

HD Gindalbie hit by \$640m impairment

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Iron ore explorer Gindalbie Metals has announced it will recognise an impairment charge of \$640 **million** for its investment in Karara **Mining**, after conducting an impairment test review.

The **company** cited capacity restrictions, a lower than forecast **iron ore** price and a higher than anticipated Australian dollar as key factors behind the impairment of the project located 200 kilometres east of Geraldton.

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The price of **iron ore** has fallen by nearly a third since this time last year.

Karara has invested more than \$1 **billion** in the project, including a dedicated 16mtpa export facility at Geraldton port, utilities connections and an 85 kilometre rail line, all of which will be common use infrastructure.

Earlier this year, **Chinese** steelmaker and joint venture partner Ansteel increased its **stake** in Karara **Mining** to 52.1 per cent, whilst Gindalbie holds 47.8 per cent.

Ansteel had provided \$60 **million** in loans to Karara in 2013, on the provision that it could convert those into **equity**, and also holds an option to extend its **equity** to 62 per cent in exchange for providing \$230 **million** in working capital.

Ansteel's nominee Chen Ping was also appointed managing director at Karara at that time.

Gindalbie said it expected magnetite output to reach 75 per cent of capacity but would be fighting bottlenecks in its tailings system.

In April, Gindalbie managing director Dale Harris stepped down from his role to directly oversee Karara as chief executive officer.

Gindalbie fell 15.5 per cent on the news, to 4.9 cents per share, continuing a slump from over 17 cents per share this time last year.

The **company** says the impairment charge will be recorded in its 2014 financial year accounts, but won't affect its ability to continue to operate its business.

CO gingol : Gindalbie Metals Ltd

IN i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | i211 : Metal Ore Mining | i2111 : Iron Ore Mining | imet : Mining/Quarrying

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