

Carbine Tungsten Limited

ABN: 77 115 009 106 (ASX CODE: CNQ)



CARBINE TUNGSTEN

Half Year Financial Report

31 DECEMBER 2016

CORPORATE DIRECTORY

DIRECTORS

Russell H. Krause Non-executive Chairman
Andrew J. Morgan CEO & Managing Director
Roland W. Nice Non-executive Director

COMPANY SECRETARY

David W. Clark

REGISTERED OFFICE

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Tel +61 3 8687 2176

PRINCIPAL PLACE OF BUSINESS

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BANKERS

Commonwealth Bank of Australia

STOCK EXCHANGE LISTING

Listed on the Australian Securities Exchange (ASX)
ASX Code: CNQ

ABN: 77 115 009 106

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Your Directors submit their Report for the half year ended 31 December 2016.

DIRECTORS

The names of the Company's Directors in office during the half year and at the date of this Report are as follows:

Russell H. Krause	Non-executive Chairman
Andrew J. Morgan	CEO & Managing Director
Roland W. Nice	Non-executive Director

REVIEW & RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half year ended 31 December 2016 was a loss of \$1,419,471 (2015 – Half Year Loss \$1,448,074).

REVIEW OF OPERATIONS

The first half of the 2016/17 financial year has been another highly active period for the Company. Information on the operations and financial position of the Group, its business strategies and prospects for future financial years is detailed in the Review of Operations section of this Report.

FINANCIAL

The Company's cash position as at 31 December 2016 was \$293,555 (30 June 2016: \$761,413).

SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2016 requiring disclosure in, or amendment to, these financial statements apart from:

- Following a strategic review, Messrs David Coyne and James Koutsoukos of BRI Ferrier were appointed as liquidators to complete the winding-up process for a wholly subsidiary, Tungsten Resources Pty Ltd ("TRPL"). TRPL has no liabilities owing to external parties and all assets were transferred to the parent company, Carbine Tungsten Limited, prior to liquidation. This liquidation was finalised on 9 January 2017.

AUDITORS' INDEPENDENCE DECLARATION

The Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this Report.

Signed at Melbourne this 16th day of March 2017 in accordance with a resolution of Directors.



RH Krause
Chairman

During the first six months of the 2016/2017 financial year Carbine Tungsten Limited (“Carbine” or “the Company”) has focused its efforts on the diversification of its exploration portfolio to include two gold prospects along with undertaking lithium exploration work in Chile. Carbine has also retained its core tungsten asset at Mt Carbine in a shovel-ready status awaiting an improvement in tungsten market conditions and pricing for concentrates and Ammonia Para Tungstate (“APT”).

Carbine is also undertaking test work and developing its knowledge of, and association with, an exciting and revolutionary minerals processing technology, Atom Exchange Technology (“AXT”) which has the potential to dramatically decrease the operating costs and environmental impact of processing the above metals as well as a number of others.

The following commentary provides an overview of the activities undertaken during this period.

EXPLORATION | DEVELOPMENT ACTIVITIES

TUNGSTEN - MT CARBINE, QUEENSLAND

IRON DUKE MAGNETIC SURVEY

Carbine holds EPM 14872 which surrounds the northern side of ML 4867.

Iron Duke Scheelite Prospect

Previous announcements have provided reports on the Iron Duke scheelite prospect that extends from ML 4867 1.3km north. The prospect has been covered by a ground magnetometer survey, the results of which are presently being re-processed and during the September 2016 quarter a detailed soil survey was completed over the prospect in EPM 14872. Results are still being processed but it is clear that soil tungsten values confirm that tungsten mineralisation continues the full 1.3km length of the mapped extent of the rocks hosting the mineralisation. Tungsten mineralisation is associated with skarn alteration of discontinuous pillowed basalt lenses and a continuous brecciated radiolarian chert breccia horizon adjacent to the basalts.

“Gossan” Prospect

A gossan exposed north of Carbine Hill was covered by ~50,000 tonnes of rock waste in the early 1980’s. No sample of the gossan was taken prior to this and detailed surface examination has failed to find float derived from this concealed gossan.

A trial Self Potential (“SP”) survey was carried out over the area around where the gossan was covered up in order to determine whether there was any geophysical reason for further examination of this prospect. The SP method is cheap, effective and out of fashion, mainly because of repeatability of results owing to lack of careful attention to field techniques.

The SP method relies on “the naturally occurring electrical potential of the Earth resulting from geological, geochemical and hydrologic interactions that causes electrical potentials to exist in the earth in the vicinity of the measuring point” (Zonge Geophysics, 1983). Strong SP differences often characterise sulphide mineralisation or conductors in the subsurface from siliceous or carbonate rocks.



Geology:

The host metasediments belong to the Siluro-Devonian Hodgkinson Formation and consist of strongly foliated schists, radiolarian chert horizons and lenses of pillowed submarine basalt lava piles. Just west of the supposed gossan area, calcareous black shales, now chevron folded and strongly foliated, also occur.

Several small copper-zinc deposits in a similar geological context have been mined in the region in the past. For example, the Dianne, Mt Molloy and OK copper mines, all characterised by high to very high supergene enriched grades of copper.

The final presentation of results is still being prepared, but the survey revealed a zone of strong discontinuous SP (dipole) differences over a total distance of 160m along a north-east trend, discordant to the local foliation and bedding strike of around 340 degrees. Intense silicification was recorded during the survey in exposures of the supposed footwall area of the SP anomaly.

GOLD – ACQUISITION OF NSW PROSPECTS

As part of its diversification strategy Carbine was pleased to announce on 22 September 2016 that it had acquired two gold prospects from Frontier Capital Group Ltd. Both properties are located in New South Wales (“NSW”), one being the Crow Mt Exploration Licence 6648 and the other Panama Hat Exploration Licence 8024.

Crow Mountain EL 6648

EL6648 lies approximately 20km south east of Barraba in northern NSW, and straddles part of the Peel Fault, a major structure that geologically separates the New England Province from the Tamworth Trough to the west.

Within EL6648, over an area of approximately 9 km², there are numerous historical shallow gold workings dating from 1868 with historical records indicating that high to bonanza grade gold occurred in quartz veins up to 38cm wide and 12m long. In modern times the licence has been partly investigated by 3D-IP survey, drilling and surface sampling.

This licence was previously held by Carbine's precursor company, Icon Resources Ltd, who drilled three holes in the Magnesite Hill target in 2010, with the following results:

Drill hole	From (m)	To (m)	Interval (m)	Au g/t
ICK 001	76.3	78.45	2.15	1.85
	117.4	172	54	0.45
Including	140	148	8	1.27
ICK 002	113.4	119.4	6	0.67
Including	119	121	2	1.19
	137	151	14	1
Including	139	141	2	3.69
ICK 003	113.6	117	3.4	1.2

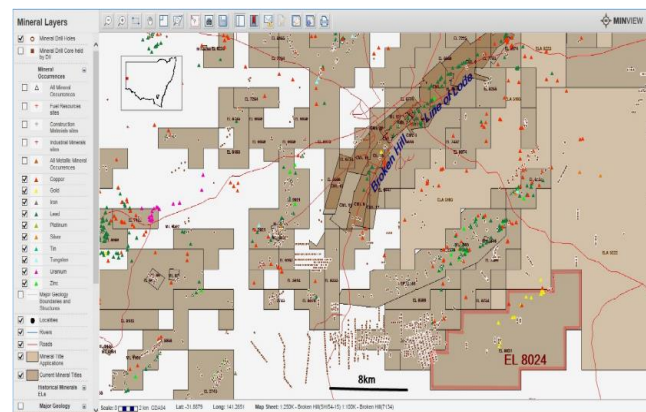
The licence was a key component of a proposed listing of Icon's prior gold prospects that it reluctantly sold in 2011. Carbine is very pleased to have been able to re-acquire the tenement as it still strongly believes that it holds significant exploration potential.

Carbine's plan for the exploration of this tenement, as detailed below, is based around the concept that high to bonanza grade small vein quartz occurrences, together with background low grade gold mineralisation, may constitute a bulk-mineable resource.

Panama Hat EL 8024

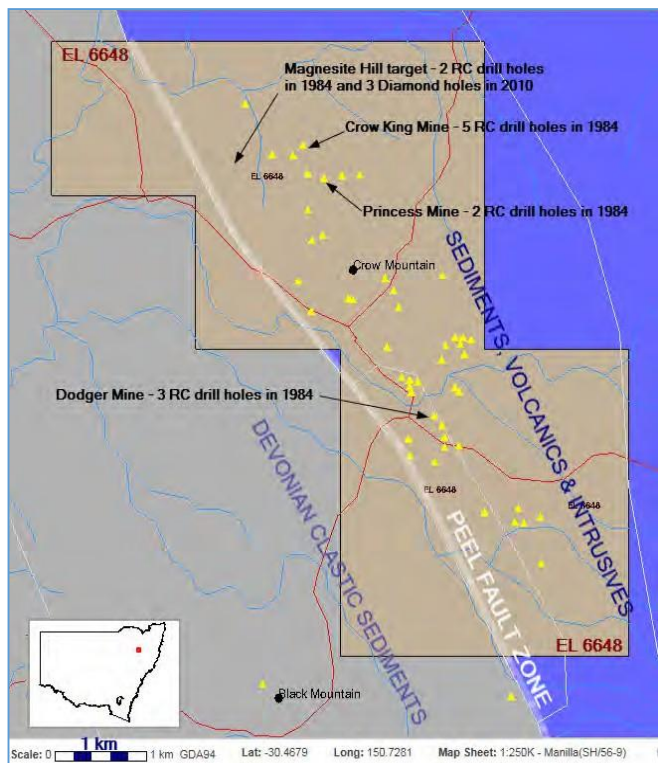
Panama Hat EL 8024 covers 80% of the historical gold workings in the Broken Hill district, about 30km south east of Broken Hill (see map below). The workings mostly date from 1931-1935, and occur along an arcuate line of quartz veining with associated iron oxides. Sericitic alteration of the host metamorphic rocks accompanies the quartz veining. The iron oxides are interpreted to result from weathering of sulphide mineralisation at depth. Hand-picked iron oxide-bearing quartz samples were recorded as assaying up to 34g/t, and this has been confirmed by recent sampling as part of a due diligence study of the licence by Carbine. Previous exploration in modern times includes an MMR/EIP geophysical survey and several percussion drill holes, but Carbine's opinion is that the licence area is underexplored.

The following map shows maximum gold values obtained by rock chip or mineralised rocks by previous explorers.



Carbine's exploration objective for EL8024 is to determine the extent of oxide gold mineralisation, with the intent of establishing an open pit mineable resource in the weathered zone, in the first instance, and secondly to determine gold mineralisation and grade in the primary zone below the historical workings.

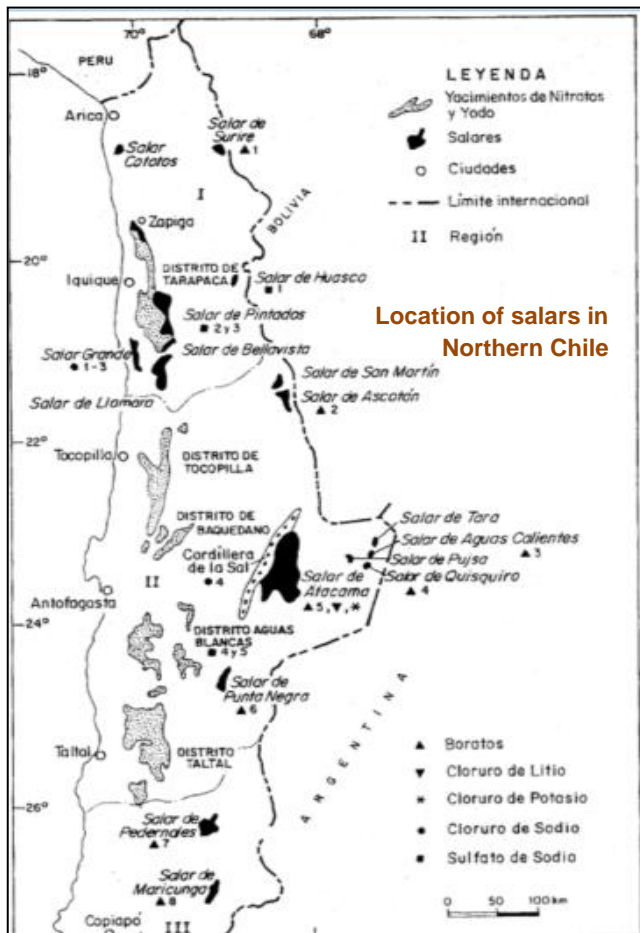
Based on the above, Carbine's exploration strategy for 2017 will involve confirming new geological interpretations by shallow (20m) drilling and rapid confirmation of resource potential within the exploration targets of EL 6648 and EL 8024 (>500,000 once open pit oxide gold at grades of 2-3 g/t). Assuming confirmation, expanded drilling will be undertaken to develop open pit resources within each tenement



Location of EL 6648, showing historical gold workings (yellow triangles) adjacent to the Peel Fault

LITHIUM EXPLORATION

Carbine was pleased to announce in its December 2016 Quarterly Activities Report that as part of its diversification program it has applied for 10 exploration concessions for lithium over two salars (internal drainage basins) in the Atacama Desert in northern Chile. These applications follow a successful reconnaissance sampling of various salars that highlighted the prospectivity of these salars for lithium brine. The concessions are well situated to existing infrastructure being close to the Pan American highway and lithium processing infrastructure at the port of Antofagusta. A drilling campaign is planned to sample brines within these salars.



Location of salars in Northern Chile

Clear legislation and well-established procedures with favourable mining royalty regime. Chilean mining law permits:

- 100% foreign ownership.
- Legal protection of mining concessions.
- Concessions granted on a first come first served basis.
- Independent judicial system.
- Clear foreign investment framework.

One of South America's most stable and prosperous nations:

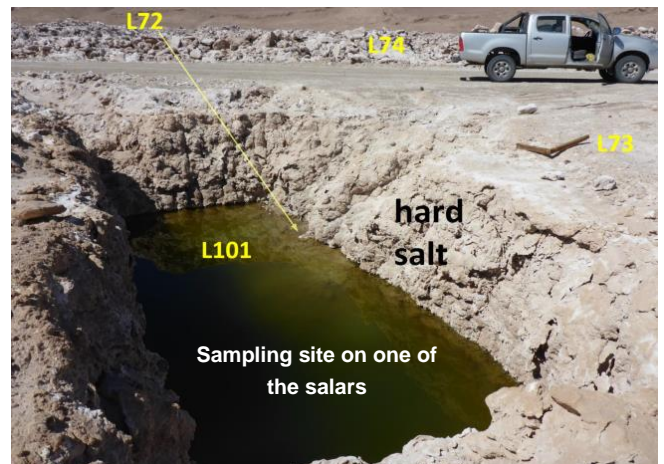
- Over 150 years of mining history with well-defined mining and environmental regulations.
- Consistently one of Latin America's fastest growing economies.
- Open market economy, high level of foreign trade and macro-economic stability.

2017 EXPLORATION STRATEGY

- Test existing applications for lithium brines by shallow drilling.
- Continue prospecting reconnaissance to sample salars not already sampled.
- Anticipate applications for more ground.



Example of salar (basin with internal drainage)



Sampling site on one of the salars

The Company is focused on lithium brines as a source of lithium since it is also pursuing a new technology (the AXT process) that holds promise of producing lithium metal directly from lithium-bearing solutions at low operating cost.

WHY CHILE?

Chile contains 27% of the global reserves of lithium and contributes to more than 50% of global production.

All major international miners are active in Chile:

- BHP Billiton, Anglo American, Rio Tinto, Xstrata, Teck Cominco, Kinross, Phelps Dodge, Barrick Gold and Newmont.

NEW MINERAL PROCESSING TECHNOLOGY

As announced on 14 September 2016 Carbine has engaged a specialist minerals technology provider to conduct a preliminary testwork program on tungsten scheelite concentrate samples provided from its Mt Carbine mine project for testing using a novel and unique processing technology route, which may present significant cost and environmental advantages to the Company and its current tungsten project. The results of the test work have been delayed, predominantly due to the testing laboratory facilities being relocated to much larger premises.

As previously advised in the Company's last two quarterly reports Carbine has also been reviewing this technology to assess its suitability for potential future use by the Company.

Carbine is also exploring opportunities with the technology provider to hold agency rights for the distribution of the technology within Australia, New Zealand and Papua New Guinea in relation to other potential advantages it offers in the extraction and production of copper and gold.

Carbine is also seeking to co-operate with the technology provider to include certain aspects of the technology's development into its ongoing research and development programs.

Further information on this very exciting technology can be found at: <http://www.atomexchangetechnology.com/>.

CORPORATE

MT CARBINE QUARRY

As advised in the 2016 Annual Report and outlined at the last two Annual General Meetings, the Company has been attempting to pursue the purchase of the Mt Carbine Quarry. To this end the Company commenced a due diligence program; however to-date this program remains incomplete due to the inability or lack of desire on behalf of the quarry owner to provide proper information in relation to this business.

Carbine has also been unable to resolve a number of sublease condition issues with the quarry owner and mining leaseholder. In an attempt to resolve these matters Carbine initiated a dispute conciliation process under the sublease which led to an agreement being reached by which each party intends to appoint their respective lawyers to oversee the potential buyout arrangements for Mt Carbine Quarries Pty Ltd who are conducting quarry activities at the Mt Carbine mine site.

CAPITAL RAISING ACTIVITIES

During the half-year to 31 December 2016, the Company received \$404,727 in credit support instalments from Lanstead Capital L.P. ("Lanstead"), net of Sharing Agreement settlements pursuant to the Subscription Agreements. \$785,063 remains invested in the Sharing Agreements as at 31 December 2016.

These credit support instalments were achieved as a result of the Company signing Subscription Agreements in March 2016, to raise, in aggregate, \$1,875,000 before expenses from Lanstead by way of a subscription for 75,000,000 ordinary shares at a price of \$0.025 per share. The Company also entered into a Sharing Agreement with Lanstead such that the Company's economic interest is determined and payable in 18 monthly settlement tranches as detailed in the placement announcement of 20 November 2015. As consideration for entering into the sharing agreements, the Company issued 3,000,000 shares on 20 November 2015 and a further 5,000,000 shares on 11 March 2016 such that 83,000,000 shares, in total, have been issued to Lanstead pursuant to the Subscription Agreements at 31 March 2016.

SHARE PLACEMENTS

On 8 July 2016 the Company announced the placement of 460,423 shares at \$0.025 per share at the value of \$11,281 to an external consultant for consulting fees in lieu of cash.

APPOINTMENT OF GERMAN MINING NETWORKS

During December 2016 the Company appointed German Mining Networks as a marketing advisory company to promote its activities within the European marketplace and potentially support financing activities.

TUNGSTEN MARKET OUTLOOK

The tungsten market prospects are undergoing a potential realignment. This is due mainly to the global shifts and geopolitical actions being actioned and foreshadowed by the new government administration in the USA. The military and industrial uses of tungsten combined with the prospect of the western world's potential decreased reliance on manufactured items and steel products from China hold out the prospect of a renewed appetite and imperative for non-Chinese sourced tungsten supply. Some market analysts have speculated that China has been heavily subsidising the tungsten price for quite some time in order to support their price advantages in selling finished manufactured goods and particularly steel products. As the global changes in both military alliances and strategic dependences take hold, the need for independent tungsten supply is highly likely to change and any current price distortions may disappear resulting in tungsten price increases. Recent reports that President Putin of Russia has specifically ordered the production funding and development of new tungsten mining facilities in Russia indicate there are changing strategic and positive value movements within the global tungsten market.

COMPETENT PERSONS' STATEMENT

The information in this Report that relates to Exploration Results and Mineral Resources and Ore Reserves is based on information compiled by Dr Andrew White, who is a Fellow of the Australian Institute of Geoscientists and a consultant to Carbine. Dr White has sufficient experience relevant to the style of mineralisation, mining and processing the type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr White consents to the inclusion of the matters based on his information in the form and context in which it appears.



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DECLARATION OF INDEPENDENCE BY GREG MITCHELL TO THE DIRECTORS OF CARBINE TUNGSTEN LIMITED

As lead auditor for the review of Carbine Tungsten Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Carbine Tungsten Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'g mitchell' in a cursive, lowercase style.

Greg Mitchell
Director

A handwritten logo in blue ink that reads 'BDO' in a simple, blocky, uppercase font.

BDO Audit (NTH QLD) Pty Ltd

Cairns, 16 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Half-year ended 31 December 2016

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	Note	31 Dec 2016 \$	31 Dec 2015 \$
REVENUE	2	18,716	18,783
Administration expenses		(116,370)	(153,304)
Consultant expenses		(219,084)	(186,940)
Depreciation expense		(465,890)	(471,440)
Development and testwork costs		(37,224)	(83,972)
Employee benefits expense		(135,918)	(222,617)
Exploration expenditure		(181,638)	(125,820)
Finance costs		(8,184)	(1,087)
Foreign exchange loss		(8,122)	(64,029)
Loss on revaluation of financial assets		(222,986)	-
Occupancy Costs		(16,702)	(56,823)
Options expense		-	(26,861)
Other expenses		(26,069)	(73,964)
LOSS BEFORE INCOME TAX EXPENSE		(1,419,471)	(1,448,074)
Income tax expense		-	-
NET LOSS FOR THE HALF YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(1,419,471)	(1,448,074)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(1,419,471)	(1,448,074)
Basic loss per share (cents)		(0.34)	(0.46)
Diluted loss per share (cents)		(0.34)	(0.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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	Note	31 Dec 2016 \$	30 Jun 16 \$
CURRENT ASSETS			
Cash and cash equivalents		293,555	761,413
Trade and other receivables	3	58,860	101,699
Financial assets	4	314,079	973,494
Prepayments		139,103	68,035
TOTAL CURRENT ASSETS		805,597	1,904,641
NON-CURRENT ASSETS			
Receivables		746,719	729,619
Plant and equipment		2,577,771	3,049,071
Deferred exploration and evaluation expenditure	5	6,231,398	6,176,398
Financial assets	4	-	200,333
Other financial assets		3,867	5,156
TOTAL NON-CURRENT ASSETS		9,559,755	10,160,577
TOTAL ASSETS		10,365,352	12,065,218
CURRENT LIABILITIES			
Payables		182,747	164,225
Borrowings		249,772	269,582
Financial liabilities	6	145,379	744,841
TOTAL CURRENT LIABILITIES		577,898	1,178,648
NON CURRENT LIABILITIES			
Financial liabilities	6	-	142,000
TOTAL NON CURRENT LIABILITIES		-	142,000
TOTAL LIABILITIES		577,898	1,320,648
NET ASSETS		9,787,454	10,744,570
EQUITY			
Issued capital	7	31,336,148	30,873,793
Share-based payments reserve		520,875	520,875
Accumulated losses		(22,069,569)	(20,650,098)
TOTAL EQUITY		9,787,454	10,744,570

CONSOLIDATED STATEMENT OF CASH FLOWS

Half-year ended 31 December 2016

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	31 Dec 2016	31 Dec 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers and employees	(779,397)	(926,232)
Other receipts	-	790
Interest paid	(10,865)	-
Interest received	16,664	23,490
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(773,598)</u>	<u>(901,952)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of plant and equipment	(842)	-
Proceeds from the sale or disposal of plant and equipment	12,000	-
Payments for the purchase of Tenements	(55,000)	-
Payments for Tenement Security Deposits	(20,000)	-
Expenditure on mining interests	-	(49,160)
Release of Other Security Deposits	1,539	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(62,303)</u>	<u>(49,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	404,727	553,700
Repayment of loans	(27,933)	(706,566)
Equity raising expenses	(8,750)	(7,162)
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES	<u>368,044</u>	<u>(160,028)</u>
NET INCREASE (DECREASE) IN CASH HELD	(467,857)	(1,111,140)
Add opening cash brought forward	<u>761,412</u>	<u>1,817,147</u>
CLOSING CASH CARRIED FORWARD	<u><u>293,555</u></u>	<u><u>706,007</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2016

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CONSOLIDATED	Attributable to the shareholders of Carbine Tungsten Limited			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
AT 1 JULY 2015	29,271,250	(18,549,088)	467,444	11,189,606
Loss for the period	-	(1,448,074)	-	(1,448,074)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(1,448,074)	-	(1,448,074)
Transactions with owners in their capacity as owners:				
Shares issued during the half year	728,700	-	-	728,700
Share issue costs	(5,116)	-	-	(5,116)
Share based payments expense	-	-	26,861	26,861
Total transactions with owners in their capacity as owners	723,584	-	26,861	750,445
AT 31 DECEMBER 2015	29,994,834	(19,997,162)	494,305	10,491,977
AT 1 JULY 2016	30,873,793	(20,650,098)	520,875	10,744,570
Loss for the period	-	(1,419,471)	-	(1,419,471)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	(1,419,471)	-	(1,419,471)
Transactions with owners in their capacity as owners:				
Shares issued during the half year	471,105	-	-	471,105
Share issue costs	(8,750)	-	-	(8,750)
Total transactions with owners in their capacity as owners	462,355	-	-	462,355
AT 31 DECEMBER 2016	31,336,148	(22,069,569)	520,875	9,787,454

1. BASIS OF PREPARATION OF THE HALFYEAR FINANCIAL REPORT

The Half Year Financial Report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The Half Year Financial Report should be read in conjunction with the Annual Financial Report of Carbine Tungsten Limited as at 30 June 2016.

It is also recommended that the Half Year Financial Report be considered together with any public announcements made by Carbine Tungsten Limited during the half year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Going Concern Basis for Preparation of Financial Statements

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. The ability of the Company to continue to adopt the going concern assumption will depend on future successful capital raisings, the successful development and subsequent exploitation of the Company's tenements and/or sale of non-core assets.

The Directors are cognisant of the fact that future development and administration activities are constrained by available cash assets, and believe future identified cash flows are sufficient to fund the short-term working capital and forecasted exploration requirements of the Company.

The reliance on raising additional funding by capital raisings or other alternative funding arrangements give rise to the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. If the Company is unable to continue as a going concern, it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial statements.

The Directors are confident of securing funds if and when necessary to meet the Company's obligations as and when they fall due, and consider the adoption of the going concern basis to be appropriate in the preparation of these financial statements.

(b) Statement of Compliance

These interim financial statements for the half year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The Half Year Financial Report has been prepared on a historical cost basis and held for trading financial assets have been measured at fair value through profit or loss.

For the purpose of preparing the Half Year Financial Report, the half year has been treated as a discrete reporting period.

(c) Significant Accounting Policies

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2016, except as stated in (d) below.

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Carbine Tungsten Limited (Carbine Tungsten or the Company) and its subsidiaries (the Group) as at 31 December each year.

Following a strategic review, Messrs David Coyne and James Koutsoukos of BRI Ferrier were appointed as liquidators to complete the winding-up process for a wholly subsidiary, Tungsten Resources Pty Ltd ("TRPL"). TRPL has no liabilities owing to external parties and all assets were transferred to the parent company, Carbine Tungsten Limited, prior to liquidation. This liquidation was finalised on 9 January 2017.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

2. REVENUE

	31 December 2016	31 December 2015
	\$	\$
Interest received	12,967	16,806
Profit on Disposal of Non Current Asset	5,749	-
Diesel Fuel Rebate	-	1,977
	18,716	18,783

3. RECEIVABLES - CURRENT

	31 December 2016	30 June 2016
	\$	\$
Interest receivable	4,059	7,742
GST receivable	22,485	22,675
Trade receivable	7,128	7,128
Lanstead receivable	25,188	63,510
Other receivables	-	644
	58,860	101,699

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

4. FINANCIAL ASSETS

	31 December 2016	30 June 2016
	\$	\$
Current		
Derivative financial asset ¹	314,079	973,494
Total current	314,079	973,494
Non current		
Derivative financial asset ¹	-	200,333
Total non current	-	200,333

¹ In November 2015 and March 2016, the Company entered into two separate agreements with Lanstead Capital LP ("Lanstead"), Tranche A and Tranche B Share Subscription Agreements and Tranche A and Tranche B Sharing Agreements. Under the Share Subscription Agreements 75,000,000 ordinary shares were issued to Lanstead for a cash consideration of A\$1,875,000. A value payment of 8,000,000 shares was issued to Lanstead as consideration for entering into the Sharing Agreements. A\$281,250 was received upon subscription with the balance of A\$1,593,750 invested by the Company in Sharing Agreements, to be returned in monthly instalments commencing in January 2016 (Tranche A) and May 2016 (Tranche B).

Share issued	Shares	\$
Shares issued on subscription to agreement	18,750,000	281,250
Value payment issued to Lanstead	8,000,000	-
Shares subject to sharing agreement	56,250,000	1,593,750
	83,000,000	1,875,000

Under the Sharing Agreement, monthly settlements are made based a five day volume weighted average price (VWAP) of the Company's shares relative to a benchmark price of \$0.033. If the market price of the Company's shares exceeds the benchmark price, a payment is made by Lanstead to the Company, with the amount of the payment depending on the amount by which the market price exceeds the benchmark price. If the market price of the Company's shares is less than the benchmark prices, then a payment is made by the Company to Lanstead, with the amount of the payment depending on the amount by which the market price is less than the benchmark prices.

The net amount due from Lanstead at 31 December 2016 is \$314,079. (30 June 2016: \$1,173,827) (Financial assets – current and non-current). The reconciliation of movements in derivative assets and liabilities and cash received to loss on derivative investments is shown as follows:

Reconciliation to loss on derivative investment	31 December 2016	30 June 2016
Cash received	404,727	474,700
Net movement in Lanstead Receivable	(38,322)	63,510
Net movement in derivative financial assets	(859,748)	1,173,827
Net movement in derivative financial liability	730,181	(875,562)
Net movement in issued capital	(459,824)	(971,458)
Loss on derivative investment	(222,986)	(134,983)

The market value of the Sharing Agreement has been valued at the Company's share price of \$0.020 as at 31 December 2016 relative to the benchmark price of \$0.033. This is a level two asset under AASB 13 Fair Value Measurement. The value of the future monthly Sharing Agreement settlements will vary with the Company's share price as follows:

	31 December 2016	30 June 2016
Increase in the Company's share price by 25% above the benchmark share price	\$26,016	\$26,016
Decrease in the Company's share price by 25% below the benchmark share price	(\$26,016)	(\$26,016)

The Derivative Financial Asset is revalued each month based on cash received and any recognised gain or loss is taken to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The monthly instalments conclude in November 2017.

5. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016	30 June 2016
	\$	\$
Costs brought forward	6,176,398	6,176,398
Costs incurred during the period	55,000	-
Expenditure written off during the period	-	-
Costs carried forward	<u>6,231,398</u>	<u>6,176,398</u>

Recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the areas of interest. Management reassess the carrying value of the Group's tenements at each half year, or at a period other than that, should there be an indication of impairment.

6. FINANCIAL LIABILITIES

	31 December 2016	30 June 2016
	\$	\$
Current for		
Unissued shares liability ⁽ⁱ⁾	-	11,281
Derivative financial liability ⁽ⁱⁱ⁾	145,379	733,560
Non-Current		
Derivative financial liability ⁽ⁱⁱ⁾	-	142,000
	<u>145,379</u>	<u>886,841</u>

(i) During the year ended 30 June 2016, a share placement liability arose due to work undertaken by a consultant and agreement was reached for the payment of these services through the issue of shares. A share placement to the consultant took place on 8 July 2016 through the issue of 460,423 shares at the placement price of \$0.025 per share for a total consideration of \$11,281.

(ii) Refer to Note 4 for further information.

7. ISSUED CAPITAL

	31 December 2016	30 June 2016
	\$	\$
Share capital		
418,876,418 (30 June 2016: 418,415,995) ordinary shares	31,336,148	30,873,793
	<u>31,336,148</u>	<u>30,873,793</u>

(a) Movements in ordinary share capital	Issue Date	Number of shares	Issue price	\$
1 July 2016 brought forward		418,415,995		30,873,793
Shares issued to consultant	08-07-16	460,423	\$0.025	11,281
Ongoing sharing agreement with Lanstead Capital LP - 6 of 18 instalments settled	**	**	**	459,824
Share issue costs		-		(8,750)
Balance as at 31 December 2016		<u>418,876,418</u>		<u>31,336,148</u>

** Refer to Note 4 for further information.

(b) Options and Performance Rights	Issue Date	Number of Options	Exercise price	Maturity
Unlisted Options and Performance Rights				
1 July 2015 brought forward		<u>8,000,000</u>	\$0.1996	12-11-17
Balance as at 31 December 2016		<u><u>8,000,000</u></u>		

No options were granted to Directors or key employees during the half year ended 31 December 2016.

8. CONTINGENT ASSETS AND LIABILITIES

The Group has provided guarantees totaling \$746,719 in respect of mining tenements and environmental bonds. These guarantees in respect of mining tenements are secured against deposits with the relative State Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

9. SEGMENT INFORMATION

The Group operates predominantly in one business and one geographical area, namely Australian mineral exploration, mining evaluation and development.

10. SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2016 requiring disclosure in or amendment to, these financial statements, apart from:

- Following a strategic review, Messrs David Coyne and James Koutsoukos of BRI Ferrier were appointed as liquidators to complete the winding-up process for a wholly subsidiary, Tungsten Resources Pty Ltd ("TRPL"). TRPL has no liabilities owing to external parties and all assets were transferred to the parent company, Carbine Tungsten Limited, prior to liquidation. This liquidation was finalised on 9 January 2017.

In accordance with a resolution of the Directors of Carbine Tungsten Limited, I state that:

In the opinion of the Directors:

- a) the financial statements and notes of the Company:
 - i) give a true and fair view of the Company's financial position as at 31 December 2016 and the performance for the half-year ended on that date; and
 - ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" 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.

On behalf of the Board



A J MORGAN
CEO and Managing Director
Melbourne, 16 March 2017



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carbine Tungsten Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carbine Tungsten Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Carbine Tungsten Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Carbine Tungsten Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Carbine Tungsten Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw attention to Note 1 in the half-year financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO

BDO Audit (NTH QLD) Pty Ltd

A handwritten signature in blue ink that reads 'g mitchell'.

Greg Mitchell

Director

Cairns, 16 March 2017

CARBINE TUNGSTEN LIMITED

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