

## KEY POINTS

- At 31 March 2018, Gindalbie had term deposits of AUD\$34.9 million, and cash equivalents of AUD\$1 million.
- A US\$300m Fixed Term Loan Facility matured in March 2018 reducing Gindalbie's Contingent Liabilities to a maximum of A\$219 million (subject to exchange rate fluctuations).
- The Mt Gunson Copper-Cobalt Project Scoping Study Update is nearing completion, on schedule and within-budget.



## CORPORATE

### Contingent Liability Update

As announced during the period, a US\$300m Fixed Term Loan Facility matured in March 2018. The bank guarantees provided to suppliers of KML currently equate to a maximum of A\$219 million (subject to exchange rate fluctuations). These bank guarantees will reduce over time in alignment with utilisation and reduction schedules as provided for in each related contract. Gindalbie continues to actively work towards the reduction of the remaining contingent liabilities relating to KML.

### Mount Gunson Project Update

#### Scoping Study Update

The current programme of work to update the Mt Gunson Copper-Cobalt Project Scoping Study is currently in the final stages of completion with a more detailed release to the market expected in late May to early June 2018. A brief summary of work to date is provided below.

#### Drilling and JORC 2012 Resource Estimation

Following the drilling campaign in September 2017, a JORC 2012 Mineral Resource Update was announced to market in January 2018 (see announcement on 19<sup>th</sup> January 2018). The updated results provided the basis to undertake a mining options study as part of the scoping study update.

## Mining Options Study

A conceptual mining options study undertaken by mining and metallurgical consultants Mining & Process Solutions (MPS) has been completed. The study focused on pit shell evaluations, based on the updated mineral resource for the MG14 and Windabout deposits, to determine potential mining methods.

The mining method selection at Windabout has formed a key part of the mining options study with a focus being the identification of a base-case mining option for Windabout. Stage 1 of the study has identified a preliminary base case, which utilises conventional truck and shovel for the mining of both MG-14 and Windabout. Based on the study, MPS has been retained to undertake a work package to deliver more detailed mining cost analysis through early contractor engagement. Following this package of work, stage 2 of the mining options study will focus on various value engineering opportunities including scheduling of early higher-grade material at Windabout as well as more detailed analysis of alternatives to the base case.

## Metallurgical Testwork

Following the drilling campaign in September 2017 where approximately 400kg of fresh ore samples were obtained, the Company appointed Strategic Metallurgy to undertake a detailed testwork programme including preliminary flowsheet design.

The metallurgical testwork undertaken included sample preparation, de-sliming testwork, multi stage flotation testwork and optimisation phases. The testwork is currently nearing completion with the results being used to inform internal reporting and decision support for ongoing testwork programme design.

The preliminary testwork results support continued evaluation of the potential for a conventional flotation-based circuit to produce either a bulk copper-cobalt concentrate or split copper and cobalt concentrates from both MG-14 and Windabout. Concentrate marketing studies will also commence shortly.

The Company is also currently investigating the potential for a small scale hydrometallurgical plant to treat the high cobalt concentrate stream to produce high value, direct shipping cobalt sulphate and copper cathode products.

## Exploration and Resource Development

In addition to the existing copper-cobalt resources at Mt Gunson, the project includes over 800km<sup>2</sup> of tenements considered highly prospective for copper and cobalt. A major exploration targeting campaign is underway across the tenement package to assess the potential for both additional sedimentary hosted mineralisation and IOCG mineralisation.

The South Australian Government, in partnership with Geoscience Australia, has recently completed a high-resolution airborne geophysical and terrain imaging programme over the Mt Gunson tenements, the results of which were released on 19<sup>th</sup> April 2018.

Gindalbie has appointed respected geological consultants International Geoscience to undertake a detailed review of the magnetic, radiometric and elevation data gained by this programme as well as current and historic project data. The initial programme is expected to be completed in the current quarter and aims to generate new targets for exploration on the tenement package.

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### Emmie Bluff Prospect

MPS has completed an initial concept study to assess the Emmie Bluff Cu-Co-Ag prospect, located on the northern part of the tenements. It should be noted that the study was based on historic drilling data and a historic Resource estimate which is not compliant with JORC 2012 standards. The initial concept study provides a case to advance study work at Emmie Bluff subject to Gindalbie board approvals.

### Update on Study Timeframes

Stage 1 of the study is estimated to be completed within the originally scheduled time-frame and within the original budget of \$1.37 million.

Gindalbie expects to determine whether to progress to Stage 2 of the Mt Gunson Farm-in and Joint Venture Agreement in late May to early June 2018. An announcement will be made immediately following a decision by the Gindalbie board.

### Strategic Development

Gindalbie remains actively engaged in the evaluation of strategic development opportunities both organically within the Mt Gunson Copper-Cobalt Project as well as potential growth through acquisition outside of the Project to leverage its remaining cash assets and drive shareholder value.

The Company continues its focus on projects in the post-scoping study to decision-to-mine phase, primarily in the gold and base metals sectors. Gindalbie is in a strong position to act and is conducting due diligence on several potential growth opportunities.

### Gindalbie Regional Exploration- Midwest Tenements

Exploration during the March 2018 Quarter continued to focus on review and reporting of recent exploration work at Lodestone. Exploration activities during the June 2018 Quarter will continue to focus on the potential for coarse grain magnetite on the tenements.

### Shareholder Information

As at 31 March 2018, Gindalbie had 1,496,512,060 shares on issue and 12,944 shareholders.

The Top 20 shareholders held 58.97% of the issued share capital of Gindalbie.

### Cash Reserves

At 31 March 2018, Gindalbie had term deposits of AUD\$34.9 million, and cash equivalents of AUD\$1 million.

## KARARA PROJECT

Since late 2013, Gindalbie has maintained its interest in Karara Mining as a minority investor with management activities now under the guidance of Ansteel. Gindalbie regularly reviews the value of its investment in Karara Mining, the current holding value of the asset is at a nil value driven primarily by high gearing relative to the current iron ore price environment.

### Production

During the March 2018 Quarter KML produced approximately 1,903 million dry metric tonnes ('DMT') of magnetite concentrate at Karara, a decrease of 10.57% over December 2017 Quarter production of 2,128 million DMT.

A total of 32 shipments were completed by KML from the Karara Export Terminal at Geraldton totalling approximately 1,927 million DMT of magnetite concentrate.

Magnetite production grade quality during the March 2018 Quarter averaged 65.8% Fe.

Karara Magnetite Unit '000 DMT			
Quarter (Qtr)	Sep -17 Qtr	Dec -17 Qtr	Mar -18 Qtr
Ore Mined	5,023	5,613	5,336
Concentrate Product	1,830	2,128	1,903
Concentrate Shipped	1,851	2,095	1,927

For the March 2018 Quarter, average magnetite C1 unit cash cost (mining, processing, maintenance, rail, port and site administration) excluding depreciation and amortisation, corporate administration, exploration, sale, royalties, ocean freight, interest and financing costs, was approximately AUD<sup>1</sup> 80.11 per DMT (December 2017 Quarter: approximately AUD \$70.85 per DMT).

### Sales

The realised price for Karara magnetite concentrate is represented by the published benchmark assessment of the spot price of a standard specification of iron ore fines with 65% iron (Platts IODEX 65% Fe), less a discount on 3<sup>rd</sup> party sales and adjusted for its higher iron grade relative to the benchmark (March 2018 Quarter – average of approximately 65.7% Fe), less standard penalties for impurities.

The average realised CFR<sup>2</sup> price for the March 2018 Quarter was approximately AUD \$118.08 per DMT<sup>3</sup> on a provisional basis (December 2017 Quarter: approximately AUD \$98.21 per DMT).

<sup>1</sup> Unit cost reported is based on production volume.

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

<sup>3</sup> Average price is based on provisional payments received as final price for March 2018 cargoes are not settled yet. Pricing formulas contained in KML sale contracts are based on the final price being determined in the month after the month of shipment. A reconciliation and settlement takes place once a final price is known in the actual month of settlement.

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## QUARTERLY REPORT



ENDS

On behalf of:

Mr Keith Jones

Chairman

Ms Rebecca Moylan

Chief Financial Officer and Company Secretary

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