilities included four additional subordinated shareholder loans and a prepaid sales agreement for delivery of magnetite concentrate to an Ansteel subsidiary.

In September 2013 Ansteel arranged the provision of US$230 million of additional short term funding to KML (2nd Funding Package). This working capital facility was made available through a prepaid sales agreement for delivery of magnetite concentrate to an Ansteel subsidiary (US$100 million) and a new US$130 million bank debt facility (guaranteed by Ansteel). A condition to arrangement of this additional working capital facility was that at Ansteel's option KML's obligations under the prepaid sales agreement and the bank debt facility could be extinguished through issue of new KML equity share capital to Ansteel at $3.02 per share.

KML's net current liabilities include US$200 million ($213 million) under three prepaid sales agreements where KML has an obligation during 2014 to deliver physical iron ore product to Ansteel, or alternately repay US$156 million ($168 million) of the US$200 million ($213 million) obligation with cash at KML's option. As explained above, under the 2nd Funding Package, Ansteel has the option to subscribe for new equity in KML at a price of $3.02 per share and require KML to use the proceeds to repay US$100 million ($107 million) of the total prepaid sales liability.

In October 2013 Ansteel made a further subordinated shareholder loan to KML of $30 million which was utilised by KML to repay an earlier $30 million loan made by Gindalbie to KML. The Ansteel $30 million loan was made in accordance with the terms and conditions of the Binding Memorandum of Cooperation.

If Ansteel exercises the above options to convert shareholder loans and subscribe for new equity in KML, the consolidated entity's equity ownership position in KML would be diluted. The level of dilution would be dependent upon the actual amount of debt extinguished, the net assets of KML, and the prevailing USD/AUD exchange rate at the time Ansteel exercised its options. Assuming a total of $60 million and US$230 million of debt was converted to equity, at the 31 December 2013 exchange rate (0.8927), the consolidated entity's ownership interest in KML would be diluted down to approximately 38%.

The potential gain or loss upon dilution cannot currently be reliably estimated, as it is dependent upon prevailing circumstances and market conditions, and the carrying value of the investment as at the date of dilution.

INVESTMENT IN JOINT VENTURE (Cont)

The breakdown of Ansteel's equity conversion and subscription options in KML is outlined in the following table:

Convertible Ansteel debt	New KML shares	Dilutionary impact	Conversion Price (A$)	Conversion Amount (A$)
1st Funding package	13,921,114	2.16%	$ 4.31	$ 60,000,000
2nd Funding package	85,313,028	10.02%	$ 3.02	$ 257,645,346
		12.18%		317,645,346

The following table illustrates the effect on the current issued capital in KML if Ansteel exercised its options to convert loans and subscribe for new equity as at the reporting date:

Shareholder	Current share holding	% of Total Share Capital	Shares held upon option conversion	% of possible Share Capital
Gindalbie Metals Ltd	154,040,000	50%	154,040,000	38%
Ansteel	154,040,000	50%	253,274,142	62%
Total	308,080,000		407,314,142	

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 2013.

11) NON-CURRENT ASSET – HELD FOR SALE

Pursuant to a legally binding agreement signed on 6 December 2013, the consolidated entity agreed to sell its interest in the Shine hematite project for a consideration of $15 million consisting of a $12 million upfront payment, a milestone non-refundable royalty prepayment of $3 million and a trailing royalty payment. The milestone non-refundable royalty prepayment of $3 million is due upon the first commercial sale of iron ore from the project. The transaction was completed during the first quarter of 2014. Consequently the capitalised exploration and evaluation expenditure associated with the Shine hematite project has been reclassified as an "asset held for sale".

At 31 December 2013 the assets held for sale comprised the following assets.

	31-Dec-13
	$'000
Exploration and evaluation assets	12,700
	12,700

12) SUBSEQUENT EVENTS

During the reporting period, Gindalbie reached agreement to sell its 100%-owned Shine Hematite Deposit, located 40km north-east of the Karara Project, to Mount Gibson Iron Limited (ASX: MGX) for a total of $15 million plus a trailing price participation royalty.

Subsequent to the end of the reporting period, all conditions precedent were satisfied and the sale was completed with the Company receiving the upfront $12 million cash consideration. A further milestone payment of $3 million is due on the first commercial sale of iron ore – effectively a non-refundable pre-payment on a price participation royalty.

Gindalbie Metals has appointed Michael Weir as an additional Company Secretary.

Other than the matters discussed above, there have been no events subsequent to reporting date which would have a material effect on the Consolidated entity's financial statements at 31 December 2013.