

# Carbine Tungsten Limited

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



CARBINE TUNGSTEN

## Half Year Financial Report

31 DECEMBER 2014

# CORPORATE DIRECTORY

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## **DIRECTORS**

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

## **COMPANY SECRETARY**

David W. Clark

## **PRINCIPAL AND REGISTERED OFFICE**

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## **AUDITORS**

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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 2014.

## 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
Anthony E. Gordon	Non-executive Director (Resigned 10 November 2014)
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 2014 was a loss of \$2,348,141 (2013 – Half Year Loss \$2,126,011).

## REVIEW OF OPERATIONS

The first half of the 2014/2015 financial year has proven to be yet another highly productive and successful period for Carbine Tungsten Limited ("Carbine" or "the Company") with the achievement of a number of key milestones that have positively impacted upon the Company's future performance, value and productivity.

Information on the operations and financial position of the Group, its business strategies and prospects for future financial years is set out in the Review of Operations section of this report, however the major highlights of the period were:-

- Confirmation from Mitsubishi Corporation RtM Japan Limited ("Mitsubishi RtMJ") on 7 October 2014 that approval had been granted for a US\$15 million secured loan (including the prepayment fund of the previous US\$1 million loan) to fund Carbine's 12 million MT stockpile project.
- Mitsubishi RtMJ's President and CEO, Mr Kenji Tani, and other senior Mitsubishi RtMJ executives attend the Company's Annual General Meeting held in Melbourne on 12 November 2014. Carbine's single largest corporate shareholder, Mota-Engil, was also represented at the meeting by Mr Antonio Viera.
- Options rights issue fully subscribed as at 15 November 2014 generating \$645,227 in additional funds to strengthen the Company's cash position.
- Mine planning details for the open pit mine further defined during the period.

## FINANCIAL

The Company's cash position as at 31 December 2014 was \$1,097,197.

## SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2014 requiring disclosure in, or amendment to, these financial statements.

## 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 Cairns this 13th day of March 2015 in accordance with a resolution of Directors.



**RH Krause**  
Chairman

The first six months of the 2014/2015 financial year has marked another highly successful period for Carbine as it continues to make significant progress towards the re-development of its world class Hard Rock Tungsten Mining Project.

The following commentary provides an overview of the activities and milestones achieved during this period.

## FUNDING AND PROJECT UPDATE

### *LOW GRADE STOCKPILE PROJECT*

The notification from Mitsubishi RtMJ of their Board's approval for a US\$15 million secured loan (including the prepayment fund of the previous US\$1 million loan) for the first phase of the Mt Carbine Hard Rock Project marked a significant and positive turning point for the Company and its flagship Mt Carbine Tungsten Project.

This funding decision was the culmination of highly detailed and comprehensive technical and financial due diligence processes which were concluded in April 2014.

A management representative from Mitsubishi RtMJ has been appointed to participate on the Project Steering Committee and will re-locate to Cairns from Japan in the near future to monitor the project's development during its construction and ramp-up phases.

As at the date of this report the Board of Carbine are in the process of finalising the conditions precedent and cash drawdown requirements for the Mitsubishi RtMJ loan.

The Board would like to thank Mitsubishi RtMJ for their continued support and look forward to working closely with the Mitsubishi RtMJ team to ensure the project's success.

The Company has also been actively preparing engineering and construction package details for the Hard Rock Stockpile Project and has detailed the scope of works for award to a suitable engineering and construction management company. A number of suitable companies have been short-listed and discussions and commercial terms are currently under review.

The project is also set to benefit substantially from the effects of the falling Australian dollar on its operational and capital expenditure costs. Furthermore, the general mining downturn will benefit Carbine's forthcoming equipment purchase and construction phase through reduced delivery times and more competitive pricing from both equipment suppliers and construction contractors alike.

The use of a simple, historically proven gravity separation process combined with the existing infrastructure and brownfields nature of the Mt Carbine Project will result in a low risk and low cost development.

### *OPEN PIT PROJECT*

Carbine has also been highly active in advancing its plans both technically and commercially for the open pit re-development phase of the project, with two internationally relevant tungsten off-take and investment groups (under non-disclosure agreements).

In addition to this, a senior Mitsubishi RtMJ representative joined Carbine on a joint overseas visit for discussions regarding additional investment with an independent investment partner with particular interest in developing the open cut mining phase of the project.

Carbine wishes to thank Mitsubishi RtMJ for its co-operation and support in these holistic project developments and is pleased to see Mitsubishi's keen interest in assisting with supportive independent investment, not only securing their 80% production off-take rights from the stockpile phase but also supporting their further interests in 50% production off-take from the open pit phase of the project by way of promoting the project to other interested investment parties and stakeholders who wish to participate in the project's overall development.

The technical development of the operational mining plan is also underway to facilitate detailed economic and production projections and environmental planning. These detailed plans will also underpin and support funding and capital expenditure confidence.

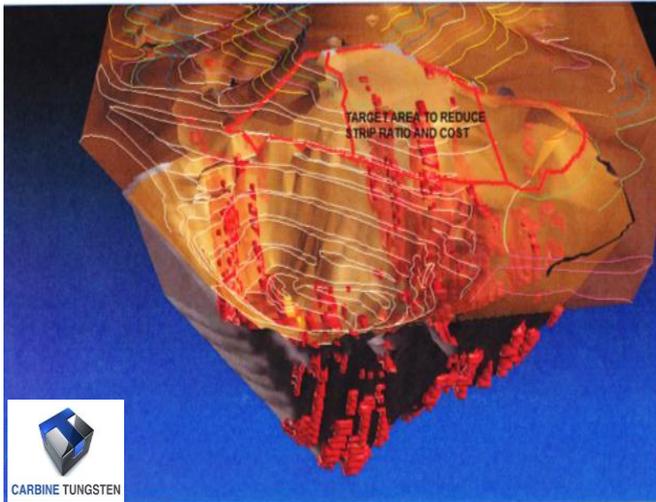
As at the date of this report these detailed discussions were continuing.

## TECHNICAL ACTIVITIES

### *MINERAL RESOURCE MODELLING*

Detailed mine planning commenced during the second half of 2014, with the first step being the preparation of the following geological plans and sections:-

- 58 bench level plans at 10m intervals;
- 69 Easting geological cross-sections;
- 51 Northing geological long-sections; and
- A study of the Ruby Zone as a means of providing high grade ore feed to the start-up ore sorting and milling process.



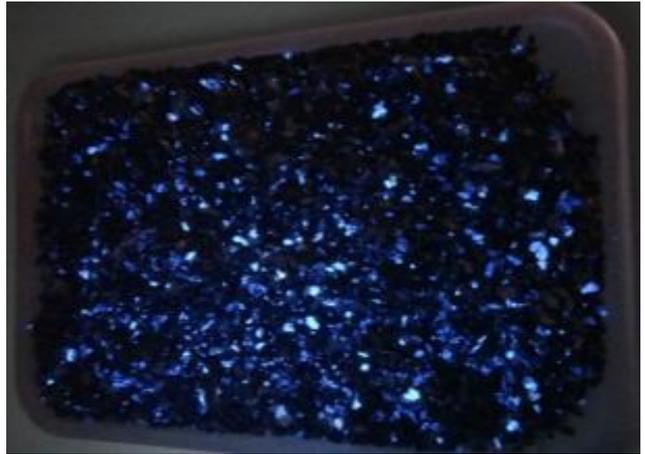
The above image is for the start of the open pit mining sequence of the Upper Ruby Zone benches of the existing pit.

- Existing excavated areas show broken ore on surface containing wolframite and visible cross-striking veins within exposed faces;
- Utilise existing 440mRL and 415mRL ramps;
- Shortest haul distance; and
- No immediate de-watering of the pit required.

**JIGGING TRIALS – LOW GRADE STOCKPILES**

Laboratory jig tests were conducted on a bulk 600kg sample from the low grade stockpile ore sorter accepts material obtained during the earlier ore sorter trials. Further tests on the jig products were conducted including:

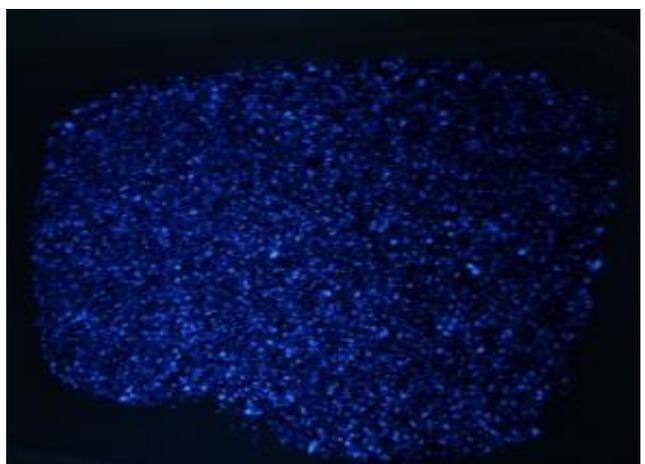
- Tabling tests;
- Flotation tests to remove deleterious material; and
- Magnetic separation tests to produce final saleable wolframite and scheelite concentrates.



Coarse -3mm jig concentrate under UV light show that the scheelite is present as liberated grains.



Medium -1mm + 0.3mm jigging concentrate under natural light.



Medium -1mm + 0.3mm jigging concentrate under UV light showing a large amount of scheelite.



Coarse -3mm jig concentrate under natural light.

**TAILINGS RETREATMENT PLANT**

The Tailings Retreatment Plant continues to provide an invaluable contribution towards the research and development activities of the Company through the various metallurgical work, jigging trials and ore sorting test work programs that have been performed since its inception.

One of the test work programs conducted during the September 2014 quarter involved the installation of a jig unit at the Mt Carbine mine site to undertake the following tests on the tailings material:

- The coarse (+0.2mm) particles recovered from the 2014 Tailings Retreatment Operation; and
- The in-situ tailings material (coarse and fine particles) within the TSF4 impoundment area.



Jig Test Work – Tailings Retreatment Operation

**FUTURE EXPLORATION ACTIVITIES**

***MT CARBINE, QUEENSLAND***

Iron Duke Prospect

Further exploration and sampling in EPM 14872 confirmed tungsten mineralisation along the mapped strike length (>1.5 km) of the strata bound Iron Duke prospect. The principal rock types in this prospect are discontinuous pillowed basalt lenses locally altered to a skarn mineral assemblage, and an adjacent, stratigraphically continuous chert horizon. The chert is strongly brecciated and scheelite mineralisation appears to have filled cavities in the broken chert, as well as appearing in the skarn alteration assemblage associated with altered basalt. Assays of samples taken from the surface exposures of the mineralised zone range from 0.06% WO<sub>3</sub> to 3.03% WO<sub>3</sub> and these 11 samples average 0.72% WO<sub>3</sub>. The significance of these assays will not be known until the prospect is drilled although this sampling confirms the potential for high grade tungsten mineralisation in the Iron Duke prospect (the average grade over an average true width of 8m in 6 drill holes that intersect the Iron Duke prospect in the adjacent ML 4867 is 0.32% WO<sub>3</sub>). Drilling is planned for 2015.

Petersens Lodes

The Petersens Lodes prospect is also a strata-bound zone of scheelite mineralisation that extends for 1.3km at the contact between deltaic sediments of the Hodgkinson Formation and the hornfelsed aureole that has been formed along the western boundary of the Carbine Granite intrusive (exposed east of the prospect), due to thermal metamorphism of the intruded sedimentary rocks. The prospect widens from 1-2m width at the southern end of its mapped extent to at least 40m where it is closest to Mt Carbine. The prospect consists of quartz vein and skarn hosted mineralisation developed in the deltaic sediments especially adjacent to discontinuous pillowed basalt lenses. No stratigraphic continuity has been established between the Iron Duke and Petersens Lodes prospects at this point. At the northern-most end of the Petersens Lodes prospect a 40m wide zone of skarn alteration has been rock chip sampled and averages 0.165% WO<sub>3</sub>.



**CORPORATE**

***COMPANY SECRETARY APPOINTMENT/RESIGNATION***

On 10 July 2014 the Board welcomed David Clark to the position of Company Secretary upon the resignation of Mr Tom Bloomfield on the same day.

Mr Clark’s appointment as Company Secretary complements his existing responsibilities as Chief Financial Officer, a position he was appointed to on 17 April 2014.

The Board thanked Mr Bloomfield for his dedication and service and wish him every success in his future endeavours.

**RESIGNATION OF NON-EXECUTIVE DIRECTOR**

Due to increased work commitments Mr Anthony Edward (Tony) Gordon chose not to stand for re-election at Carbine’s Annual General Meeting on 12 November 2014 and resigned as a Non-executive Director of the Company effective from 10 November 2014.

Mr Gordon’s resignation brings to an end his operational and technical association with the Company.

The Board of Carbine thanked Mr Gordon for his valuable contribution and wish him the very best in his future endeavours.

**CAPITAL RAISING ACTIVITIES**

The Company successfully raised \$645,227 from the exercise, in full, of 6,452,274 unlisted options with a strike price of \$0.10 and an expiry of 15 November 2014.

These options were issued on 15 November 2013 following the placement to sophisticated and professional investors on the basis of one (1) option for every two (2) shares taken up in the placement. That placement, also completed on 15 November 2013, raised \$709,750.

All holders within this allotment of options chose to exercise their entitlement to convert the options to ordinary shares. This provided additional funds to the Company in the sum of \$645,227 which helped to strengthen the Company’s cash position.

The Company would like to thank all the option holders and shareholders of the Company for their continued confidence and support.

**MITSUBISHI RTMJ’S CEO & EXECUTIVE TEAM ATTEND CARBINE’S ANNUAL GENERAL MEETING**

Carbine officially thanked the President and CEO, Mr Kenji Tani of Mitsubshi RtMJ, and other senior Mitsubishi RtMJ executives on 18 November 2014 for their support and attendance at the Company’s Annual General Meeting (“AGM”) held in Melbourne on 12 November 2014. Carbine also extended its thanks to Mr Antonio Vieira for representing the Company’s single largest corporate shareholder, Mota-Engil, at its AGM.



Photo Participants:-

Centre Left – Jim Morgan, CEO & Managing Director (Carbine)

Centre Right – Kenji Tani, President & CEO (Mitsubishi RtMJ)

Far Right to Left – Nobuharu Hirota, Division Head – Coal & Non Ferrous Metals (Mitsubishi Australia Ltd); Russell Krause, Non-executive Chairman (Carbine), Dai Yoshikawa, General Manager – Mt Carbine Project Office (Mitsubishi RtMJ); and Glenn Williams, Senior Manager - Non Ferrous Metals Department (Mitsubishi Australia Ltd)

**EXPIRY OF UNLISTED OPTIONS**

The following unlisted options expired without exercise on 17 November 2014:

- 450,000 unlisted options exercisable at \$0.14; and
- 950,000 unlisted options exercisable at \$0.19.

**TUNGSTEN MARKET OUTLOOK**

The tungsten market has remained relatively buoyant despite price reductions in a number of the bulk mining commodities. Recent World Trade Organisation (“WTO”) disputes over insufficient tungsten supplies from China appear not to have dramatically changed Chinese supply policies with respect to tungsten and the lack of economically realisable additional tungsten mine production from both within China and globally continue to appear extremely limited. Security of stable supplies from Russia, which is the world’s second largest tungsten producer, also appears uncertain.

Whilst tungsten consumption growth generally tracks to global GDP growth percentiles, its unique properties, long historical use and widespread indispensable industrial and strategic military use coupled with ongoing projected supply deficits are likely to continue to see tungsten’s value positively differentiated and increasing from most other bulk and some paradoxically termed “rare earth metals” commodities, which in relative geological terms, are in abundant supply compared to their present and future predicted demand. In contrast, tungsten is a truly geologically scarce metal.

Strategic stockpiles of tungsten in the USA are expected to be exhausted during 2015 and this scenario is also likely to support a strong and increasing tungsten price and continue new mine production demand going forward.

**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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Australia

## 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 2014, 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, appearing to read 'G. Mitchell', with a long horizontal flourish extending to the right.

Greg Mitchell

Director

A handwritten logo in blue ink that reads 'BDO' in a stylized, slightly irregular font.

**BDO Audit (NTH QLD) Pty Ltd**

Cairns, 13 March 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Half-year ended 31 December 2014

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	Note	31 Dec 2014 \$	31 Dec 2013 \$
REVENUE	2	26,902	679,030
Administration expenses		(216,777)	(251,269)
Consultant expenses		(607,472)	(448,121)
Depreciation expense		(471,574)	(472,392)
Development and testwork costs		(73,459)	(973,274)
Employee benefits expense		(669,652)	(503,447)
Exploration expenditure written-off		-	(9,660)
Finance costs		(21,787)	-
Foreign exchange loss		(164,129)	-
Loss on revaluation of investments		(42,281)	-
Occupancy Costs		(37,497)	(31,625)
Other expenses		(70,415)	(115,253)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		<b>(2,348,141)</b>	<b>(2,126,011)</b>
Income tax expense		-	-
<b>NET LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(2,348,141)</b>	<b>(2,126,011)</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(2,348,141)</b>	<b>(2,126,011)</b>
Basic loss per share		(0.008)	(0.007)
Diluted loss per share		(0.008)	(0.007)

The above statement should be read in conjunction with the accompanying notes

CARBINE TUNGSTEN LIMITED

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

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	Note	31 Dec 2014 \$	30 June 14 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,097,197	2,124,913
Trade and other receivables	3	31,348	56,218
Prepayments		98,818	40,012
<b>TOTAL CURRENT ASSETS</b>		<b>1,227,363</b>	<b>2,221,143</b>
<b>NON-CURRENT ASSETS</b>			
Tenement and other security deposits		844,696	861,546
Plant and equipment		4,422,332	4,892,385
Deferred exploration and evaluation expenditure	5	6,896,423	6,896,423
Other financial assets	4	7,219	49,500
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,170,670</b>	<b>12,699,854</b>
<b>TOTAL ASSETS</b>		<b>13,398,033</b>	<b>14,920,997</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		295,548	902,202
Borrowings		1,225,780	1,061,650
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,521,328</b>	<b>1,963,852</b>
<b>TOTAL LIABILITIES</b>		<b>1,521,328</b>	<b>1,963,852</b>
<b>NET ASSETS</b>		<b>11,876,705</b>	<b>12,957,145</b>
<b>EQUITY</b>			
Issued capital	6	29,077,478	27,812,168
Reserves		561,202	558,811
Accumulated losses		(17,761,975)	(15,413,834)
<b>TOTAL EQUITY</b>		<b>11,876,705</b>	<b>12,957,145</b>

The above statement should be read in conjunction with the accompanying notes

CARBINE TUNGSTEN LIMITED

# CONSOLIDATED STATEMENT OF CASH FLOWS

Half-year ended 31 December 2014

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	31 Dec 2014	31 Dec 2013
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payment to suppliers and employees	(1,106,121)	(2,488,856)
Other receipts	4,127	607,720
Interest received	19,611	2,757
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(1,082,383)</u>	<u>(1,878,379)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(1,583)	-
Proceeds on sale of plant and equipment	-	74,841
Proceeds on sale of investments	-	9,428
Expenditure on mining interests (exploration, mining)	-	(40,601)
Tenement and other security deposits	<u>(573,495)</u>	<u>5,000</u>
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	<u>(575,078)</u>	<u>48,668</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	645,227	709,750
Equity raising expenses	<u>(15,482)</u>	<u>(42,584)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>629,745</u>	<u>667,166</u>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>(1,027,716)</b>	<b>(1,162,545)</b>
Add opening cash brought forward	<u>2,124,913</u>	<u>1,464,162</u>
<b>CLOSING CASH CARRIED FORWARD</b>	<u><u>1,097,197</u></u>	<u><u>301,617</u></u>

The above statement should be read in conjunction with the accompanying notes

CARBINE TUNGSTEN LIMITED

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2014

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CONSOLIDATED	Attributable to the shareholders of Carbine Tungsten Limited				
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Non-controlling interest \$	Total Equity \$
<b>AT 1 JULY 2013</b>	26,965,917	(13,412,303)	559,882	5	14,113,501
Loss for the period	-	(2,126,011)	-	-	(2,126,011)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(2,126,011)	-	-	(2,126,011)
Transactions with owners in their capacity as owners:					
Issue of share capital	810,250	-	(5,833)	-	804,417
Share issue costs	(42,584)	-	-	-	(42,584)
<b>AT 31 DECEMBER 2013</b>	<b>27,733,583</b>	<b>(15,538,314)</b>	<b>554,049</b>	<b>5</b>	<b>12,749,323</b>
<b>AT 1 JULY 2014</b>	<b>27,812,168</b>	<b>(15,413,834)</b>	<b>558,811</b>	<b>-</b>	<b>12,957,145</b>
Loss for the period	-	(2,348,141)	-	-	(2,348,141)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(2,348,141)	-	-	(2,348,141)
Transactions with owners in their capacity as owners:					
Share based payments - employees	-	-	2,391	-	2,391
Issue of share capital	1,265,310	-	-	-	1,265,310
<b>AT 31 DECEMBER 2014</b>	<b>29,077,478</b>	<b>(17,761,975)</b>	<b>561,202</b>	<b>-</b>	<b>11,876,705</b>

The above statement should be read in conjunction with the accompanying notes

CARBINE TUNGSTEN LIMITED

## 1. BASIS OF PREPARATION OF THE HALF-YEAR 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 2014.

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 2014 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. Should the Company not be successful in raising additional funding by capital raisings or other alternative funding arrangements fail to eventuate, there is 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 cognisant of the fact that future development and administration activities are constrained by available cash assets, and believe future identified cashflows are sufficient to fund the short term working capital and forecasted exploration requirements of the Company.

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

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

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) 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.

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.

### (d) 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 2014.

## 2. REVENUE

	31 December 2014 \$	31 December 2013 \$
Interest received – other persons/corporations	25,298	2,095
Sale of Tungsten Concentrate	-	523,462
Fuel tax rebate	1,604	71,044
Other income	-	9,515
Gain on sale of non-current assets	-	72,914
	<u>26,902</u>	<u>679,030</u>

## 3. RECEIVABLES - CURRENT

	31 December 2014 \$	30 June 2014 \$
Refund for GST paid	29,039	47,618
Trade Receivables	-	724
Other	2,309	7,876
	<u>31,348</u>	<u>56,218</u>

## 4. OTHER FINANCIAL ASSETS

	31 December 2014 \$	30 June 2014 \$
Sovereign Gold Company Limited – shares	7,219	49,500
	<u>7,219</u>	<u>49,500</u>

Other financial assets noted above are securities of Companies listed on the Australian Securities Exchange (ASX) and are measured at market value at balance date.

## 5. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2014 \$	30 June 2014 \$
Costs brought forward	6,896,423	7,405,966
Costs incurred during the period	-	-
Expenditure written off during the period	-	(509,543)
Costs carried forward	<u>6,896,423</u>	<u>6,896,423</u>

6. ISSUED CAPITAL

(a) Movements in ordinary share capital	Issue Date	Number of shares	Issue price	\$
<b>1 July 2014 brought forward</b>		<b>296,745,179</b>		<b>27,812,168</b>
Shares issued from the exercise of options	**	6,452,274	\$0.10	645,227
Shares issued to Directors following approval by shareholders at the 2014 Annual General Meeting	10-12-14	4,500,000	\$0.12	540,000
Shares issued for consulting services	23-12-14	450,000	\$0.12	54,000
Shares issued under the Employee Share Scheme	23-12-14	250,000	\$0.12	30,000
Shares issued to satisfy bonus conditions of historical employee contracts	23-12-14	182,173	**	17,000
Share issue costs		-		(20,917)
<b>Balance as at 31 December 2014</b>		<b>308,579,626</b>		<b>29,077,478</b>

\*\* Various dates and prices

(b) Options and Performance Rights	Issue Date	Number of Options	Exercise price	Maturity
<b>Unlisted Options and Performance Rights</b>				
<b>1 July 2014 brought forward</b>		<b>7,852,274</b>		
Options exercised		(6,452,274)	\$0.10	15-11-2014
Options lapsed		(1,400,000)	**	17-11-2014
Options issued to Directors following approval by shareholders at the 2014 Annual General Meeting <sup>1</sup>	12-11-14	8,000,000	\$0.20	12-11-2017
<b>Balance as at 31 December 2014</b>		<b>8,000,000</b>		

\*\* Various prices

1. During the half year Directors received 8,000,000 equity settled unlisted options which were granted to Directors on 12 November 2014 following approval by shareholders at the 2014 Annual General Meeting. The options expire on 12 November 2017 unless exercised, have a strike price of \$0.20 and have no vesting conditions.

The fair value of the 8,000,000 equity settled unlisted options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The Options have been calculated using the following assumptions::

- (i) Risk free interest rate of 2.98%;
- (ii) Current Share price of \$0.11 as at valuation date being 25 September 2014;
- (iii) Dividend yield of 0%;
- (iv) Forecast volatility of 50%;
- (v) Option exercise price of \$0.20; and
- (vi) Option term of three (3) years.

The total value of these options was \$160,000 at the date that they were granted. No options were granted to Directors or key employees during the half year ended 31 December 2013.

## **7. CONTINGENT ASSETS AND LIABILITIES**

The Group has provided guarantees totaling \$722,000 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.

## **8. SEGMENT INFORMATION**

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

## **9. SUBSEQUENT EVENTS**

No event has occurred subsequent to 31 December 2014 requiring disclosure in, or amendment to, these financial statements.

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 2014 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

Cairns, 13 March 2015



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To the members of Carbine Tungsten Limited

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 2014, 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 2014 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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

## Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate 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.

BDO

**BDO Audit (NTH QLD) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'G. Mitchell', written over a horizontal line.

**Greg Mitchell**

**Director**

Cairns, 13 March 2015

# **CARBINE TUNGSTEN LIMITED**

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