

Carbine Tungsten Limited

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



CARBINE TUNGSTEN



Half Year Financial Report

31 DECEMBER 2013

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Tom Bloomfield

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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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DIRECTORS' REPORT

Your Directors submit their Report for the half year ended 31 December 2013.

DIRECTORS

A change in Directors occurred shortly before the period of this Report. 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
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 2013 was a loss of \$2,126,011 (2012 – loss \$3,840,702).

REVIEW OF OPERATIONS

The first half of the 2013/2014 financial year has been a very productive and busy period for Carbine Tungsten Limited ("Carbine" or "the Company") with the achievement of a number of key milestones and improvements that have positively impacted upon the Company's future performance, value and productivity.

As announced on 3rd February 2014 Mitsubishi Corporation RtM Japan Ltd ("Mitsubishi RtMJ") has provided a US \$1M loan to Carbine secured against a 2.7 percent shareholding in Carbine's wholly owned subsidiary company, Tungsten Resources Pty Ltd, which holds the Mt Carbine Hard Rock Project's rights. These loan funds were received in early February 2014 (and are not included in the financial accounts below). The funds will be utilised to provide interim funding to complete priority works and maintain progress on certain engineering works for the Hard Rock Stockpile Project. It has also allowed for the critical path works to continue and detailed technical design and development tasks to be progressed as a precursor to Mitsubishi RtMJ's stated planned intention to provide additional funding for the stockpile phase of the Mt Carbine Hard Rock Project.

Finalising both the technical and commercial details of the Hard Rock Stockpile Project with Mitsubishi RtMJ has been a focus for Carbine and their senior management. Our technical team has made two recent trips to Tokyo to work in close co-operation with Mitsubishi RtMJ's commercial and technical project task force that has been specifically established to work on the Mt Carbine Hard Rock Stockpile Project.

Carbine has also engaged additional senior technical staff to assist with and accelerate the Project's engineering development. This detailed design and engineering work is based upon past and recent metallurgical test work and past long term recorded operational data. Work is progressing well and has confirmed the viability of the Hard Rock Stockpile Project.

Carbine is also in advanced discussions with a number of prominent investment and debt funding groups to provide funding for additional Project development activities such as exploration for the Iron Duke open-pit extensions and the Petersen's Lode deposits and Project peripheral items associated with the overall Hard Rock Project development. These discussions have progressed to the preliminary term sheet stage and Carbine's management are negotiating detailed terms and conditions with these debt funding groups.

Carbine has recently lodged its annual research and development ("R&D") tax reimbursement, associated with its tailings retreatment operations. As experienced in the past three financial years, 2010 through to 2013, a successful R&D tax reimbursement of significant quantum is expected to support the Company's cash flow position in the near future. Carbine continues its ongoing R&D activities at its tailings retreatment production facility and has recently mobilised wet high intensity magnetic separation (WHIMS) equipment to the site for a trialling campaign to improve the overall recovery of its tailings retreatment processing plant. This initiative follows on from earlier lab test work conducted in late 2013 and past successful operations of magnetic separation in the historical full scale open-pit operations during the 1980's.

The tungsten market demand continues to be strong and the Company has noted a significant increase in enquiries for its current concentrate and longer term off-take interest from various reputable customers for supply. Tungsten remains a scarce and highly strategic industrial and military metal. Tungsten demand and pricing may well benefit from recently announced significant increases in the military budgets of a number of the Asia region countries as evidenced historically in similar increased military expenditure cycles.

DIRECTORS' REPORT

The Company continues to make steady and solid progress on its development plans and the critical path Project deliverables on its world class, low risk, low cost, brown fields, hard rock tungsten mining project and continues to strengthen its co-operative and long term working relationship with its major funding and off-take partner Mitsubishi RtMJ.

Further information on the operations and financial position of the Group, its business strategies and prospects for future financial years is set out in the next sections of this Report, however the major highlights of the period were:-

- The awarding of Environmental Authority ("EA") for EPML00956913 in August 2013 for the annual processing of up to 3 million tonnes of Hard Rock stockpiles. The awarding of this EA was also seen as a critical step towards securing \$15 million in Project funding from Mitsubishi RtMJ as outlined in the Memorandum of Understanding ("MOU") signed in February 2013.
- Showcasing the Mt Carbine Project to approximately 80 international tungsten investors and delegates from the International Tungsten Industry Association ("ITIA") Conference on 26 September 2013.
- Completion of run-off water drainage diversion works for environmental and operational compliance during the September 2013 quarter.
- The discovery of potential mineralisation at the Iron Duke and Petersen's Lode prospects during detailed surface geological mapping within a 3km radius of the existing open-pit mine.
- The completion of a successful fund raising campaign in November 2013 to enable the Company to further advance its Hard Rock stockpile and open-pit development programs.
- Final approvals received from the Department of Environment and Heritage Protection ("DEHP") in December 2013 for the Plan of Operations associated with the stockpile processing phase of the Company's Hard Rock Project.

FINANCIAL

The Company's cash position as at 31 December 2013 was \$301,617.

SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2013 requiring disclosure in, or amendment to, these financial statements, apart from:

1. ASX announcement on 3 February 2014 advising that the Company had secured US\$1 Million debt funding from off-take partner Mitsubishi RtMJ for its Hard Rock Project development.

AUDITOR'S 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 2014 in accordance with a resolution of Directors.



RH Krause
Chairman

REVIEW OF OPERATIONS

The first six months of the 2013/2014 financial year has marked another highly successful period for Carbine as it continues to make significant progress towards the 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.

HARD ROCK PROJECT

FUNDING

Carbine continues to strengthen its relationship with Mitsubishi RtMJ following a visit by their President, Mr Kenji Tani, and other senior delegates to the Mt Carbine mine site in July 2013.

The purpose of this visit was to allow for further due diligence activities to be undertaken by Mitsubishi RtMJ following the signing of the MOU in late February 2013 which outlined their intention to provide up to \$15 million in Project level funding.

This was followed by a further visit by Mitsubishi RtMJ's senior commercial and technical teams in late December 2013 for the sole purpose of progressing the MOU, interim loan and stockpile project funding facility to detailed legal and commercial documentation stage.

As a direct result of these discussions Carbine was pleased to announce on 3 February 2014 that it had signed a US\$1 million Loan Agreement with Mitsubishi RtMJ which was secured against 2.7% in Project level equity. These funds would be used for environmental and engineering work for the stockpile processing phase of the Hard Rock Project.

In addition to this, Carbine had also agreed to an extension of the MOU signed with Mitsubishi RtMJ in February 2013 that outlined their intention to provide further funding through debt or equity as well as Mitsubishi RtMJ retaining the rights to 80% off-take of the production from the stockpiles and 50% from the open-pit.

The Board looks forward to continuing to work closely with Mitsubishi RtMJ as it continues to progress its development plans to unlock the value within its world class tungsten Project.

During this period Carbine's Board has also significantly advanced discussions with separate supportive debt funding groups to detailed commercial documentation stage.

ENVIRONMENTAL APPROVALS

Following the submission of its Environmental Management Plan to the DEHP on 14 March 2013, Carbine was pleased to announce that it had achieved a significant milestone in its transition from tailings retreatment to Hard Rock production, with the DEHP issuing the Environmental Authority for EPML00956913 in August 2013.

This EPML covers the existing tungsten stockpiles that form part of the Hard Rock Project which have an estimated mine life potential of ~5 years with an annual processing capacity of 3 million tonnes per annum or ~8 years if an annual processing capacity of 1.5 million tonnes per annum is adopted.

HARD ROCK STOCKPILES

Final approval was received from DEHP in December 2013 for the Plan of Operations associated with the tungsten stockpile processing phase of the Company's Hard Rock Project.

This approval included a processing capacity of up to 3 million tonnes per annum and was the final approval required before the commencement of construction and operation of the new Hard Rock processing facility for the extraction of ore from 12 million tonnes of Hard Rock stockpiled tungsten material.

In addition to the Company's current tailings reclamation facility, this approval will allow Carbine to significantly increase production capacity and advance its objective of becoming a major tungsten supplier.

The Board believes that given the global tungsten supply shortage and growing tensions around traditional Asian tungsten supply sources, Mt Carbine is well positioned due to it having a ready supply of tungsten concentrates from its historically proven, large scale mine. This provides Carbine with a realistic and significant global advantage of becoming a leading low cost, low risk, long term, free market tungsten supplier.



12 Mt of Stockpiled Tungsten Material, Mt Carbine

ENVIRONMENTAL MANAGEMENT

Run-off water drainage diversion works were completed at the Mt Carbine site during the September 2013 quarter as part of the Company's Project development and environmental compliance requirements.

REVIEW OF OPERATIONS

These works were designed to cater not only for current activities but also future developments associated with the Hard Rock Project.

TAILINGS RETREATMENT PLANT

The Company's research and development Tailings Retreatment Project has continued to produce and supply high grade tungsten concentrate for export to Mitsubishi RtMJ and further initiatives to improve the production and economics of this Project are continuing.

ITIA SITE VISIT

Carbine was delighted to be selected by the ITIA to showcase the Mt Carbine Project as part of its annual conference held in Australia during September 2013.

Following this conference an extremely successful site tour was conducted on 26 September 2013 with ~80 attendees from major tungsten investment groups and other interested parties from 12 countries representing the metal investment, industrial, materials trading and commodity information sectors.



ITIA Delegates Inspect Tungsten Stockpiles, Mt Carbine

The interest Carbine received during the site tour and ITIA Conference was extremely encouraging, and highlighted to the Board that the Company's strategy to increase production through the development of its Hard Rock Project has the potential to meet the strong demand from global tungsten users.

FUTURE PROSPECTS & EXPLORATION ACTIVITIES

MT CARBINE, QUEENSLAND

During November 2013, Carbine was pleased to report on the exploration progress made at the priority tungsten prospects proximal to the existing open-pit mine at the Mt Carbine Tungsten Project in Far North Queensland. Previously, Carbine had identified three prospective target areas proximal to its existing operations (see Figure 1) that are subject to ongoing exploration activity.

Recent detailed surface geological mapping within a radius of 3km of the existing open-pit has provided further confirmation of potential mineralisation at the Iron Duke and Petersen's Lode prospects. These prospects are located within the existing Mining Lease or in the adjacent EPM 14872 held by Carbine.

Background

The northern-most prospect, Iron Duke, remains largely untested except immediately adjacent to the existing open-pit, where 6 drill holes returned high-grade assays over an average true width of 8m and a weighted average grade of 0.33% WO₃. There is a single record of production from the southern prospect, Petersen's Lode, of 960 tonnes of ore with a grade of 0.6% WO₃ being sold. The geological mapping program is continuing with the Iron Duke prospect remaining open along strike to the north.

Mt Carbine has an Indicated Resource of 12Mt at 0.075% WO₃ in stockpiles at surface, and 18Mt at 0.14% WO₃ (using a cut-off of 0.05%WO₃) in the planned open-pit mine. The dominant tungsten mineral in these two resources is wolframite (iron tungstate). The prospects identified from old workings, and from the recent mapping, are dominated by the tungsten mineral scheelite (calcium tungstate).

Financing is currently being negotiated for the construction of a plant to process the surface tungsten stockpiles, and this will include a component to fund the drill testing program for the potentially high grade prospects being targeted.

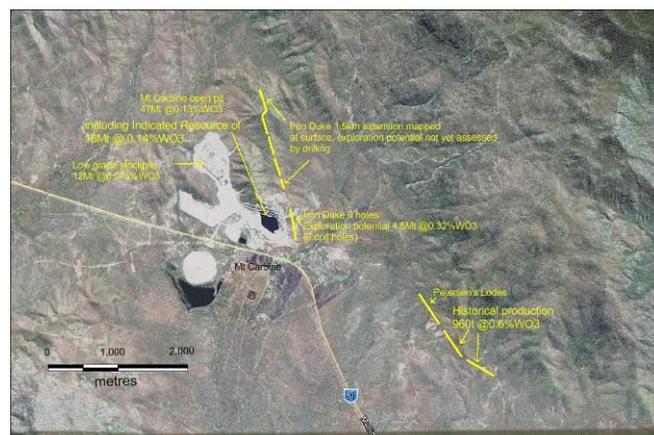


Figure 1

Iron Duke Prospect

The potential of the Iron Duke prospect was recognised after the scheelite-dominated mineralised zone was intersected in 6 core holes that formed part of confirmatory drilling of the wolframite-dominated resource beneath the present open-pit. The holes were drilled from east of the pit and intersected the Iron Duke zone at depths below 100m from surface.

The surface area above the Iron Duke zone is covered by mineralised waste dumps from the previous mining operation, and without removing these dumps there is no opportunity to sample any surface exposures.

REVIEW OF OPERATIONS

However, in the recent detailed surface geological mapping exercise, the package of rocks that contains the Iron Duke mineralisation was recognised two hundred metres north of the drill intercepts and followed for 1.5km to the north. A zone with an average width exceeding 20m in surface exposures strikes north for a distance of 1.7km from the drill intercepts. Scheelite and minor wolframite have been found in an outcrop of the zone over the entire strike length.

Petersen's Lode

Petersen's Lode consists of a semi-continuous exposure of a mineralised zone that has a strike length of 1.2km. The zone is widest (60m) at its northern end approximately 1.7km south east of Mt Carbine and continues to the south east but narrows so that 3km south east of Mt Carbine it averages 2-3m width in old workings that date from the 1970's. A sample taken over 20m at the northern end of the lode assayed 0.2% WO₃.

The grades indicated in sampling of the Iron Duke and Petersen's Lode are higher than the estimated global average grade in the present open-pit resource.

Even though the Company is currently focused on planned development activities for the stockpile processing phase of the Hard Rock Project, it was encouraging to receive further confirmation of the exploration upside in very close proximity to the open-pit mine.

Carbine has a substantial existing JORC resource base, and the Company will continue to target the priority exploration prospects to better define the potential resource upside.

RESOURCE STATEMENT COMPLIANCE

The Company released detailed reports on 22 November 2013, 4 December 2013 and 13 January 2014 for the purpose of rendering its existing resource statement compliant with the 2012 JORC Code for the Reporting of Mineral Resources and Ore Reserves.

These reports can be viewed by following the below link:-

<http://www.carbinetungsten.cm.au/ctasx>

CORPORATE

CAPITAL RAISING ACTIVITIES

A successful capital raising campaign was undertaken in November 2013 whereby 12,904,546 ordinary shares at 0.055 cents per share were placed with sophisticated investors. The placement also carried one unlisted option for every two shares taken up with a term of 12 months and a strike price of 10 cents.

This funding has been used primarily to progress those activities associated with the permitting and approvals for the recommencement of mining activities at the former open-pit tungsten mine, as well as general working capital.

EXPIRY OF UNLISTED OPTIONS

1,500,000 unlisted options exercisable at \$0.34 expired without exercise on 30 November 2013.

TUNGSTEN MARKET OUTLOOK

The general consensus at the ITIA Conference was that tungsten supply levels had reached a critical point whereby tungsten production would need to increase by 4% to 6% per annum to meet future demand. This was akin to an operation the full production scale of Mt Carbine coming on-line each year.

The increasing market demand and resultant shortage of tungsten supply is a strong predictor that tungsten pricing will likely remain strong and grow stronger going forward.

The Board of Carbine believes that as the number of globally available alternative tungsten mining projects continues to diminish, due to either delayed regulatory approvals, economic or technical viability difficulties, the Mt Carbine Project will continue to stand out as a compelling world class tungsten supply source with realistic near and long term production capabilities.

COMPETENT PERSONS' STATEMENT

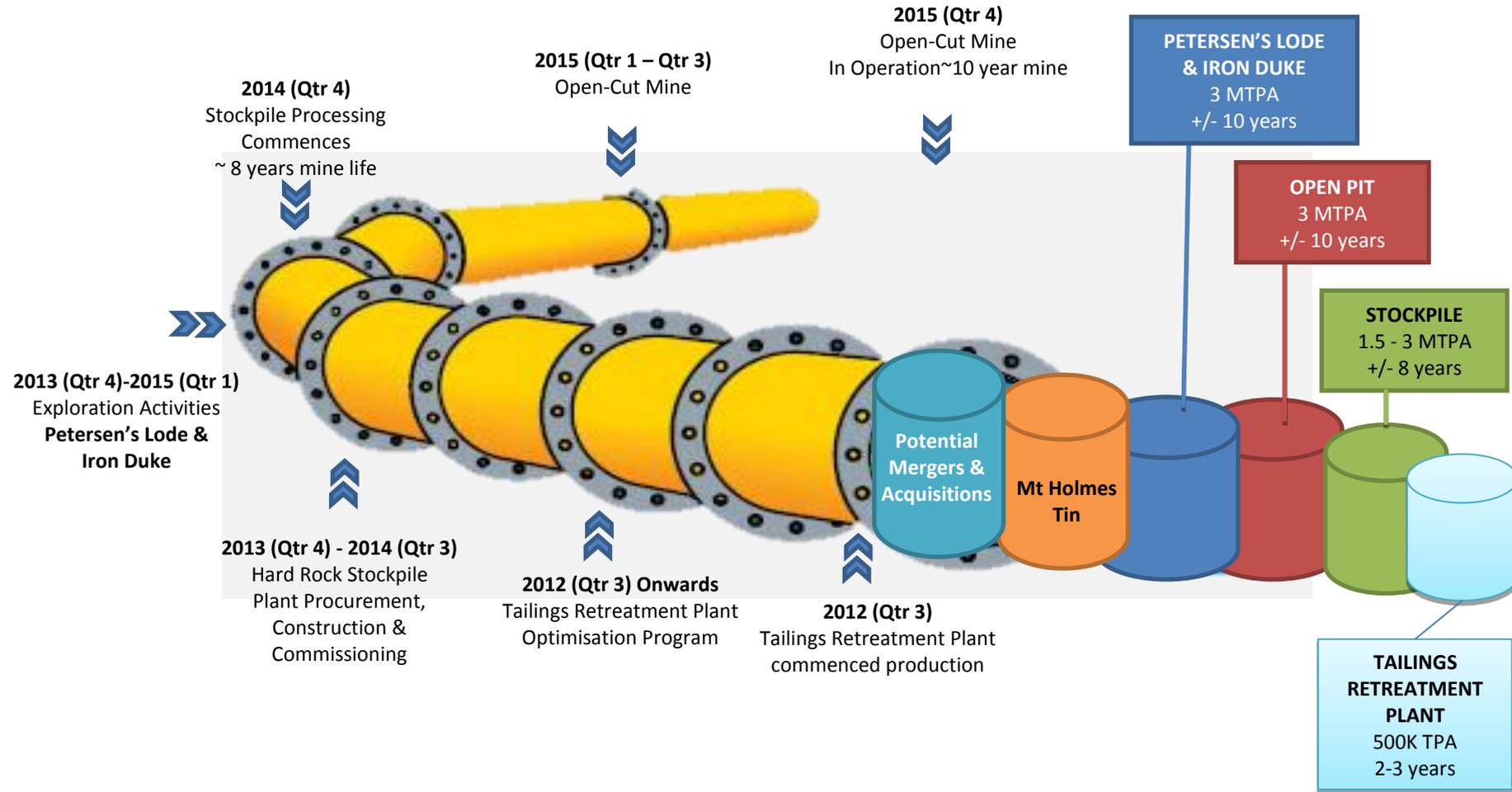
The information in this Report that relates to Exploration Results and Mineral Resources and Ore Reserves is based on information compiled by Dr Andrew White, who is a Fellow of the Australian Institute of Geoscientists and a consultant to Carbine. Dr White has sufficient experience relevant to the style 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.



CARBINE TUNGSTEN

REVIEW OF OPERATIONS

“HARD ROCK” PROJECT PIPELINE





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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 2013, 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.

Greg Mitchell
Director

BDO Audit (NTH QLD) Pty Ltd
Cairns, 14 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-year ended 31 December 2013

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	Note	31 Dec 2013 \$	31 Dec 2012 \$
REVENUE	2	679,030	845,188
Administration expenses		(288,712)	(485,831)
Consultant expenses		(236,569)	(194,135)
Depreciation expense		(7,903)	(12,137)
Employee benefits expense		(66,394)	(195,785)
Exploration expenditure written-off	5	(9,660)	(10,683)
Loan impairment expense		-	(300,000)
Loss on revaluation of investments		-	(988,625)
Mt Carbine Operations	9	(2,137,657)	(2,494,978)
Other expenses		(58,146)	(3,716)
LOSS BEFORE INCOME TAX EXPENSE		(2,126,011)	(3,840,702)
Income tax expense		-	-
NET LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(2,126,011)	(3,840,702)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(2,126,011)	(3,840,702)
Basic loss per share		(0.007)	(0.014)
Diluted loss per share		(0.007)	(0.014)

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

CARBINE TUNGSTEN LIMITED

Consolidated Statement of Financial Position

as at 31 December 2013

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	Note	31 Dec 2013	30 June 13
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		301,617	1,464,162
Trade and other receivables	3	96,656	167,015
Stock on hand		145,730	134,011
Prepayments		43,785	43,700
TOTAL CURRENT ASSETS		587,788	1,808,888
NON-CURRENT ASSETS			
Tenement and other security deposits		273,301	282,081
Plant and equipment		5,374,122	5,726,725
Other financial assets	4	156,737	166,987
Deferred exploration and evaluation expenditure	5	7,405,966	7,405,966
TOTAL NON-CURRENT ASSETS		13,210,126	13,581,759
TOTAL ASSETS		13,797,914	15,390,647
CURRENT LIABILITIES			
Trade and other payables		1,048,591	1,277,146
TOTAL CURRENT LIABILITIES		1,048,591	1,277,146
TOTAL LIABILITIES		1,048,591	1,277,146
NET ASSETS		12,749,323	14,113,501
EQUITY			
Issued capital	6	27,733,583	26,965,917
Reserves		554,049	559,882
Accumulated losses		(15,538,314)	(13,412,303)
Non-controlling interest		5	5
TOTAL EQUITY		12,749,323	14,113,501

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 2013

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	31 Dec 2013	31 Dec 2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers and employees	(2,488,856)	(2,100,109)
Receipts from Customers	607,720	828,530
Interest received	2,757	16,658
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,878,379)	(1,254,921)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	-	(309,245)
Proceeds on sale of plant and equipment	74,841	-
Proceeds on sale of investments	9,428	-
Loans provided/repaid	-	(322,293)
Expenditure on mining interests (exploration, mining)	(40,601)	(115,321)
Tenement and other security deposits	5,000	(81,400)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	48,668	(828,259)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	709,750	2,135,000
Equity raising expenses	(42,584)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	667,166	2,135,000
NET INCREASE (DECREASE) IN CASH HELD	(1,162,545)	51,820
Add opening cash brought forward	1,464,162	975,085
CLOSING CASH CARRIED FORWARD	301,617	1,026,905

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 2013

CONSOLIDATED	Attributable to the shareholders of Carbine Tungsten Limited				
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Non- controlling interest \$	Total Equity \$
AT 1 JULY 2012	24,239,992	(8,465,704)	554,049	5	16,328,342
Prior period adjustment	-	(82)	-	-	(82)
Loss for the period	-	(3,840,702)	-	-	(3,840,702)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(3,840,702)	-	-	(3,840,702)
Transactions with owners in their capacity as owners:					
Cost of share based payments	-	-	90,000	-	90,000
Issue of share capital	2,260,000	-	-	-	2,260,000
AT 31 DECEMBER 2012	26,499,992	(12,306,488)	644,049	5	14,837,558
AT 1 JULY 2013	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)
AT 31 DECEMBER 2013	27,733,583	(15,538,314)	554,049	5	12,749,323

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

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 2013.

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 2013 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 2013.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

2. REVENUE FROM ORDINARY ACTIVITIES

	31 December 2013 \$	31 December 2012 \$
Interest received – other persons/corporations	2,095	16,658
Sale of Tungsten Concentrate	523,462	715,811
Fuel tax rebate	71,044	74,719
Other income	9,515	3,000
Gain on sale of non-current assets	72,914	35,000
	<u>679,030</u>	<u>845,188</u>

3. RECEIVABLES - CURRENT

	31 December 2013 \$	30 June 2013 \$
Interest receivable	-	867
Refund for GST paid	77,936	66,698
Trade Receivables	2,604	27,231
Other	16,116	72,219
	<u>96,656</u>	<u>167,015</u>

4. OTHER FINANCIAL ASSETS

Spencer Resources Limited – shares	2,050	12,300
Sovereign Gold Company Limited – shares	154,687	154,687
	<u>156,737</u>	<u>166,987</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.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

5. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	\$	\$
Costs brought forward	7,405,966	7,293,945
Costs incurred during the period	9,660	123,335
Expenditure written off during the period	<u>(9,660)</u>	<u>(11,314)</u>
Costs carried forward	<u><u>7,405,966</u></u>	<u><u>7,405,966</u></u>

6. ISSUED CAPITAL

(a) Movements in ordinary share capital	Date	Number of shares	Issue price	\$
1 July 2013 brought forward		281,936,594		26,965,917
Shares issued under a placement for consulting services	31-10-2013	539,859	\$0.083	45,000
Shares issued under a placement	15-11-2013	12,904,546	\$0.055	709,750
Shares issued under a placement for consulting services	30-12-2013	453,356	\$0.055	26,200
Shares issued to satisfy bonus conditions of historical employee contracts	30-12-2013	510,824	**	29,300
Share issue costs		-		<u>(42,584)</u>
Balance as at 31 December 2013		<u><u>296,345,179</u></u>		<u><u>27,733,583</u></u>

** various issue prices

(b) Options and Performance Rights	Issue Date	Number of Options	Exercise price	Maturity
Unlisted Options and Performance Rights				
Options issued free under Company's ESOP	16-12-2009	450,000	\$0.15	17-11-2014
Options issued free under Company's ESOP	16-12-2009	950,000	\$0.20	17-11-2014
Options issued free attaching under a placement	15-11-2013	6,452,273	\$0.10	15-11-2014
Performance Rights issued	07-12-2012	2,400,000		
Performance Rights exercised	13-05-2013	<u>(1,000,000)</u>		
Balance as at 31 December 2013		<u><u>9,252,273</u></u>		

7. CONTINGENT ASSETS AND LIABILITIES

The Group has provided guarantees totaling \$133,000 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. The Group has started to export tungsten concentrate obtained from its Tailings Retreatment Plant to a Japanese buyer, Mitsubishi Corporation RtM Japan (Mitsubishi RtMJ) and they have an agreement to take all the production for the immediate future.

9. MT CARBINE OPERATIONS

Mt Carbine operations	<u>2,137,657</u>	<u>2,494,978</u>
	<u>2,137,657</u>	<u>2,494,978</u>

Direct costs in the operations of the Mt Carbine tailings re-treatment plant during the period. The pre-feasibility study was completed during the prior period so costs are no longer able to be capitalised under AASB6 Exploration for and Evaluation of Mineral Resources.

10. SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2013 requiring disclosure in, or amendment to, these financial statements, apart from:

1. ASX announcement on 3 February 2014 advising that the Company secured US\$1 Million debt funding from off-take partner Mitsubishi RtMJ for Hard Rock Project Development.

DIRECTORS' DECLARATION

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 2013 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, 13th March 2014



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INDEPENDENT AUDITOR'S REVIEW REPORT

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 2013, 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 2013 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 2013 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

Greg Mitchell
Director

Cairns, 14 March 2014

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