

For personal use only



**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2015**

ACN 060 857 614

DIRECTORS' REPORT
For the year ended 30 June 2015

The Directors present their report together with the financial statements of the Company Gindalbie Metals Ltd ('the Company', 'Gindalbie') for the financial year ended 30 June 2015 and the Auditor's Report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year were:

Name & Qualifications	Experience and Special Responsibilities
<p>Mr Keith F Jones B.Bus, FCA, FAICD Non-Executive Chairman</p>	<p>The Chair of Deloitte Australia Former Managing Partner – Western Australia, Deloitte Australia Former board member of the Institute for Child Health Research Extensive resource industry experience Director since March 2013 Appointed as Chairman April 2013</p>
<p>Mr Michael J O'Neill Dip Bus Admin, SFFin, FAICD Independent Non-Executive Director Acting Managing Director</p>	<p>Board member of the Perth Market Authority Board Member P&N Bank (Oct 13) Former Non-Executive Director Gryphon Minerals Ltd (Mar 13 - Jul 13) Former Western Australian General Manager of ANZ Bank Extensive banking and finance experience Director since April 2006 Appointed Acting Managing Director April 2014</p>
<p>Mr Chen Ping B.Eng Non-Executive Director</p>	<p>Vice President of Ansteel Group Corporation Former Chairman of Ansteel Mining Company Former General Manager of Ansteel Mining Company Director since June 2009</p>
<p>Mr Andrew R Marshall I. Eng, MAICD Independent Non-Executive Director</p>	<p>Former Project Director of Vale Inco Former Vice President – Asset Development Projects of BHP Billiton Iron Ore Former Project Manager of North Limited Former Project Director of Iron ore Company of Canada Former Manager Projects of Forrestainia Gold/LionOre Australia Former Manager Engineering & Project Services of Western Mining Corporation Former Project Manager of Nedpac (Signet Engineering) Non-Executive Director Sundance Resources NL (Oct 10) Director since December 2010</p>
<p>Mr Paul D Hallam BE (Hons) Mining, Grad Cert Mineral Economics, FAICD, FAUSIMM Independent Non-Executive Director</p>	<p>Former Director - Operations of Fortescue Metals Group Limited Former Executive General Manager – Development & Projects of Newcrest Mining Limited Former Director - Victorian Operations of Alcoa Former Executive General Manager – Base and Precious Metals of North Limited Former General Manager - Gold of North Limited Former Chairman Powertrans (Dec 11 - Dec 13) Former Non-Executive Director of Enterprise Metals Limited (Nov 11-May 14) Non-Executive Director of Altona Mining Limited (Mar 13) Non-Executive Director of Sandfire Resources NL (May 13) Director since 14 December 2011</p>

DIRECTORS' REPORT
For the year ended 30 June 2015

1. DIRECTORS (Continued)

Name & Qualifications	Experience and Special Responsibilities
Mr Li Ge B.Fin Non-Executive Director	Deputy Director of financial operations department at Ansteel Supervisor of the board of supervisors in two sub-corporations of Ansteel Director since March 2015
Mr Shao An Lin PHD Mining Non-Executive Director	General Manager of Ansteel Consolidated entity Mining Company President of the Metallurgical Mine Association of China Former Chief Engineer of Dong An Shan Iron Ore Mine Former General Manager of Yan Qian Shan Iron Ore Mine Former Deputy General of Gong Chang ling Iron Ore Co Director since March 2015
Mr Tang Fuping Non-Executive Director	Vice President of Ansteel Group Corporation General Manager of Ansteel Group in Anshan Managing Director of Anshan Iron and Steel Group Corporation Former Director of Ansteel Group New Steel Limited, Vice Manager of New Steel Limited Former Director of Ansteel No. 3 and No. 1 steel making plant Former General Manager of Ansteel Group New Steel Limited Director since June 2013 Resigned March 2015
Mr Yu Wanyuan B.Eng Non-Executive Director	Vice President Ansteel Group Corporation Manager of Ansteel Finance Company Former Assistant General Manager of Anshan Iron and Steel Group Complex Former Deputy Chief Accountant of Anshan Iron and Steel Group Complex Director since June 2009 Resigned March 2015

2. COMPANY SECRETARY

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

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

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

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

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

Ms Jan Horsman was appointed as an additional Company Secretary on 20 May 2014. Ms Horsman had worked for Gindalbie since August 2010 as the Executive Assistant to the Managing Director. Ms Horsman resigned as Company Secretary on 25 May 2015 and is no longer employed by the Company.

Following Ms Horsman's resignation Ms Rebecca Moylan was appointed as an additional Company Secretary from 25 May 2015. Ms Moylan has worked for Gindalbie since May 2011 and has vast corporate experience working with listed and unlisted companies in varied industries.

DIRECTORS' REPORT
For the year ended 30 June 2015

3. PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were the exploration for and evaluation of iron ore projects and joint venturing with other mining companies to explore for minerals. During the year the Company's primary mining activities related to its 47.84% Equity Interest in the Karara Project ("Karara"), and exploration and potential development of its 100% owned iron ore projects. Gindalbie surrendered the majority of its 100% owned exploration tenements in June 2015. There has been no significant change in the nature of these activities during the year.

4. RESULT OF OPERATIONS

The net loss for the year ended 30 June 2015 was \$15.6 million, (2014 - net loss of \$585.6 million).

The net loss for Gindalbie, represented corporate overheads (\$4.82 million), non-cash impairment charge related to assets (\$7.68 million), reclassification of equity accounted investment, other comprehensive income (\$4.4 million), which was partially offset by interest income (\$1.3 million).

As at the reporting date the Company has \$40.5 million of cash reserves, including \$39 million in term deposits.

5. DIRECTORS' MEETINGS

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

Director	Directors Meetings	
	A	B
Mr K F Jones	8	8
Mr MJ O'Neill	8	8
Mr Y Wanyuan	5	8
Mr C Ping (C)	8	8
Mr R Marshall	8	8
Mr P Hallam	8	8
Mr T Fuping	1	7
Mr L Ge	0	1
Mr S An Lin	0	1

A. Number of meetings attended

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

6. CORPORATE STRATEGY & LIKELY DEVELOPMENTS

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

7. EVENTS SUBSEQUENT TO REPORTING DATE

As announced on 17 July 2015, as part of security arrangements for KML's refinanced debt, Gindalbie agreed to vary an existing approved second-ranking mortgage of its KML shares to Anshan ('Anshan Share Mortgage') to secure its indemnity to Anshan in circumstances where Gindalbie does not meet its obligations under its new guarantee to KML's lenders.

Gindalbie's independent Directors formed the view that it was necessary for non-Ansteel associated shareholders to approve the variations to the Anshan Share Mortgage.

The amended Anshan Share Mortgage is required to be approved by non-Ansteel associated Gindalbie shareholders at a general meeting pursuant to the ASX Listing Rules (LR) (LR10.1). The ASX granted a waiver from the requirement for Gindalbie to obtain shareholder approval subject to Anshan and Angang's consent to the amendment to the Anshan Share Mortgage. If consent from Anshan is not obtained; the Company must seek the approval of the non-Ansteel associated Gindalbie shareholders for the granting of the unlimited recourse mortgage, as set out in the amended Anshan Share Mortgage.

7. EVENTS SUBSEQUENT TO REPORTING DATE (Continued)

If approved by the non-Ansteel associated Gindalbie shareholders, the amended Anshan Share Mortgage will become an 'unlimited recourse' mortgage pursuant to which Anshan is entitled to demand payment by Gindalbie of any shortfall between the realized value of the mortgaged KML shares and the amount paid by Ansteel to the Chinese Banking Syndicate in relation to Ansteel's sponsor guarantee of Gindalbie's proportionate share of the Senior Debt Facility. If the Anshan Share Mortgage (as amended) is not approved by the Gindalbie shareholders the company has a limited recourse mortgage.

8. ENVIRONMENTAL REGULATION

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

As stated in the Environmental Policy, the Company is committed to achieving superior standards in its environmental performance. It has employed environmental professionals to monitor this area of operating performance, with responsibility for monitoring of environmental exposures and compliance with environmental regulations.

Compliance with the requirements of environmental regulations and with specific requirements of the relevant managing authorities including the Department of Environment and Conservation, and the Department of Industry and Resources was achieved across all aspects of the current operations.

There were no instances of non-compliance in relation to any instructions or directions from the relevant governing agencies. The Board is not aware of any significant breaches during the period covered by this report.

9. REMUNERATION REPORT - Audited

9.1. Key management personnel disclosures

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

Executive Directors

Mr M J O'Neill - Acting Managing Director

Non-Executive Directors

Mr K F Jones – Chairman

Mr A R Marshall

Mr F Tang (resigned 5 March 2015)

Mr W Yu (resigned 5 March 2015)

Mr P Chen

Mr P Hallam

Mr L Ge (commenced 5 March 2015)

Mr S An Lin (commenced 5 March 2015)

Executives

Mr C Gerrard – Legal Counsel and Company Secretary

Ms R Moylan - Chief Financial Officer and Company Secretary

9.2. Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Directors of the Company and senior executives for the Company, in accordance with S300A of the *Corporations Act 2001*.

Compensation levels for Directors and key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The Board obtains independent data on compensation packages and trends in comparative companies, and this information is used as one of the determinants in deciding the appropriateness of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel; and
- the key management personnel's assessed contribution to the Company's financial and operational performance.

DIRECTORS' REPORT
For the year ended 30 June 2015

9. REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation

Key management personnel can receive a portion of base remuneration as non-cash benefits. Non-cash benefits typically include payment of motor vehicle expenses. Any fringe benefit tax on these benefits is generally borne by the executive.

Compensation packages for key management personnel include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

The below table represents the target remuneration mix for executives in the current year. The short-term incentive is provided at target levels, and the long-term incentive amount is provided based on the value granted in the current year.

	Fixed remuneration	At Risk Short-term incentive
Executives under service contracts		
MD - Acting	100%	-
Executives under standard Company Contracts		
CFO and Company Secretary	75%	25%
Legal Counsel and Company Secretary	75%	25%

Fixed compensation

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

Compensation levels are reviewed annually by the Board through a process that considers individual performance and overall performance of the Company. In addition, external consultants may be used to provide benchmark data to the Board to ensure that key management personnel compensation is competitive in the market place. Key management personnel compensation is also reviewed on promotion. Compensation increases are usually effective from 1 July each year; however in July 2015 the Board approved a recommendation not to increase fixed compensation for all employees and will review salary increases in October 2015.

Performance-linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding company objectives (both financial and non-financial). The short-term incentive plan (STI) is a discretionary 'at risk' bonus provided in the form of cash. The deferred compensation scheme incorporates the issue of options over ordinary shares of the Company under the rules of the employee share plan, which vest over a three year period.

Short-term incentive bonus

The short-term incentive plan is intended to focus employee behaviour towards the achievement of activities and milestones that contribute to the Company meeting its business objectives for the financial year. In addition, it also provides clear alignment between personal and business performance and remuneration. Company objectives are used to determine the performance rating. The Managing Director evaluates the Company's strategic goals for the forthcoming financial year and identifies Key Performance Indicators (KPI's) which are deemed to be critical to the Company achieving its mission each financial year. These objectives are reviewed and if considered appropriate, approved by the Board.

At the end of the financial year the Managing Director assesses the Company's performance against the Company KPI's to determine the overall business score. The Company performance ratings are applied against the Company KPI's to determine the overall performance score.

The performance rating will range between 50% for minimum performance, 75% for target performance and 100% for stretch performance. No bonus is awarded where performance does not meet minimum performance standards. The Board recommends and approves the cash incentive to be paid to the individuals.

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

There were no company specific KPI's set for the 2014/5 financial year. STI bonus scheme and the bonus determined by the Managing Director was based on his assessment of the performance of key management staff, with reference to the following KPI's of KML: production, unit costs, safety and business improvement – savings. At the time of the re-organisation in April/June 2014, staff that remained with Gindalbie were given an undertaking that they would be no worse-off by remaining a GBG employee.

The Board approved an amount to be paid to members of the executive team for the 2014/15 year STIP bonus scheme in July 2015.

DIRECTORS' REPORT
For the year ended 30 June 2015

9. REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation (Continued)

Long Term Incentive Deferred Compensation Scheme – share options

Options are issued under the Employee Share Option Plan (made in accordance with the criteria as set out in the plan approved by shareholders at the 2006 AGM). The total value of share options issued to eligible employees is equivalent to 1.25 times the value of the employee's STI award for the prior financial year (i.e. calculation of the maximum award is dependent upon satisfaction of STI performance hurdles). These share options vest subject to specific service conditions. All options are issued for no consideration, and are therefore similar in substance to "performance rights". There were no options granted to key personnel during the year ended 30 June 2015 (2014 – 2,336,756 options granted).

All Directors and employees participating in any Company equity incentive plan are prevented from hedging the economic benefit of any unvested performance shares or options under such plans, as such arrangements have been prohibited by law since 1 July 2011. Hedging is permitted in respect of any performance shares or options that have vested.

Short-term and long-term incentive structure

Each year the Managing Director recommends the KPI's for the key management personnel, which are approved by the Board. The Board considers that the performance-linked compensation structure provides appropriate incentives to key management personnel. No KPI's were set for the 2014/15 year.

Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth during the year ended 30 June 2015, the Board believes that safety performance, profitability, share price performance and achievement of specific strategic development objectives are the key links between the Company's performance and the attainment of increased shareholder wealth.

	2015	2014	2013	2012	2011
Total comprehensive income/(loss) attributable to owners of the company (\$000)	(11,240)	(588,792)	(136,643)	(37,372)	13,946
Change in share price (\$)	(0.03)	(0.06)	(0.33)	(0.39)	(0.20)

Service agreements

All key management personnel are employed under standard Company employment contracts except the Acting Managing Director who is employed under a service contract.

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

Position	Term	Notice Period	Redundancy Terms
Chairman (Mr K Jones)	Unlimited	Nil	Nil
Acting Managing Director (Mr M O'Neill)	Unlimited	Nil	Nil
CFO and Company Secretary (Ms R Moylan)	Unlimited	4 weeks	6 months' salary
General Counsel and Company Secretary (Mr C Gerrard)	Unlimited	8 weeks	6 months' salary

The Company retains the right to terminate the contract immediately by the payment of the redundancy term.

The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service and employment contracts outline the components of compensation paid to the key management personnel but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed and any changes required to meet the principles of the compensation policy.

There is no entitlement to termination payment in the event of removal for misconduct.

Non-Executive Directors

Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2010 AGM, is not to exceed \$1,000,000 per annum and is set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies.

Effective from 1 October 2014, the Non-Executive Director's remuneration was reset to \$82,500 per annum with the Chairman's base remuneration increasing to the previous \$295,000 per annum. Effective from 1 July 2015, the Non-Executive Director's remuneration has been reset to \$57,750 per annum with the Chairman's base remuneration decreasing to \$206,500 per annum.

DIRECTORS' REPORT
For the year ended 30 June 2015

9. REMUNERATION REPORT – Audited (Continued)

9.2. Principles of compensation (Continued)

Directors' fees cover all board activities. Effective from 1 September 2012 Committee fees were increased to \$42,000 per annum (previously \$35,000) and are payable to those Non-Executive Directors who sit on two or more Committees (including Committees of KML). Non-Executive Directors do not generally receive bonuses but may be issued with employee options under the Employee Share Option Plan or via the express approval of shareholders/Board of Directors. Nevertheless the Board charter has been amended to formally recognise that at this stage of the Company's development no further options will be issued to Non-Executive Directors. The Board has taken on the role of the Committees from 1 January 2015 and no Committee fees effective 1 January 2015.

9.3. Analysis of STI bonuses included in remuneration

Details of the vesting profile of the short-term cash bonuses awarded as remuneration to each Director of the Company, and other key management personnel are detailed below:

	Included in remuneration A\$	Short- term incentive bonus	
		% vested in year	% forfeited in year
Executive			
Mr C Gerrard	77,108	92%	8%
Ms R Moylan	51,000	85%	15%

For personal use only

DIRECTORS' REPORT
For the year ended 30 June 2015

9. REMUNERATION REPORT – Audited (Continued)

9.4. Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company and each of the key management personnel of the Company are listed below. Directors' and executive officers' remuneration amounts include the accrual of cash bonuses and long term incentives, accruals of annual leave and long service leave.

		Short term		Post-employment	Other long term			Other compensation		Total
		Salary & fees	Cash bonus	Superannuation benefits	Long term incentive	Other long term (LSL and AL)	Share based payments	Termination benefits	Insurance premiums (b)	
		\$	\$	\$	\$		Value of options (a)	\$	\$	
Directors										
Non-executive directors										
Mr KF Jones	2015	255,936	-	24,314	-	-	-	-	8,913	289,163
	2014	229,519	-	21,231	-	-	-	-	3,527	254,277
Mr A R Marshall	2015	90,753	-	8,622	-	-	-	-	8,913	108,288
	2014	102,632	-	9,493	-	-	-	-	3,527	115,652
Mr F Tang (resigned position 5 March 2015)	2015	52,005	-	-	-	-	-	-	6,056	58,061
	2014	70,125	-	-	-	-	-	-	3,527	73,652
Mr P Chen	2015	78,375	-	-	-	-	-	-	8,913	87,288
	2014	70,125	-	-	-	-	-	-	3,527	73,652
Mr W Yu (resigned position 5 March 2015)	2015	52,005	-	-	-	-	-	-	6,056	58,061
	2014	70,125	-	-	-	-	-	-	3,527	73,652
Mr P Hallam	2015	90,753	-	8,622	-	-	-	-	8,913	108,288
	2014	104,156	-	7,969	-	-	-	-	3,527	115,652
Mr S Anlin (commenced position 5 March 2015)	2015	26,596	-	-	-	-	-	-	2,882	29,478
	2014	-	-	-	-	-	-	-	-	-
Mr Li Ge (commenced position 5 March 2015)	2015	26,596	-	-	-	-	-	-	2,882	29,478
	2014	-	-	-	-	-	-	-	-	-
Sub-total non-executive directors remuneration	2015	673,019	-	41,558	-	-	-	-	53,528	768,105
	2014	646,682	-	38,692	-	-	-	-	21,162	706,537
Executive director										
Mr MJ O'Neill	2015	261,328	-	40,201	-	-	-	-	8,913	310,442
(Commenced 14 April 2014 as Acting Managing Director)	2014	143,645	-	-	-	-	-	-	-	143,645
Mr D Harris (Managing Director)	2015	-	-	-	-	-	-	-	-	-
(commenced position 14 October 2013 and resigned position 30 April 2014)	2014	349,938	36,625	3,236	-	-	-	-	1,760	391,559
Mr T Netscher (Managing Director & CEO)*	2015	-	-	-	-	-	-	-	-	-
(resigned position 31 December 2013)	2014	665,501	-	8,888	-	-	-	225,851	1,769	902,009
Total, all directors	2015	934,348	-	81,759	-	-	-	-	62,441	1,078,547
	2014	1,805,765	36,625	50,818	-	-	-	225,851	24,691	2,143,750

DIRECTORS' REPORT
For the year ended 30 June 2015

9. REMUNERATION REPORT – Audited (Continued)

9.4 Directors' and executive officers' remuneration

		Short term		Post-employment	Other long term			Other compensation		Total
		Salary & fees	Cash bonus	Superannuation benefits	Long term incentive	Other long term (LSL and AL)	Share based payments	Termination benefits	Insurance premiums (b)	
							Value of options (a)			
		\$	\$	\$	\$		\$	\$	\$	
Executives										
Mr C Gerrard (General Counsel and Company Secretary)	2015	306,000	77,108	35,000	-	(68)	18,529	-	8,913	445,482
	2014	309,305	12,925	25,000	-	4,563	35,031	-	3,527	390,352
Ms R Moylan (Chief Financial Officer and Company Secretary)	2015	215,769	51,000	26,498	-	(5,241)	6,982	-	8,913	303,921
(commenced position 1 July 2014)	2014	-	-	-	-	-	-	-	-	-
Mr D Richardson (Chief Financial Officer)	2015	-	-	-	-	-	-	-	-	-
(resigned position 24 January 2014)	2014	219,654	-	14,583	-	-	-	-	2,000	236,237
Mr W Zekulich (Chief Financial Officer)	2015	-	-	-	-	-	-	-	-	-
(Commenced position 13 January 2014, resigned 30 June 2014)	2014	104,351	-	9,653	-	-	-	-	1,623	115,627
Total, all executives	2015	521,769	128,108	61,498	-	(5,309)	25,511	-	17,826	749,403
	2014	633,310	12,925	49,236	-	4,563	35,031	-	7,150	742,215
Total, all key management personnel	2015	1,456,117	128,108	143,257	-	(5,309)	25,511	-	80,267	1,827,950
	2014	2,439,076	49,550	100,053	-	4,563	35,031	225,851	31,841	2,885,965

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

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

DIRECTORS' REPORT
For the year ended 30 June 2015

9. REMUNERATION REPORT – Audited (Continued)

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

Notes to the table of Directors' and executive officers' remuneration

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

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

This remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments is determined based on the fair value at grant date, and is expensed progressively over the vesting period. The amount included as remuneration is not indicative of the benefit (if any) that individual executives may ultimately realise should the equity instrument vest. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Number of options	Expected volatility	Risk free interest rate	Option Pricing model
16-Nov-12	15-Nov-16	\$0.305	\$0.00	5,403,312	83%	2.54%	Black Scholes
31-Oct-13	31-Oct-17	\$0.132	\$0.00	2,336,756	66%	3.35%	Black Scholes

During the financial year all options were deemed vested by the Directors.

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

9.5. Equity Instruments

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

9.6. Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2015	Grant Date	Number of options forfeited during 2015	Fair value per option at grant date(\$)	Exercise price per option (\$)	Expiry Date	Number of options vested during 2015
Executive :-							
Ms R Moylan	-	16-Nov-12	-	\$0.3050	\$0.00	15-Nov-16	53,738
Ms R Moylan	-	31-Oct-13	-	\$0.1320	\$0.00	31-Oct-17	82,803
Mr C Gerrard	-	16-Nov-12	-	\$0.3050	\$0.00	15-Nov-16	125,290
Mr C Gerrard	-	31-Oct-13	-	\$0.1320	\$0.00	31-Oct-17	236,889

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

All options expire on the earlier of their expiry date or within 3 months of termination of the individual's employment. The options are exercisable at any time from their vesting date. Further details, including grant dates and exercise dates regarding options granted to executives are disclosed in Note 22 to the financial statements.

DIRECTORS' REPORT
For the year ended 30 June 2015

9. REMUNERATION REPORT – Audited (Continued)

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

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

9.8. Exercise of options granted as compensation

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

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

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

Executive:	Instrument	Grant date	% vested in year (a)	% forfeited in year (b)	Financial years in which grant vests
Ms R Moylan	Option 26,869	16-Nov-12	100.00%	0.00%	2015
	Option 26,869	16-Nov-12	100.00%	0.00%	2015
	Option 27,601	31-Oct-13	100.00%	0.00%	2015
	Option 27,601	31-Oct-13	100.00%	0.00%	2015
	Option 27,601	31-Oct-13	100.00%	0.00%	2015
Mr C Gerrard	Option 62,645	16-Nov-12	100.00%	0.00%	2015
	Option 62,645	16-Nov-12	100.00%	0.00%	2015
	Option 78,963	31-Oct-13	100.00%	0.00%	2015
	Option 78,963	31-Oct-13	100.00%	0.00%	2015
	Option 78,963	31-Oct-13	100.00%	0.00%	2015

(a) The Board vested all outstanding options in September 2014.

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

9.10. Analysis of movements in options

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

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

(a) The value of options granted in the year is the fair value of the options calculated at grant date using either the Black-Scholes or Binomial option pricing models. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the relevant vesting period.

(b) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

DIRECTORS' REPORT
For the year ended 30 June 2015

9. REMUNERATION REPORT – Audited (Continued)

9.11. Key management personnel transactions

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

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

(b) Other transactions with key management personnel

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

The aggregate amounts recognised during the year relating to key management personnel and their related parties were \$nil (2014: \$nil).

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

(c) Movement in shares

The relevant interest of each Director in the share capital of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Held at 1 July 2014	Options over ordinary shares	Held at 30 June 2015
Mr K F Jones	300,000	-	300,000
Mr M J O'Neill	1,437,655	-	1,437,655
Mr A R Marshall	200,000	-	200,000
Mr P D Hallam	100,000	-	100,000

10. SHARE OPTIONS

10.1 Unissued shares under option

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

Expiry date	Exercise Price	Number of Options
15 November 2016	\$0.00	695,482
31 October 2017	\$0.00	<u>1,089,245</u>
		<u>1,784,727</u>

All options are employee options and expire on the earlier of their expiry date or three months after the termination of the employee's employment unless extended by the Directors of the Company.

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

10.2 Shares issued on exercise of options

During the financial year, the Company has issued 1,440,644 ordinary shares as a result of the exercise of options (exercise price of \$0.00).

DIRECTORS' REPORT
For the year ended 30 June 2015

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

The Lead Auditor's Independence Declaration is set out on page 15 and forms part of the Directors' Report for the year ended 30 June 2015.

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Board, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the independence and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

	2015 \$	2014 \$
Audit services:		
Auditors of the Company– <i>KPMG Australia</i>		
- audit and review of financial reports	106,278	249,500
Other services:		
Auditors of the Company – <i>KPMG Australia</i>		
- taxation services	17,750	11,742
- other advisory services	17,500	12,000
	141,528	273,242

12. ROUNDING OFF

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

DIRECTORS' REPORT
For the year ended 30 June 2015

13. INDEMNIFICATION AND INSURANCE - OFFICER OR AUDITOR

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

- has not indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor; or
- paid a premium of \$80,270 for a policy of insurance to cover legal liability and expenses for the Directors and executive officers in the event of any legal action against them arising from their actions as officers of the Company.

The insurance policy does not contain details of the premiums paid in respect of individual officers of the Company.

Signed in accordance with a resolution of Directors at Perth, WA on 17 September 2015.



K F Jones
Director

For personal use only

DIRECTORS' DECLARATIONS
For the Year Ended 30 June 2015

1. In the opinion of the Directors of Gindalbie Metals Ltd ("the Company"):
 - (a) the financial statements and notes, and the Remuneration Report set out in section 9 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2015 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2015.
3. The Directors draw attention to Note 2(a) to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

Dated at Perth this 17th day of September 2015.

Signed in accordance with a resolution of the Directors.



KF Jones
Director

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

Report on the financial report

We have audited the accompanying financial report of Gindalbie Metals Ltd (the Company), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

For personal use only

Auditor's opinion

In our opinion:

- (a) the financial report of Gindalbie Metals Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a)

Material uncertainty regarding continuation as a going concern

Without modification to the opinion provided above, we draw attention to note 2(c) of the financial report regarding the ability of the Company to continue as a going concern. As a result of the matters set out in note 2(c), a material uncertainty exists which may cast significant doubt about the ability of the Company to continue as a going concern and whether the Company is able to realise its assets and extinguish its liabilities at the amounts recorded in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in section 9 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Gindalbie Metals Ltd for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.



KPMG



Brent Steedman
Partner

Perth

17 September 2015

For personal use only



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

To: the directors of Gindalbie Metals Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Kpmc

KPMG

B + Ste

Brent Steedman
Partner

Perth

17 September 2015

For personal use only

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2015

		2015	2014
	Note	\$'000	\$'000
Other income	6(a)	132	234
Administration expenses	6(b)	(3,886)	(6,711)
Other expenses	6(c)	(13,284)	(6,057)
Results from operating activities		(17,038)	(12,534)
Finance income	6(d)	1,343	9,618
Net financing income		1,343	9,618
Share of profit from equity accounted Associate (net of tax)		-	48,177
Impairment of net investment in Associate		-	(630,890)
Loss before income tax		(15,695)	(585,629)
Income tax benefit/(expense)	7	-	-
Loss for the period		(15,695)	(585,629)
Other Comprehensive Income Items that may be reclassified subsequently to profit or loss:			
Reclassification of equity-accounted investee from OCI on loss of significant influence		4,455	-
Changes in fair value of cash flow hedges - equity accounted Associate		-	(3,163)
Income tax benefit/(expense) on other comprehensive income		-	-
Total other comprehensive income/ (loss) for the period net of tax		4,455	(3,163)
Total comprehensive (loss)/income		(11,240)	(588,792)
Loss attributable to:			
Owners of the Company		(15,695)	(585,629)
Loss for the year		(15,695)	(585,629)
Total comprehensive loss attributable to:			
Owners of the Company		(11,240)	(588,792)
Total comprehensive loss for the year		(11,240)	(588,792)
Earnings per share			
Basic earnings/(loss) per share - cents	19	(1.05)	(39.22)
Diluted earnings/(loss) per share - cents	19	(1.05)	(39.22)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 23 to 46. Refer to Note 2 (a) on basis of preparation.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2015

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

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

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

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 23 to 46. Refer to Note 2 (a) on basis of preparation.

STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
ASSETS			
Cash and cash equivalents	9	1,523	18,505
Term deposits		39,000	24,500
Trade and Other receivables	10	367	1,497
Prepayments		12	191
Inventories		4	3
TOTAL CURRENT ASSETS		40,906	44,696
Other receivables and Investments	10	331	331
Property, plant and equipment	11	929	1,599
Exploration and evaluation assets	12	5,025	11,778
TOTAL NON CURRENT ASSETS		6,285	13,708
TOTAL ASSETS		47,191	58,404
LIABILITIES			
Trade and other payables	13	1,231	1,023
Employee benefits	22	145	290
TOTAL CURRENT LIABILITIES		1,376	1,313
Employee benefits	22	84	89
TOTAL NON CURRENT LIABILITIES		84	89
TOTAL LIABILITIES		1,460	1,402
NET ASSETS		45,731	57,002
EQUITY			
Issued capital	15	753,965	753,965
Reserves	15	9,408	4,984
Retained earnings	14	(717,642)	(701,947)
TOTAL EQUITY		45,731	57,002

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 23 to 46. Refer to Note 2(a) on basis of preparation.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Cash receipts from customers		287	528
Cash payments to suppliers and employees		(3,557)	(7,924)
Interest received		1,231	784
Net cash used in operating activities	21	(2,039)	(6,612)
Cash flows from investing activities			
Payments for term deposits		(14,500)	(24,500)
Exploration and evaluation expenditure		(530)	(3,109)
Proceeds from sale of property, plant and equipment and tenements		87	13,560
Repayment of loan from Associate entity		-	30,000
Net cash from (used in) investing activities		(14,943)	15,951
Cash flows from financing activities			
Proceeds from the issue of shares		-	-
Payment of capital raising costs		-	-
Net cash used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(16,982)	9,339
Cash and cash equivalents at 1 July		18,505	9,166
Cash and cash equivalents at 30 June	9	1,523	18,505

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 23 to 46. Refer to Note 2(a) on basis of preparation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. REPORTING ENTITY

Gindalbie is a company domiciled in Australia.

The address of the Company's registered office is Level 9, 216 St Georges Terrace, Perth. These financial statements comprise the Company and its investments.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Directors on 17 September 2015.

(b) Basis of measurement

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

(c) Investment in KML and Going Concern

The primary asset of Gindalbie is a 47.84% investment in Karara Mining Limited (KML), a special purpose entity established to develop and operate the Karara Iron Ore Project in Western Australia. The remaining 52.16% is ultimately owned by Ansteel Group Corporation (Ansteel). Gindalbie no longer has joint control or the ability to significantly influence KML and reclassified the investment from an investment in an Associate to an Investment.

The investment in KML is valued at \$nil (2014: \$nil).

As detailed in note 24 the Company has contingent liabilities with respect to the syndicated debt facilities and the potential shareholders' guarantees provided to Ansteel and the potential impact on the Company is set out below.

Syndicated debt facility

On the 20th May 2015 KML has refinanced its syndicated debt facilities with a syndicate of Chinese banks. The previous syndicated debt facility was repaid and a new facility was contracted. The first-ranking security of Gindalbie's KML shares was granted to the Chinese Banking Syndicate as security for Gindalbie's corporate guarantee and indemnity and is limited recourse.

The below table outlines the most significant amendments to the refinanced debt:

Summary of the 2010 loan security	2015 restructured financing
Gindalbie and Anshan will provide the shareholder guarantees	Gindalbie and Ansteel will provide the shareholder guarantees
Gindalbie and Anshan will provide the shareholder guarantees (until project completion) and the first ranking share mortgage on the KML shares.	Gindalbie and Ansteel will provide the shareholder guarantees (until debt has been repaid) and the first ranking share mortgage on the KML shares.
Anshan will provide the sponsor guarantee until project completion occurs .	Ansteel will provide the sponsor guarantee until all debt is repaid

As part of the refinancing process, on the 20th May 2015 the Company provided a second ranking security (Amended Share Mortgage) over its KML Shares to Ansteel to indemnify Ansteel for any losses it may suffer in the event the Company defaults on its obligations under its guarantee to the Chinese banks.

The Amended Share Mortgage is a 'limited recourse' security, i.e. in the event of enforcement of the security, the claim against Gindalbie is limited to providing the Gindalbie shares in KML to Ansteel.

The Amended Share Mortgage is required to be approved by non-Ansteel associated Gindalbie shareholders at a general meeting pursuant to the ASX Listing Rules (LR) (LR10.1). The ASX granted a waiver from the requirement for Gindalbie to obtain shareholder approval subject to Ansteel, and a number of 100% associated entities, consent to the amendment to the Amended Share Mortgage. If consent from Ansteel is not obtained; the Company must seek the approval of the non-Ansteel associated Gindalbie shareholders for the granting of the unlimited recourse mortgage, as set out in the Amended Share Mortgage.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (Continued)

(c) Investment in KML and Going Concern (Continued)

If approved by the non-Ansteel associated Gindalbie shareholders, the Amended Share Mortgage will become an 'unlimited recourse' mortgage pursuant to which Ansteel is entitled to demand payment by Gindalbie of any shortfall between the realized value of the mortgaged KML shares and the amount paid by Ansteel to the Chinese Banking Syndicate in relation to Ansteel's sponsor guarantee of Gindalbie's proportionate share of the Senior Debt Facility. If the Amended Share Mortgage is not approved by the Gindalbie shareholders the company has a limited recourse mortgage until cancellation of the mortgage by the parties.

Shareholder guarantees

Through the indemnity provided by the shareholders' guarantees, if there is an Event of Default by KML, where Ansteel has repaid the total loans outstanding, Ansteel also has the potential to recover (as an unsecured creditor) any loss it may have suffered after sale of Gindalbie's KML shares from Gindalbie.

If Gindalbie is required to repay its proportional share of the shareholders' guarantees to Ansteel, the potential obligation is currently in excess of the value of the shares in KML and net assets of Gindalbie.

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

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

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

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

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

(e) Functional and presentation currency

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

(f) Use of estimates and judgements

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

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

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

- Note 12 - Impairment test: key assumptions underlying recoverable amounts
- Note 20 - Financial Instruments
- Note 22(b) - Share-Based Payments
- Note 24 - Contingent Liabilities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) *Investments in equity-accounted investees*

The Company's interests in equity-accounted investees comprise interests in associates.

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

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

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

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) *Non-derivative financial instruments*

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

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

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control of substantially all of the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

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

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expenses is discussed in Note 3(k).

(ii) Investments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(iii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(iv) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

(ii) Mine properties and development

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

(iii) Depreciation and amortisation

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

The estimated useful lives for the current and comparative periods are as follows:

- buildings 14 years
- machinery 10-15 years
- motor vehicles 3-7 years
- furniture fittings and equipment 3-8 years
- leased plant and equipment 5-15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

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

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

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset of the Company that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus on-costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated (Corporate bond rate) bonds that have maturity dates approximating the terms of the Company's obligations.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Employee benefits (Continued)

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

(g) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Revenue

Revenue is measured at the fair value of the gross consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the entity.

(i) Sale of goods

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Company, the quantity and quality of the goods has been determined with reasonable accuracy, the price can be reasonably estimated, and collectability is reasonably assured.

(i) Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due.

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

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

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Finance income and expenses

Finance income comprises interest income on funds invested, and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, bank charges, unwinding of the discount on provisions and performance bond facility fees.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Finance income and expenses (Continued)

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis either as finance income or finance costs depending on whether they are in a net gain or loss position.

(l) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(n) Intangible assets

Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of tenure to the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 3(e)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Exploration and evaluation costs are not amortised until such time as they are transferred to mine properties and production has commenced.

(o) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Segment reporting (Continued)

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and exploration expenditure.

(p) New Standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2015, but have not been applied in preparing this financial report.

- (i) AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB will become mandatory for the Company's 30 June 2019 financial statements. Retrospective application is generally required. The Company has not yet determined the potential effect of the standard.
- (ii) AASB 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. AASB will become mandatory for the Company's 30 June 2018 financial statements. Retrospective application is generally required. The Company has not yet determined the potential effect of the standard.

3. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes or Monte Carlo formula. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected life of the option, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the option are not taken into account in determining fair value.

(ii) Investments

Investments and other financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity investments as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. FINANCIAL RISK MANAGEMENT

(a) Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital including risks resulting from its investment in fair value accounted Investment. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies. The Board reviews its activities regularly.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(b) Credit Risk

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

(c) Guarantees

The Company's policy is to provide financial guarantees where contractually necessary to certain suppliers or on behalf of fair value accounted equity investments. Refer to Note 24 for a list of outstanding performance guarantees at balance date.

(d) Investments

The Company limits its exposure to credit risk on cash balances by only investing in liquid securities and only with counterparties that have credit ratings of between A2 and A1+ from Standard & Poor's and A from Moody's, with more weighting given to investments in the higher credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The Company's Board considers and implements appropriate investment strategies and ensures investment policies are adhered to. Also refer to Note 20. The Company is not responsible for any investments made by KML and this policy does not apply to KML.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations. Refer to Notes 2(c), 13 and 20 for more information.

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

5. FINANCIAL RISK MANAGEMENT (Continued)

(g) Interest rate risk

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

(h) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital to ensure its entities will be able to continue as going concerns while maximising the return to shareholders through the optimisation of its capital structure comprising equity and debt.

The capital structure of the Company consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 14 and 15 respectively.

During 2015 the Company has maintained the capital base through a clear cash management strategy. Refer to Note 2(c).

(i) Price risk

The Company is exposed to iron ore commodity price risk, through its Equity Investment.

(j) Credit risk

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

For personal use only

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. REVENUE AND EXPENSES

	2015 \$'000	2014 \$'000
(a) Other income		
Other income	132	-
Gain on sale of exploration assets	-	234
Total other income	132	234
(b) Administration expenses		
Salary and on costs expenses	(1,900)	(4,610)
Corporate and consultant costs	(682)	(683)
Office and marketing costs	(613)	(784)
Other administration costs	(691)	(634)
Total administration expenses	(3,886)	(6,711)
(c) Other expenses		
Depreciation		
Property, plant & equipment	(71)	(193)
Loss on dilution of investment in Associate entity	-	(3,340)
Equity-settled share-based payments transactions	(44)	(133)
Provision for Impairment of Subsidiary Loan	-	(7)
Loss on sale of assets	(26)	-
Impairment of Land	(465)	-
Reclassification of equity-accounted investee from OCI on loss of significant influence	(4,455)	-
Loss on sale of exploration tenements	(1,000)	-
Impairment of exploration assets (refer to note 12)	(7,223)	(2,384)
Total other expenses	(13,284)	(6,057)
(d) Net financing income		
Interest income	1,343	9,618
Financial income	1,343	9,618
Net financing income	1,343	9,618
(e) Personnel expenses		
Wages and salaries	(753)	(2,336)
Other associated personnel expenses	(83)	(231)
Redundancy payments	-	(477)
Contributions to defined contribution superannuation funds	(77)	(185)
Increase in liability for annual leave	(37)	(104)
Decrease in liability for long service leave	(17)	45
Increase in liability for bonuses	(91)	(2)
Equity Settled share based payment transaction	(44)	(133)
	(1,102)	(3,423)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX EXPENSE

	2015 \$'000	2014 \$'000
Current tax expense		
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	1,168
Adjustments in relation to prior periods		
Benefit of tax losses and other deferred tax benefits not recognised	-	(1,168)
Total income tax expense/(benefit)	-	-
Numerical reconciliation between current tax expense/(benefit) and pre-tax net profit/(loss)		
Loss before tax	(15,695)	(585,629)
Income tax using the domestic corporation tax rate of 30% (2014: 30%)	(4,709)	(175,689)
Increase in income tax expense due to:		
Non-deductible expenses	1,490	-
Decrease in income tax expense due to:		
Prior year over/under	1,889	-
Equity accounting for share of (profit)/loss of joint venture	-	(14,453)
Impairment of loan to Associate	-	189,267
Income tax (recognised)/not recognised	1,330	875
Total income tax expense/(benefit)	-	-

Gindalbie has estimated unrecouped tax losses of \$115,795,343 (2014: \$111,360,697) available to be offset against future taxable income. The net deferred tax asset of 30% of \$115,795,343 (2014: \$111,360,697) for the Company has not been recognised by the Company on the basis that it is not probable that there will be future taxable income available against which the tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX EXPENSE (Continued)

Tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Accrued interest	-	-	81	48	81	48
Accrued royalties	-	-	-	300	-	300
Diesel fuel rebate	-	-	1	1	1	1
Property, plant & equipment	(56)	(41)	-	-	(56)	(41)
Exploration expenditure	-	-	1,508	3,535	1,508	3,535
Capital raising costs	(446)	(863)	-	-	(446)	(863)
Provisions	(68)	(114)	-	-	(68)	(114)
Accrued superannuation	(3)	(11)	-	-	(3)	(11)
Accrued expenditure	(18)	(15)	-	-	(18)	(15)
Tax loss carry forward	(999)	(2,840)	-	-	(999)	(2,840)
Tax (assets)/liabilities	(1,590)	(3,884)	1,590	3,884	-	-
Set off of tax	1,590	3,884	(1,590)	(3,884)	-	-
Net tax (assets)/liabilities	-	-	-	-	-	-

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

8. AUDITOR'S REMUNERATION

	2015 \$	2014 \$
Audit services:		
Auditors of the Company and Consolidated entity– <i>KPMG Australia</i> - audit and review of financial reports	106,278	249,500
Other services:		
Auditors of the Company and Consolidated entity– <i>KPMG Australia</i> - taxation services	17,750	11,742
- other advisory services	17,500	12,000
Auditor's Remuneration	141,528	273,242

9. CASH AND CASH EQUIVALENTS

	2015 \$'000	2014 \$'000
Bank balances	1,523	1,505
Term deposits less than 3 month maturity	-	17,000
Cash and cash equivalents	1,523	18,505

10. TRADE, OTHER RECEIVABLES AND OTHER INVESTMENTS

Current

Term deposits greater than 3 month maturity	39,000	24,500
Interest receivable	272	160
Trade receivables	17	311
Other receivables	78	1,026
	39,367	25,997

Non-current

Cash security for performance bonds	331	331
Investment in KML	-	-
	331	331

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

10. TRADE, OTHER RECEIVABLES AND CURRENT INVESTMENTS (Continued)

Accounting for equity investments

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

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

The carrying amount of the investment determined by the equity method remains the carrying amount of the investment. The fair value of the investment in KML at both 30 June 2014 and 30 June 2015 is nil.

The financial impact of changing from equity accounting to fair value method results in the KML cashflow hedge reserve of \$4,455,000 previously recorded as a reserve balance being transferred to the statement of comprehensive income. KML was fair valued to nil at 30 June 2014 when a \$585 million impairment was recorded. As the investment in KML is valued at nil, no further note disclosures in regards to the investment in KML are required.

11. PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	\$'000	\$'000
Land & buildings		
At cost	1,551	2,016
Accumulated depreciation	(664)	(581)
	<u>887</u>	<u>1,435</u>
Plant & equipment		
At cost	2,143	2,548
Accumulated depreciation	(2,101)	(2,386)
	<u>42</u>	<u>162</u>
Mine infrastructure		
At cost	357	357
Accumulated depreciation	(357)	(355)
	<u>-</u>	<u>2</u>
Total property, plant and equipment	<u>929</u>	<u>1,599</u>

11.1 Reconciliations

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

Land & buildings		
Carrying amount at beginning of year	1,435	1,517
Additions	-	-
Impairment	(465)	-
Depreciation	(83)	(82)
Carrying amount at end of year	<u>887</u>	<u>1,435</u>
Plant & equipment		
Carrying amount at beginning of year	162	362
Additions	-	2
Disposals	(82)	-
Depreciation	(38)	(202)
Carrying amount at end of year	<u>42</u>	<u>162</u>
Mine Infrastructure		
Carrying amount at beginning of year	2	7
Depreciation	(2)	(5)
Carrying amount at end of year	<u>-</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

12. EXPLORATION AND EVALUATION ASSETS

Costs carried forward in respect of areas of interest in:

	2015	2014
	\$'000	\$'000
Exploration and evaluation assets		
Carrying amount at beginning of year	11,778	24,715
Additions	470	2,774
Sale of assets	-	(13,327)
Impairment expense of exploration and evaluation assets	(7,223)	(2,384)
Carrying amount at end of year	<u>5,025</u>	<u>11,778</u>

Exploration programs in each area of interest continue but have not reached a stage which permits a reasonable assessment of economically recoverable reserves. The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

At the balance date the Directors have reviewed the Company's exploration assets and determined that certain areas of interest have been impaired to nil as either the tenements have been relinquished or no further exploration is planned in the area. Accordingly, \$7,223,000 has been recognised as an impairment expense.

13. TRADE AND OTHER PAYABLES

Current

Trade creditors	266	167
Other creditors and accruals	965	856
	<u>1,231</u>	<u>1,023</u>

14. RETAINED EARNINGS

Retained earnings at beginning of year	(701,947)	(116,318)
Net (loss)/profit attributable to members of the consolidated entity	(15,695)	(585,629)
Retained earnings at end of year	<u>(717,642)</u>	<u>(701,947)</u>

15. CAPITAL AND RESERVES

(a) Issued Capital

	2015	2014	2015	2014
	Number of ordinary shares fully paid		\$'000	\$'000
	1,495,448,025	1,494,007,381	753,965	753,965
Ordinary shares				
Movements during the year				
Balance at beginning of year	1,494,007,381	1,492,154,301	753,965	753,965
Shares issued				
- Issue of ordinary shares	-	-	-	-
- Exercise of options	1,440,644	1,853,080	-	-
- Transaction costs of share issues	-	-	-	-
Balance at end of year	<u>1,495,448,025</u>	<u>1,494,007,381</u>	<u>753,965</u>	<u>753,965</u>

During the year the Company:

- Issued 1,440,644 shares at nil amounts on exercise of options.

During the comparative year the Company:

- Issued 1,853,080 shares at nil amounts on exercise of options.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. CAPITAL AND RESERVES (Continued)

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. Note 22 provides details of shares issued on exercise of options.

(b) Equity Settled Share Based Payments Reserve

	2015	2014
	\$'000	\$'000
Balance at beginning of year	9,439	9,410
Equity settled share based payments	(31)	29
Balance at end of year	<u>9,408</u>	<u>9,439</u>

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

(c) Equity accounted joint venture other comprehensive income reserve

Balance at beginning of year	(4,455)	(1,292)
Reclassification of equity-accounted investee from OCI on loss of significant influence	4,455	-
Changes in fair value of cash flow hedges	-	(3,163)
Balance at end of year	<u>-</u>	<u>(4,455)</u>

16. CAPITAL AND OTHER COMMITMENTS

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These requirements are subject to renegotiation when application for a mining lease is made and at other times.

Payable no later than one year:

Rents and rates	55	333
Exploration	239	1,059
Total commitments	<u>294</u>	<u>1,392</u>

17. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	783	746
Between one and five years	-	783
	<u>783</u>	<u>1,529</u>

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

18. SEGMENT INFORMATION

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

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

*note: the segment information is for comparative purposes only as KML is no longer equity accounted.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

18. SEGMENT INFORMATION (Continued)

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

(a) Reconciliation of reportable segment assets and liabilities:

Information about reportable segments	Karara Iron Ore Project		Investments		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
External revenues	-	-	132	-	132	-
Inter-segment revenue	-	-	-	-	-	-
Interest income	-	-	1,343	9,618	1,343	9,618
Depreciation and amortisation	-	-	(71)	(193)	(71)	(193)
Share of profit of equity accounted Investment	-	48,177	-	-	-	48,177
Impairment of Land asset	-	-	(465)	-	(465)	-
Impairment of net investment in Investment	-	(630,890)	-	-	-	(630,890)
Reclassification of equity-accounted investee from OCI on loss of significant influence	-	-	(4,455)	-	(4,455)	-
Impairment of exploration	-	-	(7,223)	(2,384)	(7,223)	(2,384)
Reportable segment (loss)/ profit before tax	-	(582,713)	(10,739)	7,041	(10,739)	575,672
					2015 \$'000	2014 \$'000
Total profit or loss for reportable segments before tax					(10,739)	(575,672)
Unallocated amounts:						
Other corporate expenses					(4,956)	(9,957)
Income tax (expense)/benefit					-	-
Net Profit/ (loss)					(15,695)	(585,629)
	Karara Iron Ore Project		Investments		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Investment in Karara Associate	-	-	-	-	-	-
Other assets	-	-	47,191	58,404	47,191	58,404
Liabilities	-	-	(1,460)	(1,402)	(1,460)	(1,402)
Reportable segment net assets	-	-	45,731	57,002	45,731	57,002

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

19. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of \$15,695,000 (2014: loss \$585,629,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2015 of 1,495,232,237 (2014: 1,493,328,070) calculated as follows:

Basic earnings per share	2015 \$'000	2014 \$'000
Lost attributable to ordinary shareholders	(15,695)	(585,629)
Weighted average number of ordinary shares	2015 No. of shares	2014 No. of shares
Issued ordinary shares at 1 July	1,494,007,381	1,492,154,301
Effect of share placement/ issue	-	-
Effect of shares issued on exercise of share options	1,224,856	1,173,769
Weighted average number of ordinary shares at 30 June	1,495,232,237	1,493,328,070

In 2015 and 2014, as the potential ordinary shares on issue would decrease the loss per share, they are not considered dilutive.

20. FINANCIAL INSTRUMENTS

(a) Credit Risk

Exposure to credit risk

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

	Note	2015 \$'000	2014 \$'000
Interest receivable	10	272	160
Cash security for performance bonds (current and non-current)	10	331	331
Trade receivables	10	17	311
Other receivables	10	78	1,026
Term deposits over 3 months in maturity	10	39,000	24,500
Cash and cash equivalents	9	1,523	18,505

The Company's cash and cash equivalents of \$1,523,000 at 30 June 2015 (2014: 18,505,000), and term deposits over 3 months of \$39,000,000 represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated at between A2 and A1+ from Standard & Poor's and A from Moody's.

None of the Company's receivables are past due (2014: nil).

Refer to Note 24 for disclosure of the Company's guarantees.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

20. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

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

Non-derivative financial liabilities

	2015		2014	
	Carrying amount \$'000	6 months or less \$'000	Carrying amount \$'000	6 months or less \$'000
Trade and other payables	1,231	(1,231)	1,023	(1,023)

(c) Interest rate risk

Exposure to interest rate risk

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

	30 June 2015 \$'000	30 June 2014 \$'000
	Variable rate instruments	
<i>Financial Assets</i>	331	331
Cash performance bonds	1,523	1,505
Cash	1,854	1,836

	30 June 2015 \$'000	30 June 2014 \$'000
	<i>Financial Assets</i>	
Term Deposits - total	39,000	41,500
	39,000	41,500

The Company invests surplus cash in term deposits and in doing so exposes itself to the fluctuations in interest rates that are inherent in such a market. As at 30 June 2015, the Company invested \$39,000,000 into term deposits (2014: \$41,500,000) at a weighted average interest rate of 2.75% (2014: 3.42%).

Sensitivity analysis

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

	Carrying amount \$'000	Interest Rate Risk			
		-100bps Equity \$'000	Profit or loss \$'000	+ 100 bps Equity \$'000	Profit or loss \$'000
30 June 2015					
Cash performance bonds	331	-	(3)	-	3
Cash	1,523	-	(15)	-	15
Total increase/(Decrease)		-	(18)	-	18
30 June 2014					
Cash performance bonds	331	-	(3)	-	3
Cash	1,505	-	(15)	-	15
Total increase/(Decrease)		-	(18)	-	18

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

20. FINANCIAL INSTRUMENTS (Continued)

(d) Fair values

Fair values versus carrying amounts

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

21. NOTES TO THE STATEMENTS OF CASH FLOWS

	2015 \$'000	2014 \$'000
Reconciliation of cash flows from operating activities		
Loss for the period after income tax	(15,695)	(585,629)
Adjustments for:		
Share of loss of equity accounted Investment	-	544,101
Impairment of loan to Equity Investment	-	38,612
Depreciation	71	289
Impairment of exploration assets	7,688	2,384
Loss on dilution	-	3,340
Employee expenses	-	(307)
Other expenses	(70)	-
Fair Value Interest	-	(8,681)
Loss on sale of assets	26	-
Reclassification of equity-accounted investee from OCI on loss of significant influence	4,455	-
Employee option expense	139	133
Operating loss before changes in working capital and provisions	(3,386)	(5,758)
Decrease/ (increase) in receivables	1,130	(436)
Decrease/ (increase) in inventory	(1)	(2)
Decrease/(increase) in prepayments	180	(142)
Increase / (decrease) in payables	85	(17)
Increase/ (decrease) in provisions	(150)	21
Increase/ (decrease) in other creditors	103	(278)
Net cash (used in)/from operating activities	(2,039)	(6,612)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

22. EMPLOYEE BENEFITS

	2015 \$'000	2014 \$'000
Current		
Liability for annual leave	45	122
Liability for employee bonuses	100	168
	145	290
Non-Current		
Liability for long service leave	39	35
Liability for annual leave	45	54
	229	379

(a) **Defined contribution superannuation funds**

The Company makes contributions to defined contribution superannuation funds. The Company has a legally enforceable obligation to contribute to these plans and contributes at the statutory rate of 9.5% of gross earnings. The amount recognised as expense or capitalised was \$77,086 for the financial year ended 30 June 2015 (2014: \$422,514).

(b) **Share based payments**

The Company has an employee share option plan which was approved at the 2006 Annual General Meeting held on 22 November 2006.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the Company's shares traded during the five business days preceding the date of granting the option.

All employee options expire on the earlier of their expiry date or three months after the termination of the employee's employment. Option issues generally contain a vesting period and exercise is solely at the discretion of the holder. All options are unlisted and cannot be sold or transferred.

There are no voting rights attached to the options or to the unissued ordinary shares. Voting rights will be attached to the issued ordinary shares when the options have been exercised.

Summary of options over unissued ordinary shares

Details of options over unissued ordinary shares as at the beginning and end of the reporting period and movements during the year are set out below.

The fair value of shares issued as a result of exercising options during the reporting period is the market price of the shares of the Company on the Australian Securities Exchange as at close of trading on the date of issue.

There were 1,440,644 options exercised during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

22. EMPLOYEE BENEFITS (Continued)

(b) Share based payments (continued)

Terms and conditions of share-options program:

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options granted to senior employees on 16 Nov 2012	1,739	1 years' service	4 years
	1,739	2 years' service	
	1,739	3 years' service	
Options granted to senior employees on 31 Oct 2013	779	1 years' service	4 years
	779	2 years' service	
	779	3 years' service	
	7,554		

Reconciliation of outstanding share options:

Expiry date	Exercise price \$	Number of options at beginning of year	Options granted	Options expired	Options lapsed	Options exercised	Options forfeited	Number of options on issue at end of year		Proceeds received \$	Number of shares issued	Share price at date of exercise \$
								Vested	Unvested			
30-Jun-15												
16-Nov-16	\$0.00	1,977,783	-	-	-	(921,387)	(185,999)	870,397	-	-	921,387	-
31-Oct-17	\$0.00	1,806,940	-	-	-	(519,257)	(198,438)	1,089,245	-	-	519,257	-
		3,784,723	-	-	-	(1,440,644)	(384,437)	1,959,642	-	-	1,440,644	-
30-Jun-14												
8-Oct-15	\$1.12	250,000	-	-	(250,000)	-	-	-	-	-	-	-
16-Nov-16	\$0.00	5,216,963	-	-	(31,994)	(1,662,098)	(1,545,088)	675,619	1,302,164	-	1,662,098	-
31-Oct-17	\$0.00	-	2,336,756	-	-	(190,982)	(338,834)	-	1,806,940	-	190,982	-
		5,466,963	2,336,756	-	(281,994)	(1,853,080)	(1,883,922)	675,619	3,109,104	-	1,853,080	-

The market value of shares under these options at 30 June 2015 was \$0.02 each (30 June 2014: \$0.05).

The options outstanding at 30 June 2015 have an exercise price of nil and the weighted average remaining contractual life of the options is 699 days.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

23. RELATED PARTIES DISCLOSURES

(a) Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see Note 6(e)), or capitalised under exploration and evaluation assets per accounting policy Note 3(n) are as follows:

	2015	2014
	\$	\$
Short-term employee benefits	1,584,225	2,488,626
Long-term employee benefits	(5,309)	4,563
Post-employment benefits	143,256	100,053
Termination benefits	-	225,851
Equity compensation benefits	25,511	35,031
	1,747,683	2,854,124

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

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

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company, or the Company since the end of the previous financial year, and there were no material contracts involving Directors' interests existing at year-end.

(c) Other related party transactions

Equity Investments

An office cost recovery fee was charged by the Company to Karara totalling \$456,851 (2014: \$972,927) representing recharge of office and administrative costs to Karara.

A labour cost recovery fee was charged by the Company to Karara totalling \$306,435 (2014: \$1,598,460) representing recharge at market rates of employees seconded to the Karara project.

There is a balance of \$77,682 outstanding as at 30 June 2015 (2014: \$311,051) due from Karara.

24. CONTINGENT LIABILITIES

Pursuant to a \$1.481 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 provided a second ranking security (Anshan Share Mortgage) over its KML Shares to Ansteel to indemnify Ansteel for any losses it may suffer in the event the Company defaults on its obligations under its guarantee to the Chinese banks.

The Anshan Share Mortgage (as amended) is a 'limited recourse' security, i.e. in the event of enforcement of the security, the claim against Gindalbie is limited to providing the Gindalbie shares in KML to Ansteel.

The amended Anshan Share Mortgage is required to be approved by non-Ansteel associated Gindalbie shareholders at a general meeting pursuant to the ASX Listing Rules (LR) (LR10.1). The ASX granted a waiver from the requirement for Gindalbie to obtain shareholder approval subject to Anshan and Angang's consent to the amendment to the Anshan Share Mortgage. If consent from Anshan is not obtained; the Company must seek the approval of the non-Ansteel associated Gindalbie shareholders for the granting of the unlimited recourse mortgage, as set out in the amended Anshan Share Mortgage.

If approved by the non-Ansteel associated Gindalbie shareholders, the amended Anshan Share Mortgage will become an 'unlimited recourse' mortgage pursuant to which Anshan is entitled to demand payment by Gindalbie of any shortfall between the realized value of the mortgaged KML shares and the amount paid by Ansteel to the Chinese Banking Syndicate in relation to Ansteel's sponsor guarantee of Gindalbie's proportionate share of the Senior Debt Facility. The company's liability under this commitment would become unlimited, however the estimated maximum potential liability based on credit facilities provided as at 30 June 2015 is \$708 million USD (2014 - \$830 million USD).

Furthermore Gindalbie and Ansteel provided a Cross Charge to each other over the shares each owns in KML, to secure each entity's obligations under the Joint Venture Development Agreement.

The company may be subject to claims up to \$669 million from activities undertaken in support of the Karara Iron Ore Project development and operations.

The Company has provided parent company performance guarantees to a combined value of \$70 million (2014- \$70 million), in terms of KML contract for rail haulage facility and tailings management facility.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

24. CONTINGENT LIABILITIES (Continued)

The Company also has performance guarantees in place to secure payment of rent under the Company's lease of premises at its office premises at 216 St Georges Terrace, Perth totalling \$330,737 (2014: \$330,737). These guarantees are secured by term deposits.

The Company has entered into an agreement between KML, GBG and Sinosteel Midwest Corporation Limited (SMC) stating that SMC shall construct and complete a new haul road through to practical completion. Practical completion was never met and there is a potential rehabilitation liability of approximately \$220,000.

25. EVENTS SUBSEQUENT TO REPORTING DATE

As announced on 17 July 2015, as part of security arrangements for KML's refinanced debt, Gindalbie agreed to vary an existing approved second-ranking mortgage of its KML shares to Anshan ('Anshan Share Mortgage') to secure its indemnity to Anshan in circumstances where Gindalbie does not meet its obligations under its new guarantee to KML's lenders.

Gindalbie's independent Directors formed the view that it was necessary for non-Ansteel associated shareholders to approve the variations to the Anshan Share Mortgage.

The amended Anshan Share Mortgage is required to be approved by non-Ansteel associated Gindalbie shareholders at a general meeting pursuant to the ASX Listing Rules (LR) (LR10.1). The ASX granted a waiver from the requirement for Gindalbie to obtain shareholder approval subject to Anshan and Angang's consent to the amendment to the Anshan Share Mortgage. If consent from Anshan is not obtained; the Company must seek the approval of the non-Ansteel associated Gindalbie shareholders for the granting of the unlimited recourse mortgage, as set out in the amended Anshan Share Mortgage.

If approved by the non-Ansteel associated Gindalbie shareholders, the amended Anshan Share Mortgage will become an 'unlimited recourse' mortgage pursuant to which Anshan is entitled to demand payment by Gindalbie of any shortfall between the realized value of the mortgaged KML shares and the amount paid by Ansteel to the Chinese Banking Syndicate in relation to Ansteel's sponsor guarantee of Gindalbie's proportionate share of the Senior Debt Facility. If the Anshan Share Mortgage (as amended) is not approved by the Gindalbie shareholders the company has a limited recourse mortgage.