# Carbine Tungsten Limited

ABN: 77 115 009 106 (ASX: CNQ)

# 2014 Annual Report

# CORPORATE DIRECTORY

**Directors**

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

**Company Secretary**

David Clark *(Appointed 10 July 2014)*

Tom Bloomfield *(Resigned 10 July 2014)*

**Registered Office**

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**Share Register**

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Telephone (internationally): +61 (0)3 9415 4000

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25-27 Aplin Street

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**Stock Exchange Listing**

Listed on the Australian Securities Exchange (ASX)

ASX Code: CNQ

**ABN:** 77 115 009 106

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# CHAIRMAN'S REPORT

Dear Shareholders,

We have all endured another difficult year in the life of financial markets, particularly in the small and mid-cap mining sector with several of those companies disappearing from the ASX listings as a result. We have also seen many of the base commodity prices tumble and general investor confidence continue to erode and we are seeing the Australian dollar under a continued downward trend. Yet, in this climate of uncertainty, your Board is happy to report that your Company, Carbine Tungsten Limited, has managed to increase shareholder value through an increased share price and has made significant headway in increasing the value of its Mt Carbine tungsten project and securing funding package options that will allow the Company to progressively develop the Mt Carbine mine in a manner which should continue to add further value to the Company and its shareholders.

In March of this year our CEO, Jim Morgan, announced that Mitsubishi Corporation RtM Japan Ltd (Mitsubishi) successfully completed their due diligence program on our project and gave it a resounding "thumbs up". This was after exhaustive test work and numerous site visits by Mitsubishi personnel and regular visits to Japan by members of our own Management and Technical team. We have now also finalised terms and conditions with Mitsubishi and we are awaiting formalisation of these arrangements by the respective Boards of each of our Company's which we expect to conclude in the near term.

Whilst your Board have committed significant time toward concluding the Mitsubishi arrangements and test work, this is not the only off-take and funding arrangement which has been under active review. The Board has reviewed alternative funding opportunities and currently is in advanced stages of review with three other significant Tungsten market participants. Whilst this process is taking longer than anticipated, your Board is confident it will be in a position to finalise and announce a completed funding package in the near term.

There have also been two significant senior personnel appointments made during the course of the year. These appointments have been made to strengthen our team and place us in a stronger position to reawaken the Mt Carbine mine. Mr Jovo Basic, a Senior Metallurgist, was appointed in April 2014. Aside from his strong technical background, Jovo has the advantage of having worked on the Mt Carbine mine when it was operating in the late eighties. We have also added Mr David Clark to our team as Company Secretary and Financial Officer. David has many years of Public Company accounting and Company Secretarial experience. The addition of Jovo and David adds depth and experience and complements the talents of our current Board and Management team. We extend a warm welcome to both Jovo and David.

During the course of the year we have continued to work hard on the development and stream lining of our processes to ensure the successful implementation and delivery of mining operations at Mt Carbine upon finalisation of funding arrangements. We have paid the Environmental Bonds and have continued on with the various permitting arrangements which are a necessary precursor to mine development. We have continued with our Research and Development at our tailings retreatment plant and successfully received our R & D tax return.

This R & D work has your Company well positioned to implement the development of the Mt Carbine project upon the near term finalisation of its funding arrangements.

Once again, on behalf of your Board, I would like to thank all shareholders for your continued support and assure you we are working tirelessly to implement the development of your Company's outstanding world class Tungsten assets to create as much shareholder value as possible.

I would also like to thank my fellow Board members, the management, our staff and supportive contractors of the Company for their dedication and hard work in advancing and strengthening your Company's value and future prospects.

Thank you,

Russell Krause
Chairman

# REVIEW OF OPERATIONS

The 2013-2014 financial year has marked another highly active period for Carbine Tungsten Limited ("Carbine" or "the Company") as it strives to deliver on its key objective of becoming a significant long term tungsten producer from its world class, low cost, low risk, brownfields tungsten mine in Far North Queensland.

The following commentary provides an overview of the activities of the Company from the successful site visit undertaken by the President of Mitsubishi Corporation RtM Japan Ltd ("Mitsubishi RtMJ") in July 2013 to the attainment of significant milestones within the funding negotiation process for the hard rock stockpile and open-pit development phases of the Mt Carbine Project.

## HARD ROCK PROJECT

### *FUNDING*

The relationship between Carbine and Mitsubishi RtMJ continues to strengthen with a number of visits being undertaken by their senior management team to the Mt Carbine mine site in 2013.

The first visit took place in July 2013 whereby senior delegates of Mitsubishi RtMJ were accompanied by the Company's President, Mr Kenji Tani, to undertake further due diligence activities following the signing of the Memorandum of Understanding ("MOU") in late February 2013. This was followed by a further visit in late December 2013 by Mitsubishi RtMJ's senior commercial and technical teams for the sole purpose of progressing the MOU, interim US$1 million loan agreement and low grade stockpile 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 has 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 low grade stockpile processing phase of the Hard Rock Project. In addition to this, Carbine had also agreed to an extension of the MOU signed in February 2013 that outlined Mitsubishi RtMJ's intention to provide further funding through debt or equity as well as retaining the rights to 80% off-take from the low grade stockpiles and 50% from the open-pit.

The Board were also pleased to announce the successful completion of the technical due diligence phase of the funding negotiations with Mitsubishi RtMJ in April 2014. The completion of this phase of the negotiation process was seen by Carbine as a critical step towards securing US$15 million in project level funding for the low grade stockpile phase of the Company's Hard Rock Project. Furthermore, the Board believed it also endorsed the Company's plans to re-awaken its globally significant, low cost, historically proven, brownfields tungsten mine in Far North Queensland.

Carbine wishes to thank both Mitsubishi RtMJ and its independent consultants for completing the due diligence process and for its continued support of the project through the provision of the interim US$1 million loan in February 2014.

The Board looks forward to continuing to work closely with Mitsubishi RtMJ as it continues to finalise the terms and conditions of the off-take agreement, loan agreement and security deed for the low grade stockpile funding package.

In conjunction with these negotiations Carbine has also been highly active in progressing additional off-take options and funding arrangements with a number of other tungsten end-users and marketers for the unallocated balance of its future production.

As part of these negotiations Carbine's senior management, under a mutual confidentiality agreement, visited the international hub and manufacturing facilities of one of the world's largest tungsten component and tooling manufacturers in late June 2014. Detailed technical and commercial discussions were undertaken to confirm off-take quality parameters as well as exploring the potential for supportive funding to be provided for the Mt Carbine Project. Concentrate samples based on Carbine's processes are planned to be made available for testing using the customer's APT process.

At the time of preparing this report the Board were still in detailed discussions with the above parties.

### *ENVIRONMENTAL APPROVALS*

Following the submission of its Environmental Management Plan to the Department of Environment and Heritage Protection ("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 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 low grade 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 processing facility for the extraction of ore from 12 million tonnes of stockpiled tungsten material.

This approval will allow Carbine to significantly increase production capacity and advance its objective of becoming a major tungsten supplier.

# REVIEW OF OPERATIONS

The following information was also prepared and finalised during the June 2014 quarter:-

- Process Flow Diagrams ("PFD") for processing the stockpiled ore to final wolframite and scheelite concentrates;
- Detailed mass-metal balance associated with the PFDs;
- Operating costs; and
- Financial modelling.

A jigging test program was also completed during the June 2014 quarter on the stockpiled ore sorter accepts ("OSA") to confirm the mineralogical characteristics and metallurgical performance of the OSA ore, particularly in relation to the previous plant's operation.

The Board believes that given the global tungsten supply shortage and growing tensions around traditional tungsten supply sources, Mt Carbine is well positioned 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.

12Mt 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.

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

Environmental Drainage Works, Mt Carbine

## TAILINGS RETREATMENT PLANT

Carbine continues to carry out pilot and laboratory test programs at is research and development Tailings Retreatment Plant which has provided not only significant tungsten production since it was commissioned in April 2012 but also invaluable technical and marketing knowledge.

Of specific note was the commencement of a technical and cost review during the June 2014 quarter to identify areas within the existing circuit to achieve:

- Improved metallurgical performance and recovery in the course (+0.2mm) and fine (-0.2mm) particles;
- Increased $WO_3$ production from processing both the course and the fine particles rather than processing only the fine (-0.2mm) particles;
- Increased recovery of the $WO_3$ and the fine (-0.2mm) particles, which contains the majority of the tungsten mineralisation;
- Separate on-spec wolframite and scheelite concentrates at increased grades and with minimal contaminant mineralisation/elements;
- Reduction in operating costs; and
- Increased sales revenue through a combination of all of the above.

A gravity process flow sheet has also been defined (similar to that for the low grade stockpile ore processing) and a two-stage test program is proposed to investigate the economics of the revised circuit.

## ITIA SITE VISIT

Carbine was honoured to be selected by the International Tungsten Industry Association ("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 Hard Rock Stockpiles, Mt Carbine

# REVIEW OF OPERATIONS

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 global demand from tungsten users.

## ENVIRONMENT, STAFF & COMMUNITY

The Company's safety and environmental activities, policies and procedures continue to be modified to take into account changes in its operational levels.

The responsible environmental management of Carbine's developments, operations and activities is seen as a basic and fundamental principle of its current and future business activities.

The Company also strives to engender the values of providing and promoting a safe workplace, work culture and mentality of care for all its employees and contractors. To this end the Company was pleased to announce that no lost time injuries had been sustained during the 2013 / 2014 financial year.

Carbine also continues to strive to fulfil its policy of engaging locally based staff and contractors, where possible and cost effective, and it endeavours to utilise locally based services and facilities where appropriate to provide support for its operational activities.

## FUTURE PROSPECTS & EXPLORATION ACTIVITIES

The Mt Carbine Hard Rock Project is also host to the following prospective exploration targets that provide Carbine with substantial exploration upside potential:

### *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 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% $WO_3$. 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% $WO_3$ 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% $WO_3$ in stockpiles at surface, and 18Mt at 0.14% $WO_3$ (using a cut-off of 0.05% $WO_3$) 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.

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% $WO_3$.

# REVIEW OF OPERATIONS

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 on the following link:-

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

## TUNGSTEN MARKET OUTLOOK

The general consensus at the 2013 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.

On top of this, the security of tungsten supply and future global new mine capacity appears to be very limited which will result in tungsten concentrate supply remaining constrained. Resurgence in general manufacturing and production growth in the USA is likely to increase tungsten consumption and underpin tungsten demand and pricing in the near term. Furthermore, increased military budget expenditures announced in Asia and potential additional restrictions and growing tensions between traditional trading partners between Eastern Europe and Western Europe have the potential to exacerbate any supply shortfalls and increase the tungsten military sector demand. This will further emphasise the strategic importance and value of tungsten as both an essential industrial enabling metal and a military use metal and thus demand is likely to increase.

Due to its realistic near and long term production capabilities the Board of Carbine believes that the Hard Rock Project continues to stand out as a compelling world class tungsten supply source that is well positioned to prosper from the ongoing market and supply constraint dynamics.

## CORPORATE

Carbine continues to strengthen its senior management team through the following appointments:-

### *APPOINTMENT – GENERAL MANAGER (OPERATIONS)*

Carbine was pleased to announce on 8 April 2014 the appointment of Mr Jovo Basic as General Manager (Operations).

Mr Basic's extensive technical and past direct operational experience with the Mt Carbine mine makes him ideally suited to manage the establishment and operation of Carbine's hard rock stockpile and open-pit developments.

Mr Basic has over 40 years' experience in the design, development and operation of a wide variety of major international mining projects and has been instrumental in the design and operation of some of the world's largest mining operations over the course of his career. Of specific importance however is Mr Basic's past hands on experience with Mt Carbine's previous large scale open-pit processing operation during its final years as Australia's largest tungsten producer. Mr Basic's in-depth operational experience and noteworthy metallurgical credentials make him ideally suited to the task of bringing the Mt Carbine Hard Rock Project into successful production.

Mr Basic holds a B.Sc., Applied Science – Metallurgy, Kalgoorlie School of Mines, 1980 and an Associate in Metallurgy, Kalgoorlie School of Mines, 1975. During his career Mr Basic's strong technical and managerial skills have been instrumental in the development and operational phases of processing plants for a diversity of minerals such as gold (free-milling and refractory), copper, iron ore, uranium, tungsten, nickel and shale oil. His major responsibilities have included plant operations; project and plant reviews and evaluations; project study and design management, including external project consultants and organisations; project financial analysis; and life-cycle costing of processing and equipment options.

The Board of Carbine are delighted to have Mr Basic as part of their senior management team as his high calibre international project background and past direct hands on experience with the Mt Carbine mine is a significant coup and endorsement for Carbine and its Mt Carbine Tungsten Project.

### *APPOINTMENT – CHIEF FINANCIAL OFFICER (CFO)*

On 17 April 2014 Carbine was also pleased to announce the appointment of Mr David Clark as CFO.

Mr Clark's appointment adds a broad depth of financial management and financial planning experience to the Company as it prepares for significantly increased production and corporate activities associated with its Mt Carbine Hard Rock operations. Mr Clark's prior experience as a CFO and his long term experience and qualifications in the accounting, finance and corporate governance fields makes him ideally suited to this position.

Mr Clark is a Chartered Accountant, Tax Agent and Chartered Secretary of over 15 years standing and holds a Bachelor of Commerce from UNSW and a Master of Business of Administration (Executive) from the Australian Graduate School of Management.

Mr Clark is a principal of D.W. Clark & Co., Chartered Accountant, an innovative, results-driven chartered accounting practice providing financial and taxation services and advice to a select number of public and private companies in the mineral resources, exploration and oil and gas industries. Mr Clark's early career was in the audit division of Peat Marwick Mitchell & Co., Chartered Accountants and the insolvency division of Duesburys, Chartered Accountants. Mr Clark has worked as a CFO and Company Secretary for a privately funded group of biotechnology companies and has advised other organisations in real estate and franchise services, professional services, transportation and industrial waste industries and sporting clubs within the not-for-profit sector. Mr Clark is also on the audit, risk and finance committee of an international global health organisation with its principle mission being to tackle heath care issues affecting high-risk and disadvantaged people worldwide. Prior to joining, Carbine, Mr Clark was CFO of a group of companies involved in developing and marketing activated carbons specifically designed for Mercury capture in the USA coal-fired power utilities markets.

The Board looks forward to benefiting from Mr Clark's expertise during its much anticipated period of high growth.

### APPOINTMENT / RESIGNATION – COMPANY SECRETARY

Mr Clark was also appointed to the position of Company Secretary on 10 July 2014 upon the resignation of Mr Tom Bloomfield on the same day. Mr Clark's appointment as Company Secretary will complement his existing responsibilities as CFO.

The Board thanked Mr Bloomfield for his dedication and service and wished him well in his future endeavours.

### BOARD OF DIRECTORS

The composition of Carbine's Board remained unchanged during the 2013 / 2014 financial year:-

***Russell Krause, Non-executive Chairman***

Mr Krause was appointed to the Board in June 2013 and has over 25 years' Executive Management and Director level experience in a range of corporate advisory, stockbroking, and investment banking roles. Mr Krause also has extensive experience in the resources sector providing equity capital markets, capital raising and corporate advisory services to a range of ASX listed mining and energy companies.

Mr Krause is currently a Director of ASX-listed Oil & Gas producer, Austex Oil Limited (ASX:AOK), Singaporean registered AuzMinerals Resources Group Pte Ltd and Novus Capital Limited.

***Andrew James (Jim) Morgan, Managing Director***

Mr Morgan was appointed in April 2012 and has over 30 years' experience in the Australian and international mining and construction industries, most recently as General Manager – Project Development for ASX-listed Paladin Energy Ltd at their Langer Heinrich Uranium Project in Namibia.

Prior to joining Paladin, Mr Morgan held senior positions and played key roles in mine development for Lafayette Mining Limited, Ticor; acted as Owners Site Manager for Newcrest Mining Ltd for the Cadia Gold-Copper mine at Orange, NSW and Owners Engineering Manager at Newcrest's Gosowong Gold mine in Indonesia. Mr Morgan also holds tertiary qualifications in Electrical Engineering.

***Roland Nice, Non-executive Director***

Mr Nice was appointed to the Board in June 2013 and is a Metallurgical Engineer with over 45 years' experience and a strong track record in mineral processing and metallurgy. Most recently Mr Nice acted as a consulting Metallurgical Engineer in the role of Senior Associate for Behre Dolbear Australia, where he was involved in due diligence activities and consulting on some of the world's largest poly-metallic, gold and uranium projects including Newcrest's Cadia, Ridgeway and Telfer gold projects, Barrick's Cowal gold project, LionOre's Thunderbox gold project and numerous other non-ferrous metal mining projects. Mr Nice's work as a consultant has included specific experience in tungsten processing.

Mr Nice holds a B.Sc. (Metallurgical Engineering) from Queen's University, Canada, and is a member of the Australian Institute of Engineers and the Canadian Institute for Mining, Metallurgy and Petroleum, and a fellow of the Australian Institute of Mining and Metallurgy.

***Tony Gordon, Non-executive Director***

Mr Gordon was appointed to the Board in November 2012 and has over 25 years' experience in financial markets and has held Directorships and senior management positions with a number of Australian stockbroking and financial services companies.

Over this time his focus has been on the listed resources sector. More recently Mr Gordon has provided advice to a number of Chinese, South East Asian and North American projects that are held by Australian listed and un-listed entities.

# REVIEW OF OPERATIONS

### *Vesting of Performance Rights*

400,000 shares were issued to Carbine's Managing Director, Andrew J. Morgan, in April 2014. This issue followed Mr Morgan's success in meeting certain contractual performance hurdles in accordance with his existing Contract of Employment and long-term incentive plan.

## CAPITAL RAISING ACTIVITIES

### *Share Placement to Sophisticated Investors*

On 15 November 2013, the Board of Carbine announced a share placement to professional and sophisticated investors at a price of $0.055 cents per share. This placement carried one unlisted option for every two shares taken up with a strike price of $0.10 cents and a term of 12 months.

The placement raised $709,750 through the subscription of 12,904,546 shares and 6,452,273 unlisted options.

The Board would like to thank those participating shareholders for their ongoing support.

### *Sale of Shares – Spencer Resources Limited*

As part of the Company's objective to focus purely on its tungsten assets, the Board of Carbine completed an on market sale of 290,000 ordinary shares in Spencer Resources Limited (ASX:SPA), valued at $97,850, in December 2013 and February 2014.

The funds from this sale along with those from the above share placement would be used to progress activity relating to the permitting and approvals for the recommencement of production at the former open-pit tungsten mine and general working capital

### *Expiry of Unlisted Options*

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

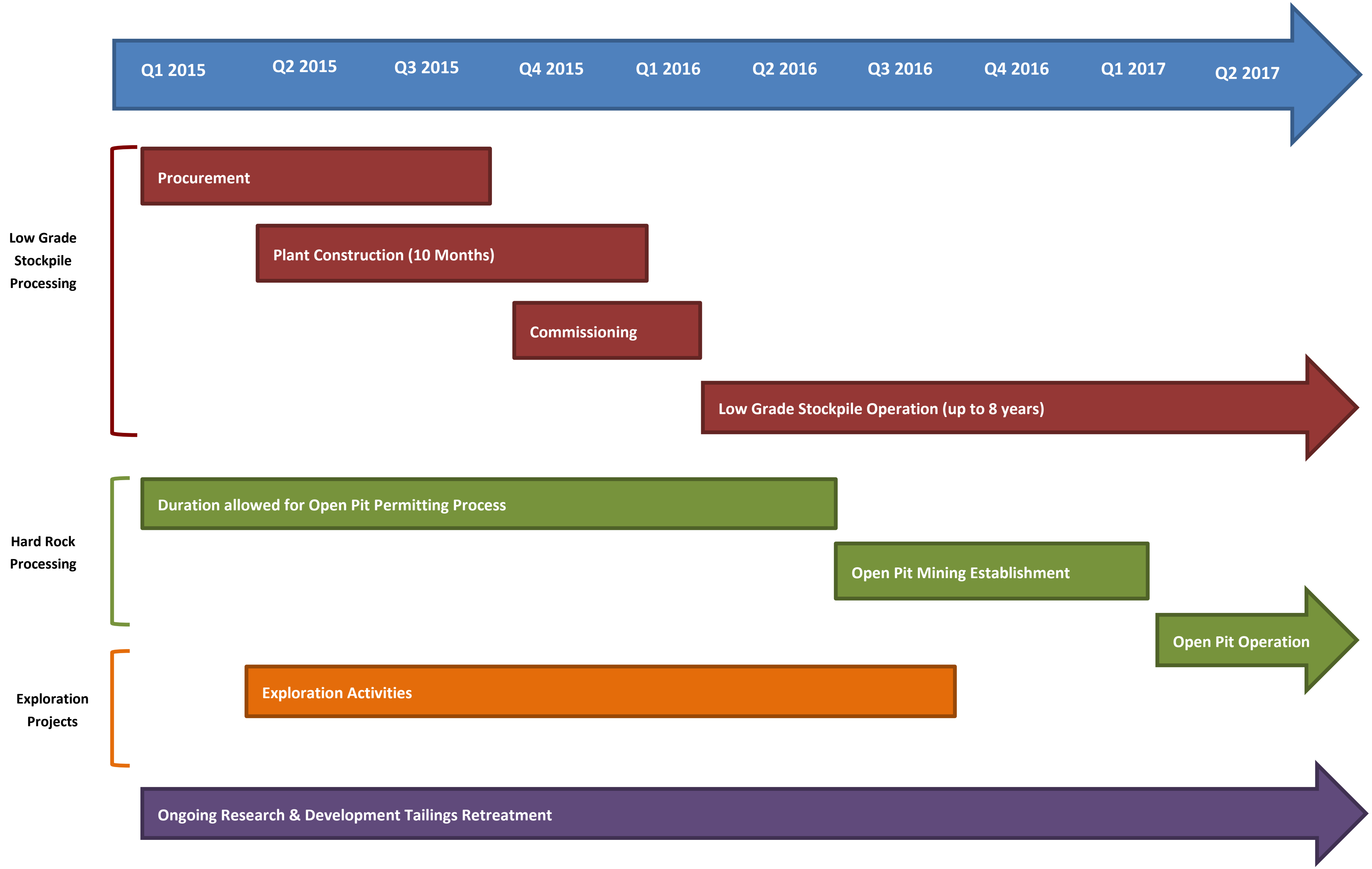
## OTHER PROJECTS

As part of its pure play tungsten strategy Carbine also divested its exploration portfolio of the following tenements during the 2013/2014 financial year:-

| | |
|---|---|
| EPM 14589 | Elizabeth Creek, Queensland |
| EPM 17895 | Constance Range, Queensland |
| EPM 17071 | Iron Pot Creek, Queensland |
| EL 6532 | Tara, New South Wales |

# REVIEW OF OPERATIONS

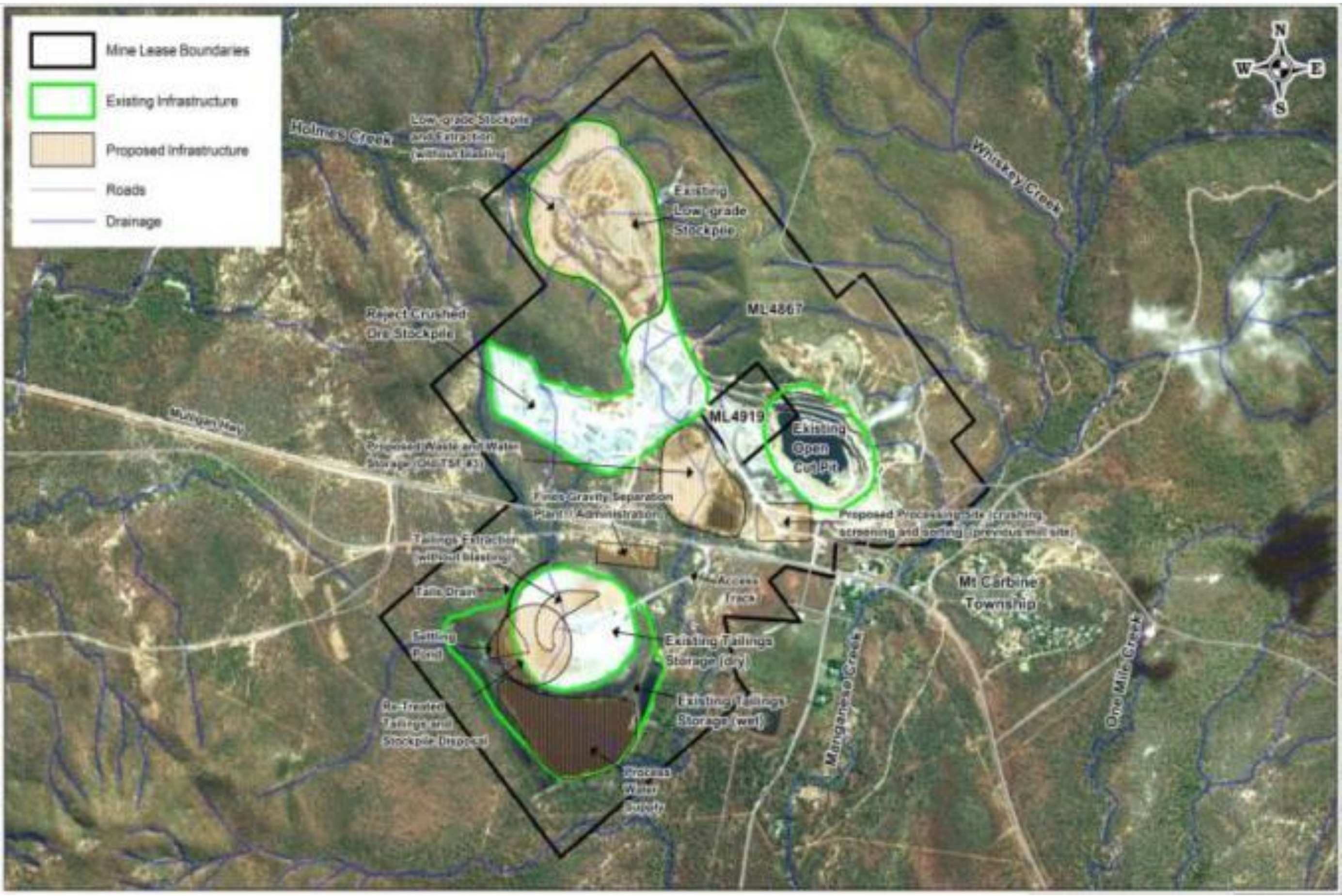
## PROJECT TIMELINE



# REVIEW OF OPERATIONS - PHOTO GALLERY

## PHOTO GALLERY

Low Grade Stockpile of Mineralised Waste Ore, Mt Carbine




Site Plan, Mt Carbine

# TENEMENT SCHEDULE

Details of mining tenements held by the Company and its child entities:-

| State | Ownership | Area | Status | Notes | Expiry Date |
|---|---|---|---|---|---|
| **Queensland** | | | | | |
| ML 4867 | Mt Carbine Quarries Pty Ltd 100% | 358.5 ha | Granted | Subject to sub-lease agreement with Tungsten Resources Pty Ltd (a wholly owned subsidiary of Carbine), with pre-emptive right to purchase. | 31/07/2022 |
| ML 4919 | Mt Carbine Quarries Pty Ltd 100% | 7.891 ha | Granted | Subject to sub-lease agreement with Tungsten Resources Pty Ltd (a wholly owned subsidiary of Carbine), with pre-emptive right to purchase. | 31/08/2023 |
| EPM 14871 | Carbine Tungsten Limited 100% | 32 sub blocks | Granted | Transferred from Carbine's wholly owned subsidiary, Tungsten Resources Pty Ltd to Carbine Tungsten Limited on 21 May 2014. | 12/12/2015 |
| EPM 14872 | Carbine Tungsten Limited 100% | 35 sub blocks | Granted | Transferred from Carbine's wholly owned subsidiary, Tungsten Resources Pty Ltd to Carbine Tungsten Limited on 21 May 2014. | 11/12/2015 |

ML = Mining Lease EPM = Exploration Permit for Minerals

# MINERAL RESOURCES AND ORE RESERVES STATEMENT

## SUMMARY OF RESULTS OF ANNUAL REVIEW OF RESOURCES AND RESERVES

The resources and reserves at Mt Carbine comprise three components:

1. The resources and reserves in mineralised rock proposed to be mined by open pit mining, beneath and adjacent to the existing open pit.
2. The mineralised rock that was mined and stockpiled in what is now termed the Low Grade Stockpile.
3. The tailings from the previous mining operation, principally the tailings in Tailings Storage Facility No 4.

There are also other significant mineralised stockpiles and mine dumps, particularly the Optical Ore Sorter Reject ("OOSR") stockpile from the previous mining operation, estimated to comprise several million tonnes. Except for the OOSR stockpile these have not been quantified nor sampled for grade.

### *1. Mineralised Hard Rock*

The resources and reserves estimates for the mineralised hard rock in the Mt Carbine tungsten deposit were updated to comply with the 2012 JORC Code for reporting of reserves and resources in November 2012 (Carbine ASX announcements 20/11/2013; 24/11/2013 and 9/01/2014). No further sampling or work has been done since this update that impacts on the resource estimate and therefore the resources and reserves estimates for the Mt Carbine tungsten deposit are left unchanged.

### *2. Low Grade Stockpile*

Carbine announced an upgrade of the Low Grade Stockpile resources in September 2012. To comply with the 2012 JORC Code a more detailed reporting of the upgrade is provided in Appendix 1 to this report.

The low grade stockpile ("LGS") is comprised of mineralised rock extracted during open pit mining operations between 1974 and 1987. Grade control practice during this open pit mining discriminated between ore sent for processing and mineralised rock deemed at the time to be too low grade to justify treatment. Independent research has since established that the grade control practice, based on an estimate of quartz vein percentage as a direct indicator of tungsten grade, was invalid.

In the historical records of this mining operation the material consigned to the stockpile is described as "mullock" or "low grade", but also includes 3.5Mt of "ore". Geological examination and drilling indicates that the previous mining at Mt Carbine was all in mineralised rock. No sampling or record of possible grade variation was kept of material sent to the stockpile.

Historical mine records indicate that there is approximately 12Mt of broken rock in the stockpile. This reconciles with the tonnes consigned to the LGS, derived from the independent estimate of total tonnes of rock mined in the previous open pit of 22Mt, less the 10Mt recorded as having been processed through the mill.

The LGS has been bulk sampled (22,000 tonnes), the sample assayed and subjected to extensive sorting trials with a pilot-scale X-ray sorter (CNQ (III) ASX announcement 23 March 2011). The sorter trials indicated that the low grade material could be pre-concentrated by sorting with an optimum 6 times upgrade. The grade of the bulk sample was 0.075% $WO_3$. This compares very favourably with a back-calculation from historic mine records of production and mill recovery, and based on the recent resource estimate which took account of the resource mined during the previous open pit operation, of a global average grade of 0.07% $WO_3$ for the low grade stockpile. Further sampling of the LGS for environmental permitting purposes involved taking 80 grab samples from the surface of the stockpile. Each sample was approximately 20kg of minus ~100mm material. The average grade of these samples was 0.088% $WO_3$.

Following the X-ray sorter trials previously announced and the costings determined in the Feasibility Study, Carbine has sufficient confidence in the tonnage and global average grade of the stockpile to justify its inclusion in the resource inventory at Mt Carbine as an Indicated Resource.

Trials indicated that at optimum settings, the X-ray sorter produces a pre-concentrate product that is approximately 12% of the original feed and has a grade of approximately 0.65% $WO_3$ at 90% $WO_3$ recovery, and approximately 88% of the material fed to the sorter was rejected as waste. The loss of $WO_3$ to waste in this sorting process was only 10% of the total tungsten in the sorter feed.

- Carbine does not intend to attempt a further definition of the possible grade and tonnage of mineralised rock in the low grade stockpile, beyond the sampling, assaying and sorter trials already carried out, because of the physical impracticality of attempting to do so.
- Local grade distribution within the stockpile is expected to vary and has not been quantified.

The plant comprising the X-ray sorter and mill to treat the stockpile material will be the same plant to process ore from the open pit.

# MINERAL RESOURCES AND ORE RESERVES STATEMENT

***3. Tailings***

Production from the tailings No 4 stockpile was carried out until 8 December 2013. Carbine has previously stated that this stockpile contained approximately 2Mt at a global average grade of 0.1% $WO_3$, based on comprehensive but non-JORC compliant historical studies. The stockpile includes a basal layer 1-2m thick amounting to approximately 400,000 tonnes of slimes (<75micron particles) with a global average grade of 0.35% $WO_3$. Trials are continuing with the aim of achieving efficient recovery of tungsten from the slimes, but this component of the stockpile is essentially untouched and production was mostly from the >50 micron <1mm fraction of the overlying coarser tailings material.

**MT CARBINE MINERAL RESOURCE SUMMARY – JULY 2014 (NO CHANGE FROM 2013) TUNGSTEN RESOURCES AS $WO_3$**

| Resource | Resource | Cut-off Grade (%) | Tonnes (Mt) | $WO_3$ (%) | $WO_3$ (mtu) |
|---|---|---|---|---|---|
| Low Grade Stockpile | Indicated | 0.00 | 12.0 | 0.075 | 840,000 |
| Main Zone Hard Rock | Indicated | 0.05 | 18.0 | 0.140 | 2,520,000 |
| Main Zone Hard Rock | Inferred | 0.05 | 29.3 | 0.120 | 3,516,000 |
| | **Total** | | **59.3** | | **6,876,000** |

**Exploration targets adjacent to Inferred and Indicated Mineral Resources in the Mt Carbine sheeted quartz vein tungsten deposit**.

***1. Sheeted quartz vein system:***

Exploration drilling to date suggests that the Mt Carbine tungsten deposit may plunge to the north, and the deposit is open in this direction, to the south east and at depth. The deposit contains an Indicated Mineral Resource of 18Mt at 0.14% $WO_3$ (at a cut-off of 0.05% $WO_3$), and exploration of the depth extensions of the deposit will be carried out after production from this resource has commenced.

***2. The Iron Duke prospect:***

The Iron Duke prospect on the eastern side of the planned open pit has now been intersected in 6 drill holes, and has recently been mapped in detail on the surface and shown to extend more than 2km to the north of where it has been drilled. Surface width of the sub-vertical zone that hosts the Iron Duke mineralisation ranges from 10m to 20m over this strike length. Scheelite and minor wolframite mineralisation have been observed in rock chips along the entire length of surface exposure.

The Iron Duke mineralisation is dominated by scheelite (whereas the main Mt Carbine sheeted quartz vein tungsten deposit is dominated by wolframite) and the weighted average grade of the 6 drill intercepts in the Iron Duke is 0.32% $WO_3$ over an average true width of 8m. The 6 drill holes cover a strike length of 300m, and the shallowest intersection of the prospect is at a depth of 100m immediately adjacent to the planned open pit. Although the surface expression of the Iron Duke adjacent to the open pit is now covered by mine dumps, historical maps indicate that it was recognised as a scheelite prospect at the surface in 1917, and therefore there is a reasonable expectation that the prospect will extend from the surface to below its present maximum drilled depth of 195m. The Iron Duke mineralisation is not included in either the present Inferred or Indicated Mineral Resources although it will be uncovered and mined in the planned open pit.

Exploration of the Iron Duke is planned in 2014 to test grade, width and continuity. The Exploration Target for the Iron Duke over a strike length of 400m immediately adjacent to the planned open pit is 3.5Mt to 6.5Mt with possible grades ranging from 0.13% $WO_3$ to 0.59% $WO_3$ (based on present drilling data), with the weighted average grade of drill hole intersections of 0.32% $WO_3$ possibly reflecting the average grade. This Exploration Target does not include the potential for further mineralisation along the recently established northern continuation of the prospect.

The Exploration Targets at Mt Carbine are summarised in Table 1 below:

| Mineralisation system | Exploration target tonnes | Exploration target grades |
|---|---|---|
| Main sheeted quartz vein system – wolframite dominated | 12Mt-16Mt | 0.08% $WO_3$ to 0.16% $WO_3$ |
| Iron Duke prospect – scheelite dominated | 3.5Mt-6.5Mt | 0.13% $WO_3$ to 0.59% $WO_3$ |

# MINERAL RESOURCES AND ORE RESERVES STATEMENT

| Hole No. | From (m) | To (m) | Interval (m) | $\%WO_3$ (XRF analysis) |
|---|---|---|---|---|
| CB18 | 163 | 198 | 35 | 0.299% |
| CB51 | 130.25 | 146.5 | 8.73 | 0.57% |
| CB52 | 94.5 | 112.5 | 18 | 0.18% |
| CB53 | 160.5 | 172.5 | 12 | 0.49% |
| CB54 | 162.5 | 169.35 | 6.85 | 0.59% |
| CB66 | 113.3 | 127.62 | 14.32 | 0.13% |

Table 2. Drill intersections in the Iron Duke prospect adjacent to the open pit at Mt Carbine.

**GOVERNANCE AND INTERNAL CONTROLS**

The Company has followed the practice of obtaining independent, geostatistically based estimates of resources, which themselves have been independently audited. These estimates have been qualified in-house where geometallurgical research, economic modelling involving mine and processing studies and/or reconciliations of historical mine data justify modification. The prime concern in this deposit is the extreme nugget character of the mineralisation and in this respect considerable confidence is placed on existing resource estimates that they are (a) conservative with respect to grade estimation, and (b) that the previous mine operation and a nearly complete set of records of this operation document what is in effect a 10Mt bulk sample of the ore body.

**COMPETENT PERSON STATEMENT**

(a) The above Mineral Resources and Ore Reserves Statement is based on, and fairly represents, information and supporting documentation prepared by competent persons; and

(b) The information in this document relating to Exploration Targets and Mineral Resources is based on information compiled by Dr Andrew White, who is a Fellow of the Australian Institute of Geoscientists and principal consultant for Andrew White & Associates. 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" (the JORC code). Dr White consents to the inclusion of matters based on his information in the form and context in which it appears in the Annual Report.

**APPENDIX 1. TABLE 1, JORC CODE 2012**

**Section 1. Low Grade Stockpile Sampling Techniques and Data**

| | |
|---|---|
| *Sampling techniques* | 1. Bulk sampling by means of 8 costeans dug with an excavator around the perimeter of the stockpile, costeans ranging up to 10m deep and 50m long.<br>2. Grab sampling at 80 locations (samples approximately 20kg each of minus 100mm material) for mineralogical and chemical characterisation of mineralised rock for environmental permitting purposes. |
| *Drilling techniques* | N/A |
| *Drill sample recovery* | N/A |
| *Logging* | N/A |
| *Sub-sampling techniques and sample preparation* | The bulk sample was coned and quartered with the excavator to 2,000 tonnes. This sub-sample was crushed to minus 50mm and screened into three size ranges: 20-50mm, 10-20mm and minus 10mm. Each size fraction was sampled by channel sampling.<br>The grab samples were crushed to minus 3mm, split, and sub-samples pulverised and assayed for a range of elements including tungsten (the latter by fused disk XRF). |
| *Quality of assay data and laboratory tests* | The channel samples were analysed by fused disk and check analyses were carried out on site with a Niton portable XRF analyser after careful calibration of this instrument. |

| | |
|---|---|
| *Verification of sampling and assaying* | See above. |
| *Location of data points* | Costean locations are shown in Figure 1 and grab samples in Figure 2 below. |
| *Data spacing and distribution* | See Figures 1 and 2. |
| *Orientation of data in relation to geological structure* | N/A |
| *Sample security* | The bulk sample crushed and screened size splits are stored on site, and the crushed grab samples and pulverized splits are stored in the mine core shed. |
| *Audits* | The bulk sampling procedures were subject to review by an independent consultant retained to supervise the X-ray ore sorter trials. |

**Section 2. Reporting of Exploration Results**

| | |
|---|---|
| *Mineral tenement and land tenure status* | The resource estimates reported herein are all within Mining Leases 4867 (358.5ha, expiry 31-07-22) and 4919 (7.891ha, expiry 31-08-2023), held by Mt Carbine Quarries Pty Ltd. Carbine's wholly owned subsidiary, Tungsten Resources Pty Ltd, has a sub-lease agreement with Mt Carbine Quarries Pty Ltd that grants the right to extract metals including tungsten from the Mining Leases. The Mining Leases lie within Brooklyn Grazing Homestead Perpetual Lease. Native Title has been extinguished in the Mining Leases by Deed of Grant. |
| *Exploration done by other parties.* | No previous examination of the LGS was carried out.<br>**Historical (1974-1987) mine records.**<br>A nearly complete record of mine production, including amounts of mined rock consigned to the LGS has been compiled using published and unpublished archives, including reporting for State Royalty returns. |
| *Geology* | **The Deposit**<br>The Mt Carbine tungsten deposit is a sheeted quartz vein deposit. A number of sub-parallel, sub-vertical quartz veins have been deposited in fractures developed in the host rocks (Siluro-Devonian metasediments) in a zone that drilling and mapping of historical surface workings has shown to be approximately 300m wide and at least 1.4km long, trending at about 315 degrees.<br>**Grade Variation**<br>Sampling, drill core logging, geostatistical analysis of drill core assay data and mapping of the open pit have determined that all the material mined during the previous operation was mineralised to some extent, and that the mineralogy of the deposit was uniform. There is little doubt that the mineralogy of the stockpile material is identical to that mined and processed. Material in the stockpile comprises a single formation, the result of alteration of Siluro-Devonian meta-sedimentary host rocks (Forsythe and Higgins, 1990).<br>The amount of quartz veining varies within the mineralised zone and previous mining and exploration has been concentrated at the south eastern end of the mineralised zone. It is well understood that there are high grade zones within the mineralisation in this part of the deposit and that the higher grade zones are surrounded by lower grade mineralisation. Interpretation of recent drilling suggests that the main high grade zone may plunge to the north of the present open pit. The previous mine assumption that quartz vein abundance is directly correlated with grade is not supported by an independent review of quartz vein abundance and grade. |
| *Drill hole information* | N/A |
| *Data aggregation methods* | N/A |
| *Relationship between mineralisation widths and intercept lengths* | N/A |

| | |
|---|---|
| *Diagrams* | A plan view of sampling is shown below in Figures 1 and 2. |
| *Balanced reporting* | N/A |
| *Other substantive exploration data* | N/A |
| *Further work* | The bulk sample was subjected to a series of trials through a pilot scale X-ray ore sorter over a period of 2 months. This work demonstrated that an optimum 6 times upgrade of the tungsten content in the ore sorter accepts, and ensuing feasibility studies indicate that the LGS is economic to process by means of X-ray ore sorting and concentration of mineral in the ore sorter accepts in a conventional gravity mill. |

**Section 3. Estimation and Reporting of Mineral Resources**

| | |
|---|---|
| *Database integrity* | N/A |
| *Site visits* | The Competent Person has been closely involved in resource assessment at Mt Carbine between 1985 and 1988, 1992 and between 2009 and the present. The relevant Competent Person has conducted numerous site investigations including mapping, sampling, core logging, review of historical resources and reserve estimates, mining, metallurgical processing and recovery. |
| *Geological interpretations* | Senior geological staff including the Competent Person has developed a sound understanding of the geology and importantly, geometallurgy of the deposit. |
| *Dimensions* | The 12Mt tonnes estimated to be contained in the LGS has been derived from nearly complete historical mine records, confirmed by reconciliation of an independent estimate of total tonnes mined from the open pit (22Mt) less 10Mt material processed through the mill. |
| *Estimation and modelling techniques* | The detailed distribution of grade through the LGS is not known, as no record was kept of placement of rock consigned to the stockpile, nor was any sampling carried out. The average of assays of the three size range sub samples of the bulk sample is 0.075% $WO_3$. This reconciles very favourably with a back-calculation from historic mine records of production and mill recovery, and based on the recent resource estimate which took account of the resource mined during the previous open pit operation, of a global average grade of 0.07% $WO_3$ for the low grade stockpile.<br>It should be noted that the historical mine records state that 3.5Mt of rock described as ore were apparently consigned to the stockpile in 1982.<br>The grab samples average 0.088% $WO_3$ (fused disk XRF analysis), which is taken to indicate that the tungsten grade of the finer fraction (<200mm) of the stockpile is higher than the global average grade of the bulk sample that included fragments up to 500mm. |
| *Moisture* | Tonnages are estimated on an air dried basis. |
| *Cut off parameters* | No cut off has been applied to the stockpile grade estimation, however it is planned to screen the stockpiled material at 500mm and only crush and ore sort the minus 500mm fraction, since a growing body of data from on-going tests indicates that this fraction contains the bulk of the tungsten minerals that it is planned to recover. |
| *Mining factors* | The stockpile fills a valley and will readily be recovered by excavator and truck. |
| *Metallurgical factors* | There is no doubt that the mineralogy of the material contained in the stockpile is identical to that of the hard rock ore body. The Mt Carbine ore body is low grade in comparison with many other tungsten deposits, however the highly successful application of ore sorting to pre-concentrate this ore to a high grade mill feed has been demonstrated firstly in the previous mining operation which used optical ore sorters, and secondly by extensive recent trials of X-Ray ore sorting of bulk samples of stockpile and Run of Mine ore by Carbine.<br>Process design and anticipated recoveries have been derived from historical mill flow sheets, reports and trials that have been confirmed by repeat metallurgical testing of bulk samples of stockpile material including Run of Mine ore. |

| | |
|---|---|
| *Environmental factors* | Carbine has been granted an Environmental Permit by the Queensland Department of Environment and Heritage Protection ("DEHP") to process the low grade stockpile.<br><br>Based on sampling of existing stockpiles, tailings storage facilities and analytical characterisation of the mineralisation, the only elements present at hazardous values are fluorine (as fluorite) and arsenic (as arsenopyrite). Previous mine practice and the present Environmental Management Plan approved by the DEHP include measures to manage the environmental hazards these elements present. Sampling of the existing stockpiles and tailings storage facility indicate that acid mine drainage will not be a hazard created by future mining and waste storage. |
| *Bulk density* | N/A. The tonnes estimated to be contained in the stockpile have been derived independently of calculation by multiplying volume by density. |
| *Classification* | Following extensive metallurgical testing of bulk samples from the stockpile that provide robust anticipated recovery and quality of product, the LGS has been classified as an Indicated Resource. |
| *Audits or reviews* | The estimates for the LGS have been subject to internal Company review. |

**Section 4. Estimation and Reporting of Ore Reserves**

| | |
|---|---|
| *Mineral Resource estimate for conversion to Ore Reserves* | Due to the total lack of knowledge of detailed grade distribution within the stockpile, and the impracticability of detailed sampling within the body of the stockpile, it is doubtful if an ore reserve could be determined for the stockpile. However, the ore sorting trials indicate that the global average grade of the stockpile is sufficient to enable it to be economical to be processed via ore sorting, and it is anticipated that the construction of the stockpile over time led to a degree of homogenisation of the grade distribution within the stockpile. |
| *Site visits* | See Section 3. |
| *Study status* | The decision to process the stockpile was the outcome of the following independent studies:<br>• A Feasibility Study, which is now in the process of being refined to a Final Feasibility Study standard.<br>• Extended X-ray ore sorter trials.<br>• Infrastructure (the mine is ideally situated with respect to infrastructure having sufficient grid power, sealed highway access, and adequate water supply).<br>• Laboratory and pilot scale test work on appropriate bulk samples to determine parameters for flow sheet design for a gravity recovery circuit, using mainly samples from the low grade stockpile (see below).<br>• Flow sheet design for a gravity recovery circuit.<br>• Detailed costings for operating and capital costs.<br>• Discounted cash flow modelling of project economics.<br>In addition, the following factors provide additional confidence when taking into account the factors outlined above:<br>• The Company already operates a treatment plant to recover mixed wolframite and scheelite concentrates from the main tailings dump associated with the previous mining operation. The Tailings Retreatment Plant has made regular shipments of concentrate to Carbine's major off-take partner. Operation of the tailings recovery plant provides confidence that the anticipated mill recovery can be achieved, and has also provided an opportunity to recruit and train staff to operate the proposed mill. |
| *Cut-off parameters* | See Section 3. |
| *Mining factors* | See Study status. |

| | |
|---|---|
| *Metallurgical factors* | A geometallurgical approach to exploitation of the Mt Carbine tungsten deposit is considered critical to a successful outcome. Following extensive test work that has confirmed the validity of the previous milling process (but with improved recovery to be anticipated), the main components in the metallurgical process will essentially be as follows:<br>1. Crushing;<br>2. Ore sorting;<br>3. Jigging;<br>4. Spiralling;<br>5. Tabling;<br>6. Dry Magnetic Separation.<br>The key parameter from the metallurgical test work and design is recovery of >75% of $WO_3$ in mill feed.<br>There are no by-product minerals, although the waste will be sold as aggregate or road base (this has not been included in the feasibility assessment of the project).<br>Tests and previous mine practice have shown that the main contaminant, arsenic in arsenopyrite, can be cost effectively removed by flotation and that the products will be very high grade (70% and 72% $WO_3$) wolframite and scheelite concentrates. Previous removal of arsenic (and other minor sulphides) by flotation of small concentrate volumes has had additional environmental benefits in that the existing stockpiles and tailings have been demonstrated to have no acid mine drainage potential. |
| *Environmental* | See Section 3. |
| *Infrastructure* | The Mt Carbine mine is situated adjacent to the Mulligan Highway, has grid power to site and sufficient water on site for planned operations. |
| *Costs* | Capital Cost – AU$15M<br>Operating Costs – AU$10.20 / tonne |
| *Revenue factors* | The present price for Ammonium Paratungstate (APT), which is the benchmark for pricing of the tungsten concentrates that will be the mine product, is around US$410 per Metric Tonne Unit (MTU). All mine studies have been based on a price of US$290 per MTU and A$ parity, however, based on published documents, the Company's market studies forecast that the demand for tungsten concentrates will grow at 4.5% per annum and that therefore the price will remain firm. |
| *Market assessment* | The Company holds an MOU with a major metal trading house for 80% off-take of product from the Low Grade Stockpile and at least 50% of the open pit mine product. Discussions with other off-takers are well advanced. |
| *Economic* | Using the estimates summarised in Costs (above) the project has an NPV at 10% discount rate of AU$19M. |
| *Social* | The Company has a policy of employing local staff by preference and is already well regarded as a significant employer in the district. |
| *Other* | See Mineral Tenement and Land Tenure Status Section 2. |
| *Classification* | N/A |
| *Discussion of relative accuracy/confidence* | The likelihood of success for the proposed stockpile treatment is underpinned by the fact that the same ore body was profitably mined for 13 years by the previous operators. The mine only closed in 1987 because of the price collapse caused by oversupply from Chinese producers dumping product on the market, resulting in the closure of most western tungsten producing mines. Prior to the price collapse, the Mt Carbine mine operators and their joint venture partners had carried out detailed plans to extend the mine life and maintain production for a further ten years.<br>The Mt Carbine mine had not run out of ore (there was an estimated 3.5Mt of ore to be extracted from the existing pit before any mine expansion had to be considered). The ore treatment process was well documented and studies spurred by the collapsing price showed that mill recovery could be significantly increased. This has since been confirmed by test work carried out by Carbine. |

# MINERAL RESOURCES AND ORE RESERVES STATEMENT


Figure 1. Locations of costeans excavated for bulk sample of stockpile for X-ray ore sorter trials and determination of global average grade.

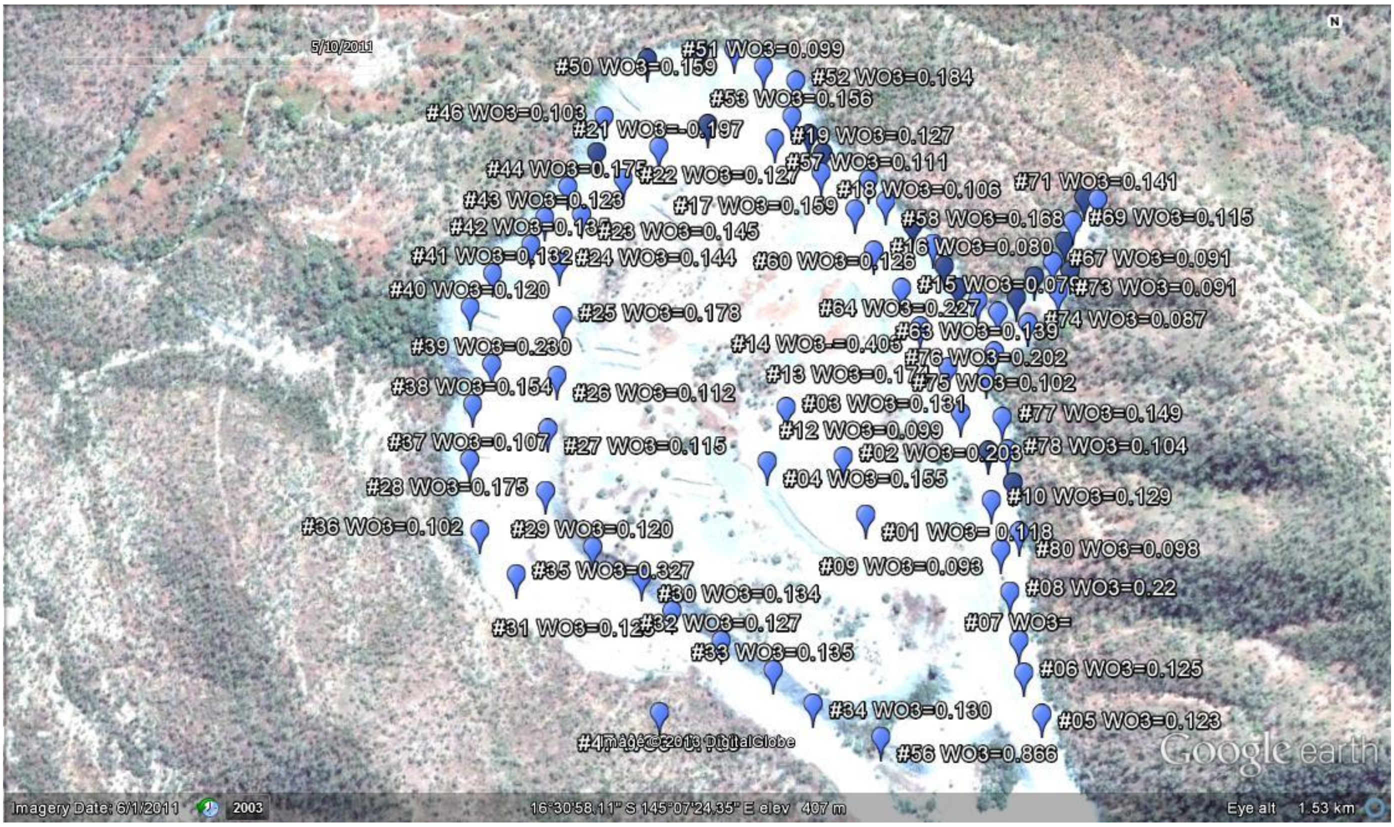



Figure 2. Aerial view of low grade stockpile showing locations of grab samples taken for characterisation of mineralogy and chemistry of stockpile for environmental permitting purposes. Each grab sample was approximately 20kg.

# DIRECTORS' REPORT

The Directors of Carbine Tungsten Limited present their report on the consolidated entity (Group), consisting of Carbine Tungsten Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2014.

### DIRECTORS

The following persons were Directors of Carbine Tungsten Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

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

David Clark (Appointed 10 July 2014)

Tom Bloomfield (Resigned 10 July 2014)

### PRINCIPAL ACTIVITIES

The principal activity of the Group involved its successful transition from a junior mineral exploration company to a tungsten concentrate producer. The Group also continued exploration activities for additional tungsten reserves.

The main focus of the Group has continued to be on the development of the Mt Carbine tungsten mine near Cairns in Far North Queensland.

The "Review of Operations" section covers this in further detail.

### RESULTS

The net result of operations for the consolidated entity after applicable income tax expense was a loss of $2,001,531 (2013: Loss: $4,946,517).

### DIVIDENDS

No dividends were paid or proposed during the period.

### REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects for future financial years is set out earlier in this Annual Report. The auditors have issued an unqualified opinion with an emphasis of matter in their auditors report in regards to a material uncertainty regarding going concern. This matter is disclosed in Note 1 in the financial report.

### CORPORATE STRUCTURE

Carbine Tungsten Limited is a limited company that is incorporated and domiciled in Australia.

### EMPLOYEES

The Company had 4 full-time employees as at 30 June 2014. The Company also uses contract geologists and other specialist consultants as required.

### SIGNIFICANT CHANGES

Significant changes in the state of affairs of the Group for the financial year were as follows:

(a) Increase in contributed equity of $846,251 resulting from:

| | Date | Shares | $ |
|---|---|---|---|
| Shares issued for consulting services at various prices | 31-10-13 | 539,859 | 45,000 |
| Shares issued under a placement @ $0.055 | 15-11-13 | 12,904,546 | 709,750 |
| Shares issued for consulting services at various prices | 30-12-13 | 453,356 | 31,800 |
| Shares issued under employee share scheme at various prices | 30-12-13 | 510,824 | 23,701 |
| Shares issued from vesting of performance rights for nil consideration | 04-04-14 | 400,000 | 36,000 |
| | | **14,808,585** | **846,251** |

(b) 6,452,273 unlisted options expiring on 15 November 2014 at an exercise price of $0.10 were issued as part of the placement to professional and sophisticated investors on 15 November 2013. One option was issued for every two shares taken up in the placement.

The Directors are not aware of any other significant changes in the state of affairs of the Company occurring during the financial period, other than as disclosed in this report.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

At the date of this Directors' Report, the Directors are not aware of any matter of circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial year subsequent to 30 June 2014.

### LIKELY DEVELOPMENTS

The Company will commence activities associated with plant procurement, construction and commissioning of the hard rock stockpile phase of the Mt Carbine Project once capital funding has been secured and is continuing optimisation work on the Tailings Retreatment Plant. Further details are in the "Review of Operations" section of this report.

### ENVIRONMENTAL REGULATION

The consolidated entity is subject to and is compliant with all aspects of environmental regulations governing its exploration and mining activities. The Directors are not aware of any environmental law that is not being complied with.

### INFORMATION ON DIRECTORS

**Russell H. Krause**

***Non-executive Chairman***

Mr Krause was appointed Non-executive Chairman on 30 June 2013 and has over 25 years' Executive Management and Director level experience in a range of corporate advisory, stockbroking, and investment banking roles with some of Australia's leading financial services firms. Mr Krause also has extensive experience in the resources sector providing equity capital markets, capital raising and corporate advisory services to a range of ASX listed mining and energy companies. Mr Kause is currently a Director of ASX-listed Oil and Gas producer, Austax Oil Limited (ASX:AOK), Singaporean registered AuzMinerals Resource Group Pte Ltd, and Novus Capital Limited.

**Andrew J. Morgan**

***CEO and Managing Director***

Mr Morgan was appointed in April 2012 and has over 30 years' experience in the Australian and international mining and construction industries, most recently as General Manager – Project Development for ASX-listed Paladin Energy Ltd at Paladin's Langer Heinrich Uranium Project in Namibia. Mr Morgan worked on the initial Langer Heinrich Stage 1 development and the subsequent Stage 3 expansion project. He also managed Paladin's Kayelekera Project EPCM functions and was involved with government approvals and community interface aspects of the Kayelekera uranium mine in Malawi. Before joining Paladin, Mr Morgan held senior positions and played key roles in the mine development of Lafayette Mining Limited (Owner's Representative), Rapu Rapu mine in the Philippines and Ticor (Owner's Representative) at the Richards Bay mineral sands mining and titanium smelter project in South Africa. He acted as Owner's site Manager for Newcrest Mining Ltd at the Cadia Gold-Copper mine at Orange, NSW and as Owner's Engineering Manager at Newcrest's Gosowong Gold mine in Indonesia. Mr Morgan holds tertiary qualifications in Electrical Engineering.

**Anthony E. Gordon**

***Non-executive Director***

Mr Gordon was appointed on 26 November 2012. Mr Gordon has over 25 years' experience in financial markets and has held Directorships and Senior Management positions with a number of leading Australian stockbroking and financial services companies. Over this time Mr Gordon's primary focus has been the listed resources sector and he brings extensive experience in Australia, Asia and North America. More recently Mr Gordon has provided advice to a number of Chinese, South East Asian and North American projects that are held by Australian listed and un-listed entities.

**Roland W. Nice (B.Sc (Metallurgical Engineering)**

***Non-executive Director***

Mr Nice was appointed on 30 June 2013. Mr Nice is a Metallurgical Engineer with over 45 years' experience. Mr Nice has a strong track record in mineral processing and metallurgy, most recently as a consulting Metallurgical Engineer in the role of Senior Associate for Behre Dolbear Australia, where he was involved in due diligence activities and consulting on some of the world's largest poly-metallic, gold and uranium projects including Newcrest's Cadia, Ridgeway and Telfer gold projects, Barrick's Cowal gold project, LionOres's Thunderbox gold project and numerous other non-ferrous metal mining projects. Mr Nice's work as a consultant has included specific experience in tungsten processing. Prior to this, Mr Nice was the Principal at a technical consulting firm, R.W. Nice and Associates, which followed approximately 20 years in a range of roles with Pancontinental Mining Limited, including General Manager Technology and Metallurgy. While with Pancontinental, Mr Nice was intimately involved in the test work and feasibility studies that led to the development of the Paddington and Kundana gold mines (3.0 Mtpa), the Jabiluka uranium project, the Thalanga Cu-Pb-Zn mine, the QMAG magnesia operation and the Wodgina tanalum operation. He is a member of the Australian Institute of Engineers and the Canadian Institute for Mining, Metallurgy and Petroleum, and a fellow of the Australian Institute of Mining and Metallurgy.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Directors' interests in shares and options as at 30 June 2014 are set out in the table below. Between the end of the financial year and the date of this report, no additional shares or options were acquired or disposed.

| Director | Shares Directly and Indirectly Held | Performance Rights directly and Indirectly held |
|---|---:|---:|
| R.H. Krause | - | - |
| A.J. Morgan | 4,298,801 | - |
| A.E. Gordon | 72,000 | - |
| R.W. Nice | 100,000 | - |

**Company Secretary**

**David Clark** – Appointed 10 July 2014

Mr Clark's appointment as Company Secretary complements his existing responsibilities as Chief Financial Officer. Mr Clark is an experienced Chartered Secretary, a member of the Governance Institute of Australia and holds a Masters of Business of Administration (Executive) from the Australian Graduate School of Management (AGSM). Mr Clark has worked as Company Secretary of a privately funded group of biotechnology companies and is on the audit, risk and finance committee of an international global health organisation providing independent assurance and assistance to the organisation on audit, risk management, control and corporate governance.

**Tom Bloomfield** - Resigned 10 July 2014

Mr Bloomfield is an experienced Chartered Company Secretary and acts for numerous other listed and unlisted companies. He holds a Law Degree and is currently undertaking a Masters Degree at Sydney University. He has experience working with and consulting to a range of international and domestic clients. He is currently General Manager of Corporate Secretarial Services at Boardroom Pty Limited.

## MEETINGS OF DIRECTORS

Director's attendance at Directors Meetings are shown in the following table:

| Director | Meetings Eligible to Attend | Meetings Attended |
|---|:---:|:---:|
| R.H. Krause | 6 | 6 |
| A.J. Morgan | 6 | 6 |
| A.E. Gordon | 6 | 6 |
| R.W. Nice | 6 | 6 |

Non-executive Director, Anthony Gordon and Chairman, Russell Krause are members of the Company's Audit and Risk Management Committee. The Committee reviews the Company's corporate risks, financial systems, accounting policies, half-year and annual financial statements. There were two Audit Committee Meetings during the year. Russell Krause and Anthony Gordon are members of the Remuneration and Nomination Committee, which held no meetings during the year.

### AUDIT COMMITTEE MEETINGS

| Director | Meetings Eligible to Attend | Meetings Attended |
|---|---|---|
| A.E. Gordon | 2 | 2 |
| R.H. Krause | 2 | 2 |

### SHARE OPTIONS AND PERFORMANCE RIGHTS

There are 7,852,273 unissued ordinary shares of Carbine Tungsten Limited under option including performance rights at the date of this report. Refer to Note 13(b) for further details.

During or since the end of the financial year, no options were granted by Carbine Tungsten Limited to the Directors and Executives of the Group as part of their remuneration.

### REMUNERATION REPORT - AUDITED

The Remuneration Report is set out under the following main headings:

(a) Policy Used to Determine the Nature and Amount of Remuneration;

(b) Key Management Personnel;

(c) Details of Remuneration;

(d) Cash Bonuses;

(e) Equity Instruments;

(f) Share-based Payment Bonuses

(g) Options and Rights Granted as Remuneration;

(h) Equity Instruments Issued on Exercise of Remuneration Options;

(i) Value of Performance Rights to Key Management Personnel and Executives;

(j) Service Agreements; and

(k) Carbine's Financial Performance.

**(a) Policy Used to Determine the Nature and Amount of Remuneration**

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources.

Fees and payments to the Company's Non-executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the Senior Management. Such fees and payments are reviewed annually by the Board. The Company's Executive and Non-executive Directors, Senior Executives and Officers are entitled to receive Performance Rights under the Company's Awards Plan which was approved by shareholders at the Annual General Meeting on 8 November 2012.

Fees for Non-executive Directors are not linked to the performance of the Group.

*Use of Remuneration Consultants*

The Group has not used any remuneration consultants during the year.

*Voting and Comments made at the Group's 2013 Annual General Meeting*

The Group received no votes against its Remuneration Report for the 2013 financial year and did not receive any specific feedback on its remuneration practices either at the 2013 Annual General Meeting or during the year.

### (b) Key Management Personnel

The following persons were Key Management Personnel of the Carbine Tungsten Limited Group during the financial year:

| Name | Position held |
|---|---|
| R.H. Krause | Non-executive Chairman (Appointed 30 June 2013) |
| A.J. Morgan | CEO & Managing Director (Appointed 2 April 2012) |
| A.E. Gordon | Non-executive Director (Appointed 26 November 2012) |
| R.W. Nice | Non-executive Director (Appointed 30 June 2013) |
| **Key Management Personnel of the Consolidated Entity** | |
| J. Basic | General Manager (Operations) (Appointed 8 April 2014) |
| D.W. Clark | Chief Financial Officer (Appointed 17 April 2014) and Company Secretary (Appointed 10 July 2014) |

### (c) Details of Remuneration

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the Non-executive Directors has been fixed at a maximum of $200,000 per annum to be apportioned among the Non-executive Directors in such a manner as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board Meetings and otherwise in the execution of their duties as Directors.

Details of the nature and amount of each element of the remuneration of each of the Directors of Carbine Tungsten Limited and the Key Management Personnel of the Company and the consolidated entity who received the highest emoluments during the year ended 30 June 2014 are set out in the following tables:

| 2014 | Short-term employee benefits – cash salary and fees $ | Post-employment Super-annuation $ | Long – term employee benefits $ | Share-based payments - rights $ | Total $ | Consisting of options/performance rights % |
|---|---|---|---|---|---|---|
| A.J. Morgan* | 240,000 | - | - | 36,000 | 276,000 | 13% |
| R.H. Krause | 60,000 | - | - | - | 60,000 | - |
| A.E. Gordon | 34,000 | - | - | - | 34,000 | - |
| **Other key management personnel** | | | | | | |
| J. Basic | 119,900 | - | - | - | 119,900 | - |
| D.W. Clark | 22,025 | - | - | - | 22,025 | - |
| **Total key management personnel compensation** | **475,925** | | | **36,000** | **511,925** | |

*A.J. Morgan received 400,000 shares (valued at $36,000) from the vesting of performance rights issued in the prior year. The portion of Mr Morgan's salary that is performance based in the 2014 year is nil. Mr Morgan was required to remain in employment with the Carbine until 1 January 2013 in order for these rights to vest. These performance benchmarks and the Carbine Awards Plan were approved following the passing of Resolutions 12 and 13 at the Company's Annual General Meeting held on 8 November 2012.

| 2013 | Short-term employee benefits $ | Post-employment Super-annuation $ | Long –term employee benefits $ | Share-based payments - rights $ | Share-based payments - shares $ | Total $ | Consisting of options or performance rights % |
|---|---|---|---|---|---|---|---|
| A.J. Morgan* | 240,000 | - | - | 36,000 | 50,000 | 326,000 | 26% |
| R.H. Krause | - | - | - | - | - | - | - |
| L.E. Pretorius* | - | - | - | 86,000 | - | 86,000 | 100% |
| P. Donkin | - | - | - | - | - | - | - |
| A.E. Gordon | 34,500 | - | - | - | - | 34,500 | - |
| A.H. White* | 23,762 | - | - | 43,000 | - | 66,762 | 64% |
| **Other key management personnel** | | | | | | | |
| T.S. Peisker | 182,235 | 13,219 | - | - | 10,000 | 205,454 | 5% |
| **Total key management personnel compensation** | **480,497** | **13,219** | **-** | **165,000** | **60,000** | **718,716** | |

*A.J. Morgan received 400,000 shares (valued at $50,000) as a part payment for a sign-on fee to take up the position of Managing Director and 400,000 performance rights (valued at $36,000) which vested in the 2013 financial year.

*L.E. Pretorius resigned as a Director on 30 June 2013.

*A.H. White resigned as a Director on 31 January 2013.

Options and shares do not represent cash payments to Directors or Senior Executives and performance rights/share options granted may or may not be exercised by the Directors or Executives.

During the financial year to 30 June 2014, no new share Performance Rights were granted to Directors.

Options granted as a part of Director and Executive remuneration are valued using the Black and Scholes Option-pricing Model, which takes into account factors including the option exercise price, the share price at time of grant, volatility of the underlying share price, the risk-free interest rate and the expected life of the option.

***Fair value of options***

The fair value of each option is estimated on the date of grant using the Black and Scholes Option-pricing Model with the relative weighted average assumptions applicable to each grant made.

**(d) Cash Bonuses**

No cash bonuses were paid to Directors or Key Management Personnel during the 2013-2014 financial year.

**(e) Equity Instruments**

**(i) Shareholdings**

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by Directors and Key Management Personnel and their related parties are as follows:

| 30 June 2014 | Balance at 1 July 2013 | Granted as compensation | Received on exercise of Performance Rights | Other changes | Balance at 30 June 2014 | Balance held nominally |
|---|---|---|---|---|---|---|
| **Name** | | | | | | |
| R.H. Krause | - | - | - | - | - | - |
| A.J. Morgan | 3,584,761 | - | 400,000 | 314,040 | 4,298,801 | - |
| A.E. Gordon | 72,000 | - | - | - | 72,000 | - |
| R.W. Nice | - | - | - | 100,000 | 100,000 | - |
| J. Basic | - | - | - | - | - | - |
| D.W. Clark | - | - | - | 101,127 | 101,127 | - |
| | **3,656,761** | **-** | **400,000** | **515,167** | **4,571,928** | **-** |

### (ii) Options and Performance Rights Holdings

Details of options and rights held directly, indirectly or beneficially by Directors and Key Management Personnel and their related parties are as follows:

| 30 June 2014 | Balance at 1 July 2013 | Granted as compensation | Rights exercised | Other changes | Balance at 30 June 2014 | Total vested at 30 June 2014 | Total vested and exercisable at 30 June 2014 | Total vested and unexercis-able at 30 June 2014 |
|---|---|---|---|---|---|---|---|---|
| **Name** | | | | | | | | |
| R.H. Krause | - | - | - | - | - | - | - | - |
| A.J. Morgan | 1,400,000 | - | (400,000) | (1,000,000)* | - | - | - | - |
| A.E. Gordon | - | - | - | - | - | - | - | - |
| R.W. Nice | - | - | - | - | - | - | - | - |
| | 1,400,000 | - | (400,000) | (1,000,000) | - | - | - | - |

***Note**: Lapsed Performance Rights

### (iii) Loans to Key Management Personnel

There are no loans made by the Company to Key Management Personnel or their related parties.

### (iv) Other Transactions and Balances

**Consulting Services**

Carbine Tungsten Limited's Chairman, Mr Krause is a Director and shareholder in JLK Consulting Pty Ltd, Managing Director, Mr Morgan is a Director and shareholder in Projectex Pty Ltd, Director Mr Gordon is a Director and shareholder in Hanuman Corporate Pty Ltd and Achilles Financial Pty Ltd. All of these entities have provided specialist consulting services to the Group during the financial year as shown below. These services were based upon normal commercial terms and conditions and recognised as an expense during the period.

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| R.H. Krause (JLK Consulting Pty Ltd) | **60,000** | - |
| A.J. Morgan (Projectex Pty Ltd) | **240,000** | 240,000 |
| A.E. Gordon (Hanuman Corporate Pty Ltd and Achilles Financial Pty Ltd) | **34,000** | 34,500 |
| | **334,000** | 274,500 |

| | | |
|---|---|---|
| Aggregate amounts of liabilities at reporting date relating to consulting services with Directors and Key Management Personnel of the group are as follows: | | |
| Current liabilities | **5,500** | - |

## (f) Share-based Payment Bonuses

No options or shares in payment of bonuses were issued to Directors or Key Management Personnel during the 2013-2014 financial year.

## (g) Options and Rights Granted as Remuneration

No Performance Rights were granted to Directors and Key Management Personnel as compensation during the 2013-2014 financial year.

## (h) Equity Instruments Issued on Exercise of Remuneration Options

Details of equity instruments that were issued to Directors or Key Management Personnel as a result of Performance Rights being exercised that had previously been granted as compensation during the 2013-2014 financial year are shown in the table in section (e)(ii) above. The amount paid per share was $nil. The value of the shares issued on exercise of rights was $36,000. During the year 1,000,000 rights lapsed due to non-performance of the conditions attached. The value of the lapsed options was $90,000.

**(i) Value of Performance Rights to Key Management Personnel and Executives**

Details of the value of Performance Rights granted, exercised and lapsed during the 2013-2014 financial year to Directors and Key Management Personnel as part of their remuneration are shown in the table above.

**(j) Service Agreements**

Remuneration and other terms of employment for the Directors and Executives are formalised in Service/Appointment Agreements.

All contracts with Executives may be terminated early by either party within the stipulated notice period, subject to any termination payments as detailed below.

**R.H. Krause**

There is no written agreement with Mr Krause, who received payments and benefits of $60,000 in his role as Non-executive Chairman of the Company. The payments were made through JLK Consulting Pty Ltd, a company in which Mr Krause has a substantial interest.

**A.J. Morgan**

There is an agreement dated 22 June 2012 between Carbine Tungsten Limited and Projectex Pty Ltd (a company associated with A.J. Morgan) whereby Projectex Pty Ltd provides management services to Carbine Tungsten Limited in the role of Managing Director and Chief Executive Officer on a remuneration package of $240,000 per annum. A three month notice period is required to terminate the agreement. Annual performance reviews are to be completed around May/June each year.

Projectex Pty Ltd received payments totalling $240,000 and Mr Morgan received share based payments of $36,000 during the 2014 financial year.

Share based payments consisted of $36,000 for Performance Rights issued and vested during the period.

**A.E. Gordon**

There is no written agreement with Mr Gordon, who received payments and benefits of $34,000 in his role as a Director of the Company. The payments were made through Hanuman Corporate Pty Ltd and Achilles Financial Pty Ltd, companies in which Mr Gordon has a substantial interest.

**R.W. Nice**

There is no written agreement with Mr Nice, who received no payments in his role as a Director, having been appointed on 30 June 2013.

**J. Basic** (appointed 8 April 2014)

There is an agreement dated 8 April 2014 between Carbine Tungsten Limited and Jovo Basic Consulting Pty Ltd (a company associated with J. Basic) whereby Jovo Basic Consulting Pty Ltd provides management services to Carbine Tungsten Limited in the role of General Manager (Operations) on an agreed upon fee structure. Mr Basic's contract will continue until the agreement is validly terminated. The Company or Mr Basic may terminate the contract by giving thirty (30) days written notice.

**D.W. Clark** (appointed 17 April 2014 – CFO / appointed 10 July 2014 – Company Secretary

There is an agreement dated 8 January 2014 between Carbine Tungsten Limited and D.W. Clark whereby Mr Clark agrees to provide management services to Carbine Tungsten Limited in the role of External Accountant on an agreed upon fee structure. Mr Clark's contract will continue until the agreement is validly terminated. The Company or Mr Clark may terminate the contract by giving one month's written notice.

**(k) Carbine's Financial Performance**

Carbine's financial performance for the five years to 30 June 2014 is noted below and the relationship between results and performance is discussed.

| Year ended | Measure | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Net loss after tax | $ | (2,001,531) | (4,946,517) | (2,146,556) | 229,130 | (1,607,124) |
| Net Assets | $ | 12,957,145 | 14,113,501 | 16,328,341 | 7,559,110 | 5,171,369 |
| Cash and cash equivalents | $ | 2,124,913 | 1,464,162 | 975,085 | 375,381 | 26,706 |
| Cash flows from operating activities | $ | (1,146,400) | (1,992,267) | (785,664) | 180,820 | (1,152,980) |
| EBITDA | $ | (1,062,205) | (4,014,187) | (1,855,579) | 202,389 | (1,581,743) |
| Share price at 30 June | $ | $0.10 | $0.05 | $0.10 | $0.08 | $0.08 |
| Basic Earnings/(loss) per share | Cents | (0.69) | (1.80) | (0.97) | 0.002 | (0.02) |

**Financial Performance**

The loss of the consolidated Group for the financial year after tax amounted to $2,001,531 (2013: $4,946,517).

The Group is creating value for shareholders through its development of the Group's Mt Carbine Hard Rock Project.

During the year, the Mt Carbine Hard Rock Project operations continued to strengthen and the technical due diligence phase of the funding negotiations with Mitsubishi Corporation RtM Japan Limited concluded. At the same time, the Board undertook to consolidate the Hard Rock operations with a view to securing US$15 million in project level funding for the low grade stockpile. Carbine also continued to carry out pilot and laboratory test programs at its Research and Development Tailings Retreatment Plant and received a Research and Development tax offset amount of $2,331,820 during the year (2013: $1,319,484).

**Financial Position**

The Group's main activity during the year was the investment of cash in the Group's Mt Carbine Hard Rock Project that provides Carbine with substantial exploration upside potential. The value of the exploration assets at 30 June 2014 is $6,896,423 (2013: $7,405,966).

For the year ended 30 June 2014, the Group had a net working capital surplus of $257,291 (2013: $531,742 surplus). Current liabilities included $1,061,650 representing AUD equivalent of USD $1M in loan funds received from Mitsubishi Corporation RtM Japan Limited.

As the Group is an exploration and development entity, ongoing exploration and development activities are reliant on future capital raisings. During the year, the Group completed a successful capital raising to professional and sophisticated investors at a price of $0.055 cents per share. This placement carried one unlisted option for every two shares taken up with a strike price of $0.10 cents and a term of 12 months. The placement raised $709,750 through the subscription of 12,904,546 shares and 6,452,273 unlisted options.

Equity based incentives provide a viable means of recognising and rewarding performance whilst allowing the Group to invest the vast majority of its cash reserves in the development of the Mt Carbine Hard Rock Project and key exploration activities. The foundation of the equity incentive program is the Carbine Tungsten Limited Awards Plan which is designed to attract, motivate and retain employees, consultants and non-executive directors. The Plan is administered by the Board and determines which directors, executives, employees or consultants will be offered the opportunity to participate in the Plan. During the 2014 financial year 400,000 performance rights granted to Mr Morgan in 2013 vested and 400,000 ordinary shares were issued to Mr Morgan for nil consideration. Separately, 1,000,000 performance rights granted to Mr Morgan in 2013 lapsed during the 2014 financial year. 510,824 shares were also issued on 30 December 2013 under the Carbine Tungsten Limited Awards Plan to employees at various prices for a total consideration of $23,701. There is currently no relationship between the company's remuneration policy and its financial performance.

End of audited remuneration report.

### INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

**Indemnification**

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an Officer of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an Officer, including costs and expenses in successfully defending legal proceedings.

**Insurance Premiums**

During the financial period the Company has paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

### AUDIT AND NON–AUDIT SERVICES

During the financial year, the following fees for audit and non-audit services were paid or payable to the auditors BDO Audit (NTH QLD) Pty Ltd:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Audit-related services** | | |
| Amounts paid or payable to BDO Audit (NTH QLD) Pty Ltd | | |
| - Audit services | 35,000 | 31,000 |
| **Taxation services** | | |
| Amounts paid or payable to BDO Audit (NTH QLD) Pty Ltd | | |
| - Tax compliance services – tax returns | 10,500 | 3,500 |
| | 45,500 | 34,500 |

The Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

On the advice of the Audit Committee, the Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

### ENVIRONMENTAL PERFORMANCE

Carbine Tungsten Limited and related entities hold exploration licences issued by the Mines Department of the Queensland State Government which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the various guidelines and standards issued by DEHP. There have been no significant known breaches of the licence conditions.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act* 2001 is set out and located after the Directors' Declaration and forms part of this Report.

Signed at Cairns this 30th day of September 2014 in accordance with a resolution of the Directors.

RUSSELL KRAUSE

**Chairman**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | **$** | $ |
| Revenue from ordinary activities | 2 | **614,208** | 1,494,191 |
| Other income | 2 | **332,818** | 171,204 |
| ***Cost of Sales*** | | | |
| Cost of sales | | **(1,682,193)** | (2,470,005) |
| Administration expenses | | **(511,497)** | (644,942) |
| Consultant expenses | | **(472,957)** | (451,374) |
| Depreciation | 8 | **(939,326)** | (932,330) |
| Loss on revaluation of investments | | **(105,598)** | (1,326,013) |
| Exploration written off | | **(544,846)** | (11,314) |
| Finance costs | | **-** | (14,156) |
| Foreign exchange losses | | **-** | (53,923) |
| Occupancy expenses | | **(183,186)** | (77,515) |
| Salaries and employee benefits expense | | **(642,301)** | (1,544,790) |
| Superannuation | | **(51,251)** | (115,712) |
| Share based payments | | **-** | (131,033) |
| Travel and accommodation | | **(118,313)** | (88,090) |
| Other expenses | | **(28,909)** | (70,199) |
| **LOSS BEFORE INCOME TAX EXPENSE** | | **(4,333,351)** | (6,266,001) |
| **INCOME TAX BENEFIT** | 3 | **2,331,820** | 1,319,484 |
| **LOSS AFTER INCOME TAX EXPENSE** | 14 | **(2,001,531)** | (4,946,517) |
| | | | |
| Other comprehensive income for the year | | **-** | - |
| | | | |
| **TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO OWNERS OF CARBINE TUNGSTEN LIMITED** | | **(2,001,531)** | (4,946,517) |
| | | | |
| Loss for the year is attributable to: | | | |
| Non-controlling interest | | **-** | - |
| Owners of Carbine Tungsten Limited | | **(2,001,531)** | (4,946,517) |
| | | | |
| | | **Cents** | Cents |
| Basic loss per share | 14 | **(0.69)** | (1.80) |
| Diluted loss per share | 14 | **(0.69)** | (1.80) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

| | Note | **2014** | 2013 |
|---|---|---|---|
| | | **$** | $ |
| **CURRENT ASSETS** | | | |
| Cash assets | 26(b) | **2,124,913** | 1,464,162 |
| Trade and other receivables | 5 | **56,218** | 167,015 |
| Stock on hand | 6 | **-** | 134,011 |
| Prepayments | | **40,012** | 43,700 |
| **TOTAL CURRENT ASSETS** | | **2,221,143** | 1,808,888 |
| **NON-CURRENT ASSETS** | | | |
| Tenement security deposits | 7 | **861,546** | 282,081 |
| Plant and equipment | 8 | **4,892,385** | 5,726,725 |
| Deferred exploration and evaluation expenditure | 9 | **6,896,423** | 7,405,966 |
| Financial assets | 10 | **49,500** | 166,987 |
| **TOTAL NON-CURRENT ASSETS** | | **12,699,854** | 13,581,759 |
| **TOTAL ASSETS** | | **14,920,997** | 15,390,647 |
| **CURRENT LIABILITIES** | | | |
| Payables | 11 | **902,202** | 1,277,146 |
| Borrowings | 12 | **1,061,650** | - |
| **TOTAL CURRENT LIABILITIES** | | **1,963,852** | 1,277,146 |
| **TOTAL LIABILITIES** | | **1,963,852** | 1,277,146 |
| **NET ASSETS** | | **12,957,145** | 14,113,501 |
| **EQUITY** | | | |
| Issued capital | 14 | **27,812,168** | 26,965,917 |
| Accumulated losses | 14(b) | **(15,413,834)** | (13,412,303) |
| Reserves | 14(a) | **558,811** | 559,882 |
| Non-controlling interest | | **-** | 5 |
| **TOTAL EQUITY** | | **12,957,145** | 14,113,501 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payment to suppliers and employees | | **(4,343,060)** | (5,012,146) |
| Proceeds from customers | | **722,800** | 1,469,596 |
| R & D Tax concession offset received | | **2,331,820** | 1,319,484 |
| Other receipts | | **137,699** | 206,204 |
| Interest received | | **4,341** | 24,595 |
| NET CASH FLOWS (USED IN) OPERATING ACTIVITIES | 26(a) | **(1,146,400)** | (1,992,267) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for purchase of plant and equipment | | **(119,761)** | (351,612) |
| Insurance proceeds from disposal of plant and equipment | | **2,842** | - |
| Expenditure on mining interests (exploration) | | **-** | (112,021) |
| Proceeds from release/(payment) of Tenement Security Deposits | | **-** | (118,648) |
| Proceeds from sale of investments | | **97,850** | 337,700 |
| NET CASH FLOWS (USED IN) INVESTING ACTIVITIES | | **(19,069)** | (244,581) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Loans received | | **1,116,470** | - |
| Proceeds from issue of shares | | **709,750** | 2,725,925 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | **1,826,220** | 2,725,925 |
| **Net increase in cash held** | | **660,751** | 489,077 |
| Add opening cash brought forward | | **1,464,162** | 975,085 |
| **CLOSING CASH CARRIED FORWARD** | 26(b) | **2,124,913** | 1,464,162 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

| | Attributable to the Shareholders of Carbine Tungsten Limited | | | | |
|---|---|---|---|---|---|
| **CONSOLIDATED** | **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) |
| Profit/(Loss) for the period | - | (4,946,517) | - | - | (4,946,517) |
| Other comprehensive income for the period | - | - | - | - | - |
| **Total comprehensive loss for the period** | - | (4,946,517) | - | - | (4,946,517) |
| **Transactions with owners in their capacity as owners** | | | | | |
| Issue of share capital | 2,725,925 | - | - | - | 2,725,925 |
| Share based payments | - | - | 5,833 | - | 5,833 |
| **Total transactions with owners in their capacity as owners** | 2,725,925 | - | 5,833 | - | 2,731,758 |
| **BALANCE AT 30 JUNE 2013** | 26,965,917 | (13,412,303) | 559,882 | 5 | 14,113,501 |
| | | | | | |
| **AT 1 JULY 2013** | **26,965,917** | **(13,412,303)** | **559,882** | **5** | **14,113,501** |
| Prior period adjustment | - | - | - | (5) | (5) |
| Profit/(Loss) for the period | - | (2,001,531) | - | - | (2,001,531) |
| Other comprehensive income for the period | - | - | - | - | - |
| **Total comprehensive loss for the period** | **-** | **(2,001,531)** | **-** | **(5)** | **(2,001,536)** |
| **Transactions with owners in their capacity as owners** | | | | | |
| Issue of share capital | 846,251 | - | - | - | 846,251 |
| Share based payments | - | - | (1,071) | - | (1,071) |
| **Total transactions with owners in their capacity as owners** | **846,251** | **-** | **(1,071)** | **-** | **845,180** |
| **BALANCE AT 30 JUNE 2014** | **27,812,168** | **(15,413,834)** | **558,811** | **-** | **12,957,145** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (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.

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) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. These financial statements have been prepared on a historical cost basis. The financial report is presented in Australian currency. The consolidated entity operates on a for-profit basis.

### (c) Statement of Compliance

The financial statements have been prepared and comply with Australian Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### (d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Carbine Tungsten Limited ("the Company" or "Carbine") and its subsidiaries ("the Group") as at 30 June each year. Subsidiaries are entities over which the Company has control. Control is defined as entities which the group has rights to or is exposed to variable returns from its involvement with the entity, and has the ability to use its power to affect those returns.

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 upon which control is transferred to the Group and cease to be consolidated from the date upon which control is transferred out of the Group.

### (e) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated either on a diminishing value or straight-line basis over the estimated useful life of the asset. Plant and equipment useful life ranges from 2 – 10 years.

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

**(f) Borrowings**

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the accounting policy for borrowing costs.

Borrowings are classified as current unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

**Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value on a "first in first out" basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Cost is determined on the following basis:

- Tungsten on hand is valued on an average total production cost method.
- Ore stockpiles are valued at the average cost of mining and stockpiling the ore, including haulage.
- A proportion of related depreciation and amortisation charge is included in the cost of inventory.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated future selling price in the ordinary course of business, based on prevailing metal prices, less the estimated costs of completion and the estimated costs necessary to make the sale.

**(h) Recoverable Amount of Assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use.

**(i) Investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in profit or loss.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business at the end of the reporting period.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Group commits to purchase the asset.

**(j) Exploration, Evaluation, Development and Restoration Costs**

*Exploration and Evaluation*

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

*Exploration and Evaluation – Impairment*

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in profit or loss when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis, provisions would be reviewed and if appropriate, written back.

*Development*

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

*Restoration*

Provisions for restoration costs are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*Remaining Mine Life*

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame.

**(k) Mine Property Held for Sale**

Where the carrying amount of mine property and related assets will be recovered principally through a sale transaction rather than through continuing use, the assets are reclassified as Mine Property Held for Sale and carried at the lower of the assets' carrying amount and fair value less costs to sell – where such fair value can be reasonably determined, and otherwise at its carrying amount. Liabilities and provisions related to mine property held for sale are similarly reclassified as Liabilities – Mine Property Held for Sale and Provisions – Mine Property Held for sale, as applicable, and carried at the value at which the liability or provisions are expected to be settled.

**(l) Trade and Other Receivables**

Trade receivables, which generally have 5-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(m) Cash and Cash Equivalents**

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts, if any.

**(n) Other Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(o) Employee Entitlements**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

**(p) Share-based Payments**

The Carbine Tungsten Limited Awards Plan was approved by shareholders at the Annual General Meeting on 8 November 2012. This replaces the previous employee share option scheme approved in 2006. The Awards Plan provides the Group the ability to provide employees, including Directors and other permitted persons share based payment benefits, including Performance Rights and Options. The issue of Performance Rights or Options is subject to the rules of the Awards Plan and can be issued for nil consideration and against performance or other criteria and will not be quoted on the ASX.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (a) the extent to which the vesting period has expired and (b) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

**(q) Leases**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

**(r) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

*Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

*Dividends*

Revenue is recognised when the shareholders' right to receive the payment is established.

**(s) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Deferred income tax is provided on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

### (t) Change in accounting policy for the Research and Development (R&D) tax offset

The R&D Tax Offset replaced the R&D Tax Concession for research and development expenditure incurred in income years commencing on or after 1 July 2011. For the year ended 30 June 2014, the R&D Tax Offset is recognised as a tax credit within income tax expense. In previous years a credit was recognised as other income in profit before tax over the periods necessary to match the benefit of the credit with the research and development costs for which it is intended to compensate. This change represents a voluntary change in accounting policy and has also been applied in the 2013 comparative year. To give effect to the change, the 2014 R&D Tax Offset amount of $2,331,820 (2013: $1,319,484) has been recognised as an income tax benefit in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### (u) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (v) Currency

Both the functional and presentation currency is Australian dollars (A$).

### (w) Investment in Subsidiaries

The parent entity's investment in its subsidiaries is accounted for under the cost method of accounting in the Company's financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. REVENUE FROM ORDINARY ACTIVITIES AND OTHER INCOME

| | 2014 $ | 2013 $ |
|---|---|---|
| **Revenue from ordinary activities** | | |
| Interest received – other persons/corporation | **6,349** | 24,595 |
| Sale of Tungsten Concentrate | **607,859** | 1,469,596 |
| | **614,208** | 1,494,191 |
| **Other income** | | |
| Reimbursement of laboratory testwork | **107,351** | - |
| Sale of Tenements | **-** | 3,000 |
| Foreign exchange gain | **30,152** | 12,424 |
| Gain on disposal of assets | **74,027** | - |
| Diesel Fuel Rebates | **78,627** | 155,558 |
| Other income | **42,661** | 222 |
| | **332,818** | 171,204 |
| **Total revenue from ordinary activities and other income** | **947,026** | 1,665,395 |

## 3. INCOME TAX

| | 2014 $ | 2013 $ |
|---|---|---|
| **(a) Income tax expense** | | |
| ***Current income tax*** | | |
| Current income tax benefit | **(623,956)** | (1,611,346) |
| Current income tax benefit not recognised | **600,459** | 1,483,955 |
| Research and development tax concession refund | **(2,331,820)** | (1,319,484) |
| ***Deferred income tax*** | | |
| Relating to deductible and taxable temporary differences | **23,497** | 127,391 |
| **Income tax (benefit)/expense** | **(2,331,820)** | (1,319,484) |
| **(b) Reconciliation of income tax expense to prima facie tax payable** | | |
| Loss before income tax | **(2,001,531)** | (4,946,517) |
| Tax at the Australian rate of 30% (2013: 30%) | **(600,459)** | (1,483,955) |
| Tax effect of amounts which are not taxable in calculating taxable income: | | |
| Deferred tax asset not recognised | **600,459** | 1,483,955 |
| Research and development tax concession refund | **(2,331,820)** | (1,319,484) |
| Income tax (benefit)/expense | **(2,331,820)** | (1,319,484) |
| **(c) Deferred tax** | | |
| ***Assets*** | | |
| Tax losses available to offset against future taxable income | **2,035,590** | 2,151,545 |
| Accrued expenses | **37,750** | 65,324 |
| Employee leave liabilities | **7,591** | 18,031 |
| | **2,080,931** | 2,234,900 |
| ***Liabilities*** | | |
| Capitalised exploration and evaluation expenditure | **2,068,927** | 2,221,790 |
| Prepaid expenses | **12,004** | 13,110 |
| | **2,080,931** | 2,234,900 |
| Net deferred tax asset | **-** | - |
| **(d) Unrecognised deferred tax assets** | | |
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Tax losses | **536,909** | 1,802,327 |
| | **536,909** | 1,802,327 |

No provision for income tax is considered necessary in respect of the Company for the period ended 30 June 2014.

Deferred tax assets have not been recognised in respect of these items because it is not probable in the short to medium term that these assets will be realised. The Group has total tax losses at 30 June 2014 of $9,763,087 (2013: $11,415,019). A future income tax benefit which may arise from tax losses of 30% of approximately $2,196,663 will only be obtained if:

- the Parent and the Subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Parent and the Subsidiaries continue to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Parent and the Subsidiaries in realising the benefit from the deductions for the losses, i.e. current tax legislation permits carried forward tax losses to be carried forward indefinitely.

No franking credits are available for subsequent years.

**Tax consolidation**

The Tax consolidation scheme is applicable to the Company. As at the date of this report the Directors have not assessed the financial effect, if any, the scheme may have on the Company and the consolidated entities, and accordingly the Directors have not made a decision whether or not to be taxed as a single entity. The financial effect of the tax consolidation scheme on the Group has not been recognised in the financial statements.

## 4. AUDITORS' REMUNERATION

| | 2014 $ | 2013 $ |
|---|---|---|
| Total amounts receivable by the current auditors of the Company for: | | |
| - Audit of the Company's accounts | **35,000** | 31,000 |
| - Tax compliance services – tax returns | **10,500** | 3,500 |
| | **45,500** | 34,500 |

## 5. RECEIVABLES – CURRENT

| | 2014 | 2013 |
|---|---|---|
| Interest | **-** | 867 |
| Refund for GST paid | **47,618** | 66,698 |
| Trade Receivables | **724** | 27,231 |
| Other | **7,876** | 72,219 |
| Other receivables | **56,218** | 167,015 |

## 6. INVENTORY

| | 2014 | 2013 |
|---|---|---|
| Stock on hand 1 July 2013 | **134,011** | - |
| Additions | **-** | 134,011 |
| Disposals | **(134,011)** | - |
| Total tungsten concentrate on hand as at 30 June 2014 – at cost | **-** | 134,011 |

## 7. TENEMENT SECURITY DEPOSITS

| | 2014 | 2013 |
|---|---|---|
| Tenement security deposits | **841,621** | 133,000 |
| Other security deposits | **19,925** | 149,081 |
| Cash with government mines department | **861,546** | 282,081 |

The tenement deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (refer to Note 22).

## 8. PLANT AND EQUIPMENT

| | 2014 $ | 2013 $ |
|---|---|---|
| Plant and equipment – at cost | **7,084,881** | 6,990,819 |
| Accumulated depreciation | **(2,192,496)** | (1,264,094) |
| | **4,892,385** | 5,726,725 |

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current and previous financial year

| | 2014 $ | 2013 $ |
|---|---|---|
| Carrying amount at beginning | **5,726,725** | 6,360,327 |
| Additions | **119,760** | 351,612 |
| Disposals | **(14,774)** | (52,884) |
| Depreciation expense | **(939,326)** | (932,330) |
| | **4,892,385** | 5,726,725 |

## 9. DEFERRED EXPLORATION AND VALUATION EXPENDITURE

| | 2014 $ | 2013 $ |
|---|---|---|
| Costs brought forward | **7,405,966** | 7,293,945 |
| Costs incurred during the period | **-** | 123,335 |
| Expenditure written off during period | **(509,543)** | (11,314) |
| Costs carried forward | **6,896,423** | 7,405,966 |

Exploration expenditure costs carried forward are made up of:

| | 2014 $ | 2013 $ |
|---|---|---|
| Expenditure on joint venture areas | **-** | - |
| Expenditure on non-joint venture areas | **6,896,423** | 7,405,966 |
| Costs carried forward | **6,896,423** | 7,405,966 |

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

## 10. FINANCIAL ASSETS

| | 2014 $ | 2013 $ |
|---|---|---|
| Spencer Resources Shares | **-** | 12,300 |
| Sovereign Gold Company Ltd | **49,500** | 154,687 |
| | **49,500** | 166,987 |

## 11. CURRENT LIABILITIES – PAYABLES

| | 2014 $ | 2013 $ |
|---|---|---|
| Trade creditors | **148,778** | 430,727 |
| Accrued expenses | **60,182** | 144,029 |
| Royalties | **65,649** | 73,719 |
| Advance - Mitsubishi Corporation RtM Japan Limited | **-** | 437,982 |
| Financial assurance payable | **588,895** | - |
| Other | **38,698** | 190,689 |
| | **902,202** | 1,277,146 |

## 12. BORROWINGS

| | 2014 $ | 2013 $ |
|---|---|---|
| Secured loan from Mitsubishi Corporation RtM Japan Ltd | **1,061,650** | - |
| | **1,061,650** | - |

The US$1 Million (AU$1,061,650) loan facility was established in February 2014 from Mitsubishi Corporation RtM Japan Ltd and is secured against 2.7% of the equity of Carbine's fully owned subsidiary Tungsten Resources Pty Ltd (TR) that in turn owns 100% of the Mt Carbine tungsten project in Far North Queensland. The loan repayable in full within 24 months after drawdown and bears an interest rate of 3% per annum with the first interest payment due 12 months after the drawdown date.

## 13. CONTRIBUTED EQUITY

| | 2014 $ | 2013 $ |
|---|---|---|
| **Share capital** | | |
| 296,745,179 (2013: 281,936,594) ordinary shares fully paid | **27,812,168** | **26,965,917** |

### (a) Movements in ordinary share capital

| 1 July 2013 to 30 June 2014 | Date | Number of Shares | Issue Price | $ |
|---|---|---|---|---|
| Balance b/fwd | | 281,936,594 | | 26,965,917 |
| Shares issued for consulting services | 31 Oct 13 | 539,859 | ** | 45,000 |
| Shares issued under a placement | 19 Nov 13 | 12,904,546 | $0.055 | 709,750 |
| Shares issued for consulting services | 30 Dec 13 | 453,356 | ** | 31,800 |
| Shares issued under employee share scheme | 30 Dec 13 | 510,824 | ** | 23,701 |
| Shares issued from vesting Performance Rights | 04 Apr 14 | 400,000 | $0.09 | 36,000 |
| **Balance as at 30 June 2014** | | **296,745,179** | | **27,812,168** |
| | | | | |
| **1 July 2012 to 30 June 2013** | | | | |
| Balance b/fwd | | 256,982,719 | | 24,239,992 |
| Shares issued under a placement | 09-08-12 | 16,000,000 | $0.125 | 2,000,000 |
| Shares issued under Rights Issue Shortfall | 07-12-12 | 1,500,000 | $0.09 | 135,000 |
| Shares issued under Rights Issue Shortfall | 07-12-12 | 480,000 | $0.09 | 0* |
| Shares issued in lieu of Directors fees | 07-12-12 | 1,000,000 | $0.125 | 125,000 |
| Shares issued from SPP | 18-03-13 | 4,543,009 | $0.075 | 340,725 |
| Shares issued under employee share scheme | 13-05-13 | 430,866 | ** | 35,200 |
| Shares issued from vesting Performance Rights | 13-05-13 | 1,000,000 | $0.09 | 90,000 |
| Balance as at 30 June 2013 | | 281,936,594 | | 26,965,917 |

*Funds received and accounted for prior to 30 June 2012.
**Various issue prices.

**Terms and Conditions of Contributed Equity**

***Ordinary Shares***

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Option holders have no voting rights until the options are exercised.

***Options***

The following options are outstanding at the end of the reporting period.

**(b) Movements in Options and Performance Rights**

| ***Unlisted Options and Performance Rights*** | **Date** | **Number of Options** | **Exercise Price** | **Maturity** |
|---|---|---|---|---|
| **1 July 2009 to 30 June 2014** | | | | |
| Options issued free under Company's ESOP | 26-06-09 | 1,500,000 | $0.34 | 30-11-2013 |
| Options issued free under Company's ESOP | 16-12-09 | 450,000 | $0.14 | 17-11-2014 |
| Options issued free under Company's ESOP | 16-12-09 | 950,000 | $0.19 | 17-11-2014 |
| Performance Rights issued | 07-12-12 | 2,400,000 | | |
| Performance Rights exercised | 13-05-13 | (1,000,000) | | |
| Options issued free under share placement | 15-11-13 | 6,452,273 | $0.10 | 15-11-2014 |
| Options issued free under Company's ESOP lapsed | 30-11-13 | (1,500,000) | $0.34 | 30-11-2013 |
| Performance Rights exercised | 04-04-14 | (400,000) | | |
| Performance Rights lapsed | 04-04-14 | (1,000,000) | | |
| **Balance as at 30 June 2014** | | **7,852,273** | | |

## 14. EARNINGS PER SHARE

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Loss after income tax attributable to the owners of Carbine Tungsten Limited used in calculating basic and diluted earnings per share | **(2,001,531)** | (4,946,517) |
| | **Number** | Number |
| Weighted average number of ordinary shares on issue used in the calculation of basic loss per share | **290,936,778** | 274,445,809 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share. Note options outstanding at reporting date have not been brought to account as they are anti-dilutve. | **290,936,778** | 274,445,809 |
| | **Cents** | Cents |
| Basic (loss) per share (cents) | **(0.69)** | 1.80 |
| Diluted loss per share (cents) | **(0.69)** | 1.80 |

**Conversion, call, subscription or issue after 30 June 2014**:

Since the end of the financial period, and before the reporting date of these financial statements, there has been no conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares has taken place.

## 15. KEY MANAGEMENT PERSONNEL COMPENSATION

| | | |
|---|---|---|
| Short-term employee benefits | **475,925** | 480,497 |
| Post-employment benefits | **-** | 13,219 |
| Other long-term benefits | **-** | - |
| Termination benefits | **-** | - |
| Share based payments | **36,000** | 225,000 |
| Balance at the end of period | **511,925** | 718,716 |

## 16. RELATED PARTY DISCLOSURES

The Directors in office during the entire financial year were Mr Krause, Mr Morgan, Mr Nice and Mr Gordon.

Mr Morgan is a Director and shareholder in Projectex Pty Ltd, a company that provides technical and management services to the Company. Services provided during the period ended 30 June 2014 as detailed in Note (c) of the Remuneration Report were settled via the payment of cash benefits amounting to $240,000 and share based payments amounting to $36,000.

Mr Krause is a Director and shareholder in JLK Consulting Pty Ltd, a company that provides corporate and management services to the Company. Services provided during the period ended 30 June 2014 as detailed in Note (c) of the Remuneration Report were settled via the payment of cash benefits amounting to $60,000.

Mr Gordon is a Director and shareholder in Hanuman Corporate Pty Ltd and Achilles Financial Pty Ltd, companies that provides corporate and management services to the Company. Services provided during the period ended 30 June 2014 as detailed in Note (c) of the Remuneration Report were settled via the payment of cash benefits amounting to $34,000.

Services provided by Director-related entities were under normal commercial terms and conditions. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

| Aggregate amounts of liabilities at reporting date relating to consulting services with Directors and Key Management Personnel of the group are as follows: | **2014<br>$** | 2013<br>$ |
|---|---|---|
| Current liabilities | **$5,500** | - |

## 17. JOINT VENTURES

The Company currently has no exposure to any joint venture agreements.

## 18. FINANCIAL REPORT BY SEGMENT

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

## 19. CONTINGENT LIABILITIES

The Group has provided guarantees totalling $133,000 in respect of mining exploration tenements and environmental bonds. These guarantees in respect of mining and exploration 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.

## 20. EMPLOYEE ENTITLEMENTS

The Carbine Tungsten Limited Awards Plan was approved by shareholders at the Annual General Meeting on 8 November 2012. This replaces the previous employee share option scheme approved in 2006. The purpose of the Awards Plan is to attract, motivate and retain eligible employees. It enables the Group to provide employees, including Directors and other permitted persons share based payment benefits, including Performance Rights and Options. The issue of Performance Rights or Options is subject to the rules of the Awards Plan and can be issued for nil consideration and against performance or other criteria and will not be quoted on the ASX.

## 21. FINANCIAL INSTRUMENTS

**Interest Rate Risk Exposure**

At reporting date, the Company was exposed to a floating weighted average interest rate as follows:

| | **2014** | 2013 |
|---|---|---|
| Weighted average rate of cash balances | **1.11%** | 2.00% |
| Cash balances | **$2,124,913** | $1,464,162 |

Bank negotiable certificates of deposit are normally invested for 30 days and other cash at bank balances are at call. All other financial assets and liabilities are non-interest bearing.

**Net Fair Value of Financial Assets and Liabilities, on Balance Sheet and Credit Risk**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value. Credit risk is minimal at reporting date.

## 22. COMMITMENTS

**Exploration Licence Expenditure Requirements**

In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. These expenditure requirements will diminish if the Group joint ventures projects to third parties. It is likely that the granting of new licences and changes in licence areas at renewal or expiry will change the expenditure commitment of the Group from time to time.

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Payable not later than one year | **260,000** | 335,000 |
| Payable later than one year but not later than two years | **455,000** | 455,000 |
| | **715,000** | 790,000 |

## 23. INVESTMENT IN SUBSIDIARIES

| | **Equity Interest** | | **Cost of Parent Entity's Investment** | |
|---|---|---|---|---|
| **Parent Entity** | **2014** | 2013 | **2014** | 2013 |
| Carbine Tungsten Limited | **%** | % | **$** | $ |
| **Controlled Entities** | | | | |
| South Eastern Resources Pty Ltd | **100** | 100 | **-** | - |
| Cast Resources Pty Ltd | **100** | 100 | **2** | 2 |
| Troutstone Resources Pty Ltd | **100** | 100 | **2** | 2 |
| Kaowest Pty Ltd | **100** | 100 | **2** | 2 |
| Icon Resources Africa Pty Ltd | **100** | 49 | **10** | 5 |
| Tungsten Resources Pty Ltd | **100** | 100 | **10** | 10 |

Carbine Tungsten Limited and all of its subsidiaries are located and incorporated in Australia.

## 24. SUBSEQUENT EVENTS

There have been no material events subsequent to 30 June 2014 that have not previously been reported other than:-

- A further financial assurance of $588,995 for Environmental Authority EPML00956913 was paid to the Department of Mines and Natural Resources on 11 July 2014.

## 25. STATEMENT OF CASH FLOWS

| Reconciliation of net cash outflow from operating activities to operating loss after income tax | | 2014 $ | 2013 $ |
|---|---|---|---|
| (a) | Operating loss after income tax | **(2,001,531)** | (4,946,517) |
| | Depreciation | **939,326** | 932,330 |
| | (Gain) Loss on disposal of assets | **(74,027)** | 52,884 |
| | Write down of investment to market value | **50,777** | 1,361,013 |
| | Share based creditor and employee payments | **135,429** | 5,833 |
| | Exploration expenditure written off | **509,539** | - |
| | Disposal of financial assets | **-** | (337,700) |
| | **Change in assets and liabilities:** | | |
| | (Increase)/decrease in receivables | **110,797** | 662,960 |
| | (Increase)/decrease in other assets | **137,699** | (134,011) |
| | (Increase)/decrease in tenement security deposits | **(579,465)** | - |
| | (Decrease)/increase in trade and other creditors | **(374,944)** | 410,941 |
| | Net cash outflow from operating activities | **(1,146,400)** | (1,992,267) |

(b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities.

The balance at 30 June 2014 comprised:

| | 2014 | 2013 |
|---|---|---|
| Cash assets | **2,124,913** | 1,464,162 |
| Cash on hand | **2,124,913** | 1,464,162 |

(c) The following non-cash financing and investing activities were incurred by the Company during the year.

| | 2014 | 2013 |
|---|---|---|
| Shares issued to creditors and employees for services rendered | **135,429** | 5,833 |

## 26. CORPORATE INFORMATION

The Financial Report of the Group for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30th September 2014.

Carbine Tungsten Limited is a company limited by shares and incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange under the ticker code “CNQ”

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s principal financial instruments comprise cash, short term deposits and available for sale investments.

The main purpose of these financial instruments is to finance the Company’s operations. The Company has various other financial assets and liabilities such as trade receivable and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the Company’s policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company’s financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

**(a) Credit Risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

**(b) Cash Flow Interest Rate Risk**

The Company's exposure to the risks of changes in market interest rates relates primarily to the Company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the Company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The Company has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

| | Notes | Floating Interest Rate | | Non-Interest Bearing | | Total Carrying Amount | | Interest Rate Risk Sensitivity 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | -10% | | +10% | |
| | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | Profit | Equity | Profit | Equity |
| | | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Financial Assets:** | | | | | | | | | | | |
| Cash at bank | | **2,124,913** | **1,464,162** | **-** | **-** | **2,124,913** | **1,464,162** | (106,165) | (106,165) | (106,165) | (106,165) |
| Short-term deposits | | **-** | **-** | **-** | **-** | **-** | **-** | - | - | - | - |
| Trade and other receivables | 5 | **-** | **-** | **56,218** | **167,015** | **56,218** | **167,015** | - | - | - | - |
| **Total** | | **2,124,913** | **1,464,162** | **56,218** | **167,015** | **2,181,131** | **1,631,177** | **-** | **-** | **-** | **-** |
| Weighted average Interest rate | | **1.11%** | **2.15%** | | | **-** | **-** | | | | |
| **Financial Liabilities** | | **-** | | | | **-** | **-** | | | | |
| Trade and other Payables | 10 | **-** | **-** | **(902,202)** | **(1,277,146)** | **(902,202)** | **(1,277,146)** | - | - | - | - |
| Borrowings | 12 | **(1,061,650)** | **-** | **-** | **-** | **(1,061,650)** | **-** | - | - | - | - |
| **Total** | | **(1,061,650)** | **-** | **(902,202)** | **(1,277,146)** | **(1,963,852)** | **(1,277,146)** | **-** | **-** | **-** | **-** |
| Weighted average Interest rate | | **3.00%** | **0.00%** | | | | | | | | |
| **Net financial assets (liabilities)** | | **1,063,263** | **1,464,162** | **(845,984)** | **(1,110,131)** | **217,279** | **354,031** | **-** | **-** | **-** | **-** |

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short-term and long-term Australian dollar interest rates. A 10% sensitivity would move short-term interest rates at 30 June 2014 from around 3.40% to 3.06% representing a 34 basis points shift. With the continuing uncertain financial markets, the current low interest rates are expected to continue, any change would likely to be only a small decrease, and this level of sensitivity is considered reasonable.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

**(c) Price Risk**

The Group is exposed to equity securities price risk. The Group has investments held and classified on the statement of financial position as available-for-sale as per Note 10.

**(d) Liquidity Risk**

The Company manages liquidity risk by maintaining sufficient cash reserves and marketable securities, and through the continuous monitoring of budgeted and actual cash flows.

| | **2014** | 2013 |
|---|---|---|
| Contracted maturities of payables year ended 30 June 2014 | **$** | $ |
| Payable: | | |
| - less than 6 months | **902,202** | 1,277,146 |
| - 6 to 12 months | **-** | - |
| - 1 to 5 year | **1,061,650** | - |
| - later than 5 year | **-** | - |
| **Total** | **1,963,852** | 1,277,146 |

**(e) Fair Value of Financial Instruments**

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Consolidated - 2014**

| **Assets** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Ordinary shares | 49,500 | - | - | 49,500 |
| Options | - | - | - | - |
| Total assets | 49,500 | - | - | 49,500 |

**Consolidated - 2013**

| **Assets** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Ordinary shares | 166,987 | - | - | 166,987 |
| Options | - | - | - | - |
| Total assets | 166,987 | - | - | 166,987 |

There were no transfers between levels during the financial year

**Movements in Level 3 financial instruments during the current and previous financial year are set out below:**

| Consolidated | Fair value through profit or loss $ | Total $ |
|---|---|---|
| **Balance at 30 June 2012** | **918,000** | **918,000** |
| Gains/(losses) recognised in Surplus / (Deficit) for the year | (766,500) | (766,500) |
| Additions | - | - |
| Disposals | (151,500) | (151,500) |
| **Balance at 30 June 2013** | **-** | **-** |
| Gains/(losses) recognised in Surplus / (Deficit) for the year | - | - |
| Additions | - | - |
| Disposals | - | - |
| **Balance at 30 June 2014** | **-** | **-** |
| Total gains/(losses) for the year included in Surplus / (Deficit) for the year that relate to level 3 assets held at the end of the year | **-** | **-** |

Changing one or more inputs would not significantly change the fair value of Level 3 financial instruments.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

**(f) Commodity Price Risk**

The Company is exposed to commodity price risk. This risk arises from its activities directed at exploration and mining development of mineral commodities. If commodity prices fall, the market for companies exploring and/or mining for these commodities is affected. The Company does not currently hedge its exposures.

**(g) Foreign Exchange Risk**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency. The Company’s foreign currency transactions are not significant at this stage, but will be reviewed as the mining operations increase. There is no hedging currently in place for foreign exchange risk.

**(h) Fair Values**

For financial assets and liabilities, the fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Company has no financial assets where the carrying amount exceeds the net fair values at reporting date. The Company’s receivables at reporting date are detailed in Note 5 and comprise primarily GST input tax credits refundable by the Australian Taxation Office. The balance (if any) of receivables comprises prepayments (if any). The credit risk on financial assets of the Company which have been recognised on the Statement of Financial Position is generally the carrying amount.

**(i) Capital Risk Management**

The consolidated entity’s objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Consistently with others in the industry, the consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as “equity” as shown in the Statement of Financial Position plus net debt. The gearing ratio at 30 June 2014 is 0% as net debt is negative. As there were no borrowings at 30 June 2013, the gearing ratio calculation was not shown.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2013 Annual Report. The consolidated entity is not subject to externally imposed capital requirements.

## 28. SHARE-BASED PAYMENTS

On 31 October 2013, 539,859 shares were issued to Consultants covering past services to the parent company for a total transactional value of $45,000. On 30 December 2013, 453,356 shares were issued to Consultants covering past services to the parent company for a total transactional value of $31,800. On 30 December 2013, 510,824 shares were issued to employees to satisfy bonus conditions of historical employee contracts for a total transactional value of $23,701.

**Awards Plan**

The Carbine Tungsten Limited Awards Plan was approved by shareholders at the Annual General Meeting on 8 November 2012. This replaces the previous employee share option scheme approved in 2006. The purpose of the Awards Plan is to attract, motivate and retain eligible employees. It enables the Group to provide employees, including Directors and other permitted persons share based payment benefits, including Performance Rights and Options. The issue of Performance Rights or Options is subject to the rules of the Awards Plan and can be issued for nil consideration and against performance or other criteria and will not be quoted on the ASX.

The Board may amend the Plan's rules at any time subject to the requirements of the ASX Listing Rules.

Set out below are summaries of options and rights granted under the plans:

| 2014 Grant Date | Expiry Date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| **Share Option Plan** | | | | | | | |
| 26 Jun 2009 | 30 Nov 2013 | $0.34 | 1,500,000 | - | - | 1,500,000 | - |
| 16 Dec 2009 | 17 Nov 2014 | $0.14 | 450,000 | - | - | - | 450,000 |
| 16 Dec 2009 | 17 Nov 2014 | $0.19 | 950,000 | - | - | - | 950,000 |
| | | | **2,900,000** | | | **1,500,000** | **1,400,000** |
| Weighted average exercise price | | | $0.260 | - | - | - | $0.174 |
| | | | | | | | |
| **Performance Rights** | | | | | | | |
| 7 Dec 2012 | 1 Jul 2013 | $0.00 | 400,000 | | 400,000 | - | - |
| 7 Dec 2012 | 31 Dec 2013 | $0.00 | 1,000,000 | | - | 1,000,000 | - |
| | | | **1,400,000** | | **400,000** | **1,000,000** | **-** |
| Weighted average exercise price | | | $0.53 | | | | - |
| **Total** | | | **4,300,000** | **-** | **400,000** | **2,500,000** | **-** |
| Weighted average exercise price | | | $0.348 | - | - | - | - |

| 2013 Grant Date | Expiry Date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| **Share Option Plan** | | | | | | | |
| 21 Dec 2007 | 30 Nov 2012 | $0.44 | 500,000 | - | - | 500,000 | - |
| 18 Jan 2008 | 30 Nov 2012 | $0.44 | 760,870 | - | - | 760,870 | - |
| 18 Jan 2008 | 30 Nov 2012 | $0.29 | 400,000 | - | - | 400,000 | - |
| 26 Jun 2009 | 30 Nov 2013 | $0.34 | 1,500,000 | - | - | - | 1,500,000 |
| 16 Dec 2009 | 17 Nov 2014 | $0.14 | 450,000 | - | - | - | 450,000 |
| 16 Dec 2009 | 17 Nov 2014 | $0.19 | 950,000 | - | - | - | 950,000 |
| | | | **4,560,870** | | | **1,660,870** | **2,900,000** |
| Weighted average exercise price | | | $0.312 | - | - | - | $0.260 |
| **Performance Rights** | | | | | | | |
| 7 Dec 2012 | 30 Nov 2012 | $0.00 | - | 600,000 | 600,000 | - | - |
| 7 Dec 2012 | 1 Jan 2013 | $0.00 | - | 400,000 | 400,000 | - | - |
| 7 Dec 2012 | 1 Jul 2013 | $0.00 | - | 400,000 | - | - | 400,000 |
| 7 Dec 2012 | 31 Dec 2013 | $0.00 | - | 1,000,000 | - | - | 1,000,000 |
| | | | | **2,400,000** | **1,000,000** | | **1,400,000** |
| Weighted average exercise price | | | - | $0.00 | - | - | $0.53 |
| **Total** | | | **4,560,870** | **2,400,000** | **1,000,000** | **1,660,870** | **4,300,000** |
| Weighted average exercise price | | | $0.312 | - | - | - | $0.348 |

Set out below are the options and rights exercisable at the end of the financial year:

| Grant Date | Expiry Date | 2014 Number | 2013 Number |
|---|---|---|---|
| **Options** | | | |
| 16 December 2009 | 17 November 2014 | 450,000 | 450,000 |
| 16 December 2009 | 17 November 2014 | 950,000 | 950,000 |
| **Total Options** | | **2,900,000** | **2,900,000** |
| **Performance Rights** | | | |
| 7 December 2012 | 1 July 2013 | - | 400,000 |
| 7 December 2012 | 31 December 2013 | - | 1,000,000 |
| **Total Rights** | | **-** | **1,400,000** |
| **Total Options and Rights** | | **2,900,000** | **4,300,000** |

The weighted average share price during the financial year was $0.07 (2013: $0.08).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.38 years (2013: 0.90 years).

There were no rights granted under the Awards Plan during the current financial year. For the rights granted under the Awards Plan during the previous financial year, the valuation model inputs used to determine the fair value at the grant date were as follows:

| Grant date Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|
| 7 December 2012 30 November 2012 | $0.09 | $0.00 | 110% | 0.00% | 4.00% | $0.09 |
| 7 December 2012 1 January 2013 | $0.09 | $0.00 | 110% | 0.00% | 4.00% | $0.09 |
| 7 December 2012 1 July 2013 | $0.09 | $0.00 | 110% | 0.00% | 4.00% | $0.09 |
| 7 December 2012 31 December 2013 | $0.09 | $0.00 | 110% | 0.00% | 4.00% | $0.09 |

## 29. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

*Adoption of New Standards and Interpretations*

The Group has adopted the following new and revised accounting standards, amendments and interpretations as of 1 July 2013:

| | |
|---|---|
| AASB 10 | Consolidated Financial Statements |
| AASB 11 | Joint Arrangements |
| AASB 12 | Disclosure of Interests in Other Entities |
| AASB 13 | Fair Value Measurement |
| AASB 119 | Employee Benefits |
| AASB 124 | Related Party Disclosures |

The adoption of these new and revised standards did not have a material impact on the Group's financial statements.

*New Accounting Standards and Interpretations Not Yet Adopted*

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They have been issued but are not yet effective and are available for early adoption at 30 June 2014, but have not been applied in preparing this financial report.

| Reference and title | Details of New Standard / Amendment / Interpretation | Impact on Group | Application date for the Group |
|---|---|---|---|
| AASB 132 Financial Instruments: Presentation | This revised standard adds application guidance to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. | (i) | **1 July 2014** |
| AASB 136 Impairment of Assets | The changes to this standard are in the disclosure only. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. | (iii) | **1 July 2014** |
| Interpretation 21 Levies | This interpretation clarifies when to recognise a liability to pay a levy. A levy is an outflow of resources embodying economic benefits that is imposed by governments in entities in accordance with applicable legislation. | (i) | **1 July 2014** |
| IFRS 15 Revenue from contracts with customers | IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. | (ii) | **1 July 2017** |
| AASB 9 / IFRS 9 Financial Instruments<br><br>AASB 2010-7 and AASB 2012-6<br><br>Amendments to AAS's arising from AASB 9 | The revised IFRS 9 will eventually replace AASB 139 and all previous versions of IFRS 9.<br><br>The revised standard includes changes to the:<br>• classification and measurement of financial assets and financial liabilities<br>• expected credit loss impairment model<br>• hedge accounting.<br><br>Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.<br><br>Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. | (ii) | **1 July 2018** |

(i) The adoption of this new standard, amendment or interpretation will not have a material impact on the Group's financial statements.

(ii) The Group has not yet determined the extent of the impact, if any.

(iii) This new standard will result in additional/revised disclosures in the financial statements.

Apart from the above, other accounting standards, amendments and interpretations that will be applicable in future periods have been considered, however their impact is considered insignificant to the Group

## 30. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Carbine Tungsten Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| Current assets | **2,221,116** | 1,808,861 |
| Non –current assets | **12,699,881** | 15,084,970 |
| **TOTAL ASSETS** | **14,920,997** | 16,893,831 |
| **LIABILITIES** | | |
| Current liabilities | **1,963,853** | 1,277,146 |
| **TOTAL LIABILITIES** | **1,963,853** | 1,277,146 |
| **EQUITY** | | |
| Issued capital | **27,812,168** | 26,965,917 |
| Accumulated losses | **(15,413,834)** | (11,909,114) |
| Reserves | **558,811** | 559,882 |
| **TOTAL EQUITY** | **12,957,145** | 15,616,685 |
| **FINANCIAL PERFORMANCE** | | |
| Profit (loss) for the year | **(3,504,720)** | (4,946,517) |
| Other comprehensive income/(loss) for the year | **-** | - |
| **Total comprehensive profit/(loss)** | **(3,504,720)** | (4,946,517) |

**Contingent Liabilities**

As at 30 June 2014 and 30 June 2013 the Company had no contingent liabilities.

**Contractual Commitments**

As at 30 June 2014 and 30 June 2013 the Company had no contractual commitments other than those disclosed in Note 22.

**Guarantees Entered into by Parent Entity**

As at 30 June 2014, the Company has not provided any financial guarantees.

**Loans to Subsidiaries**

Loans are made by the parent entity to its wholly-owned subsidiaries to fund exploration and development activities. Loans outstanding between the Company and its subsidiaries are non-interest bearing, unsecured, and are repayable upon notice having regard to the financial stability of the Company.

| **Investments in subsidiaries are accounted for at cost** | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Loans to subsidiaries | **7,856,046** | 8,508,723 |
| Intercompany loans written-off | **(1,500,689)** | - |
| Net loans to subsidiaries | **6,355,357** | 8,508,723 |

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the Financial Statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying Notes, are in accordance with the Corporations Act 2001 and:

    a) comply with Accounting Standards, which, as stated in the accounting policy Note1, to the financial statements, constitutes explicit and unreserved compliance with international Financial Reporting Standards (IFRS); and

    b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and the Chief Finance Officer have each declared that:

    a) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001;*

    b) the Financial Statements and notes for the financial year comply with Accounting Standards; and

    c) the Financial Statements and Notes for the financial year give a true and fair view; and

3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors.

On behalf of the Board

A J Morgan

A J Morgan
**CEO and Managing Director**
Cairns, 30th September 2014

# AUDITOR’S INDEPENDENCE DECLARATION

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

As lead auditor of Carbine Tungsten Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Greg Mitchell
Director

BDO

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

Cairns, 30 September 2014

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**INDEPENDENT AUDITOR'S REPORT**

To the members of Carbine Tungsten Limited and Controlled Entities

**Report on the Financial Report**

We have audited the accompanying financial report of Carbine Tungsten Limited and Controlled Entities, which comprises the consolidated statement of financial position as at 30 June 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, 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 and Controlled Entities, would be in the same terms if given to the directors as at the time of this auditor's report.

# INDEPENDENT AUDITOR’S REPORT

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**Opinion**

In our opinion:

(a) the financial report of Carbine Tungsten Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity’s financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1 in the 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.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 23 to 28 of the directors’ report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Opinion**

In our opinion, the Remuneration Report of Carbine Tungsten Limited and Controlled Entities for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO

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

**Greg Mitchell**

**Director**

Cairns, 30 September 2014

# CORPORATE GOVERNANCE STATEMENT

The Board of Carbine Tungsten Limited ("the Company" or "Carbine") is responsible for corporate governance and strives for high standards in this regard. The Board monitors the business and affairs of Carbine on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board draws on relevant best practice principles, particularly those issued by the ASX Corporate Governance Council and is in the process of ensuring its compliance with the 3rd Edition of the Corporate Governance Principles & Recommendations which take effect as from 1 July 2014. At a number of its meetings the Board examines Carbine's corporate governance practices and the progress towards a review of its practice compared to the best practice principles proposed by the ASX Corporate Governance Council. While Carbine is attempting to adhere to the principles proposed by the ASX, it is mindful that there may be some instances where compliance is not practicable for a company of Carbine's size.

The August 2007 ASX Corporate Governance Council publication "Corporate Governance Principles and Recommendations" second edition with 2010 amendments, is referred to for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations, to identify any recommendations that have not been followed and reasons for not doing so. The Company's Board of Directors have reviewed the recommendations. In many cases the Company was already achieving the standard required. In other cases the Company will have to consider new arrangements to enable compliance. In a limited number of instances, the Company may determine not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a company of this size.

The Carbine Corporate Governance Committee, consisting of Mr Gordon (Committee Chairman) and Mr Morgan, meets as and when required, including prior to the finalisation of the Annual Report. A summary of the Company's written policies on corporate governance matters has been prepared and included in the Corporate Governance section of the Carbine website. The following paragraphs set out the Company's position relative to each of the eight principles contained in the ASX Corporate Governance Council's Report.

**Principle 1: Lay Solid Foundations for Management and Oversight**
The Company has formalised and disclosed the functions reserved to the Board and those delegated to management, and has processes in place for evaluating the performance of senior executives. However, the Company has a small Board of four Directors (three Non-Executive Directors and the Managing Director) and a small team of staff, so roles and functions have to be flexible to meet specific requirements.

**Principle 2: Structure the Board to Add Value**
The Company complies with most of the recommendations within this area as the Chairman is separate from the Managing Director. The Company does not comply with the recommendation that a majority of Directors are independent because one is the Managing Director. The Company has a Board Nomination Committee. An internal performance evaluation of the Board was carried out during the year.

Each Director of the Company has the right to seek independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

**Principle 3: Promote Ethical and Responsible Decision-making**
The Company has a policy governing the trading of its securities by Directors, management, staff and significant consultants, which is set out below. The Company has a formal code of conduct.

**Diversity Policy**
Even though Carbine does not have a defined Diversity Policy it recognises its talented and diverse workforce as a key competitive advantage and believes in treating all people with dignity and respect. Carbine strives to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the Company, regardless of their differences. It is committed to employing the best people to do the best job possible irrespective of ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking styles, experience and education.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent.

| | **2013-2014** | | **2012–2013** | |
|---|---|---|---|---|
| | **No.** | **%** | **No.** | **%** |
| Women on the Board | - | - | - | - |
| Women in Senior Management Roles | - | - | - | - |
| Women Employees in the Company | 2 | 50.0 | 2 | 18.2 |

**Principle 4: Safeguard Integrity in Financial Reporting**

At this stage the Company's financial statements are prepared by a contract accountant who confirms to the Audit Committee in writing that the Company's financial reports represent a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards. The Managing Director reviews and approves the financial statements before they are submitted to the Audit Committee and also meets with and confirms this in writing to the Board. They also comment on whether the financial reports are based on a sound system of risk management and internal control, and whether the system is operating efficiently and effectively.

The Company has an Audit Committee which consists of the two Non-Executive Directors being Mr Gordon (Committee Chairman) and Mr Krause. These Directors have applicable expertise and skills, and are suitably qualified for this Committee. This structure does not meet the ASX's guidance regarding independence, in that it should have a majority of independent Directors. The Audit Committee reports to the Board after each Committee Meeting. In conjunction with the full Board, the Committee meets with and reviews the performance of the external auditors (including scope and quality of the audit).

**Principle 5: Make Timely and Balanced Disclosure**

The Company, its Directors and consultants are very aware of the ASX's continuous disclosure requirements, and operate in an environment where strong emphasis is placed on full and appropriate disclosure to the market. The Company has adopted formal written policies regarding disclosure. It uses strong informal systems underpinned by experienced individuals. The Company maintains a register of matters considered for possible market disclosure.

**Principle 6: Respect the Rights of Shareholders**

All significant information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Written procedures have also been established for reviewing whether any price-sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Whilst the Company does not have a communications strategy to promote effective communication with shareholders, as it believes this is excessive for small companies, the Company does communicate regularly with shareholders.

The Company has requested the external auditor to attend general meetings and this has been supported by the Company's audit partner at BDO Audit (NTH QLD) Pty Ltd.

**Principle 7: Recognise and Manage Risk**

The Company is a small production company and is developing a set of formal policies on risk oversight and management of material business risks. These issues are actively considered at all times in the Company's activities. Risk management arrangements are the responsibility of the Board of Directors and Senior Management collectively. During the year, the Company has established a Risk Management Committee of Mr Gordon (Committee Chairman) and Mr Krause that meets as and when required, including prior to the finalisation of the Annual Report. The Company has also established a Risks Register. Risk factors are an agenda item for each Board Meeting and senior management will periodically report to the Board in writing on risk management and internal controls. The Company has an Occupational Health and Safety Policy with which all of the Company's staff, contractors and consultants must comply.

**Principle 8: Remunerate Fairly and Responsibly**

The Company has a Remuneration and Board Nomination Committee consisting of Mr Gordon (Committee Chairman) and Mr Krause that meets as and when required, to review performance matters and remuneration. There has been an internal performance evaluation of the Board during the past financial year, and its composition will be reviewed at least annually by the Remuneration and Board Nomination Committee. The Directors work closely with management and have full access to all the Company's files and records. Directors believe that the size of the Company makes individual salary and consultant negotiations more appropriate than formal remuneration policies. The Remuneration Committee will seek independent external advice and market comparisons as necessary. In accordance with Corporations Act, the Company discloses the fees or salaries paid to all Directors, plus the highest paid officers. The Company has an Awards Plan that was approved by shareholders at the Annual General Meeting held on 8 November 2012. This Plan replaces the Company's Employee Share Option Plan (ESOP) which was approved in March 2006.

**Ethical Standards**

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

**Securities Trading and Trading Windows**

Directors, employees and key consultants must consult with the Chairman of the Board or the Managing Director before dealing in shares of the Company. Purchases or sales in the Company's shares by Directors, employees and key consultants may not be carried out in a closed period, but only in the "window", being the period commencing two days subsequent to and ending 30 days following the date of announcement of the Company's annual or half yearly results, its quarterly reports or a major announcement leading, in the opinion of the Board, to an informed market. However, Directors, employees and key consultants are prohibited from buying or selling the Company's shares at any time if they are aware of price-sensitive information that has not been made public.

# SHAREHOLDER INFORMATION

Information relating to shareholders at 9 September 2014 (per ASX Listing Rule 4.10)

| Substantial Shareholders | Shareholding |
|---|---|
| Leon Eugene Pretorius | 36,000,001 |
| Mota-Engil Minerals & Mining Investments BV | 16,000,000 |

| Distribution of Shareholders as at 9 September 2014<br>Number of Ordinary Shares Held | Number of Holders | Ordinary Shares |
|---|---|---|
| 1 – 1,000 | 45 | 5,807 |
| 1,001 – 5,000 | 68 | 244,402 |
| 5,001 – 10,000 | 158 | 1,381,266 |
| 10,001 – 100,000 | 552 | 24,530,039 |
| 100,001 – and over | 341 | 270,583,665 |
| | **1,164** | **296,745,179** |

At the prevailing market price of 9.6 cents per share, there are 115 shareholders with less than a marketable parcel of $500.

| Top 20 Shareholders of Ordinary Shares as at 9 September 2014 | Shares | % Shares issued |
|---|---|---|
| Dr Leon Eugene Pretorius | 36,000,001 | 12.13 |
| Mota-Engil Minerals & Mining Investments BV | 16,000,000 | 5.39 |
| Rossdale Superannuation Pty Ltd <Rossdale Super Fund A/C> | 13,691,190 | 4.61 |
| Baglora Pty Ltd <Mott Family Super Fund A/C> | 13,353,231 | 4.50 |
| Silva Pty Ltd | 7,435,098 | 2.51 |
| Alan Scott Nominees Pty Ltd <Superannuation Fund A/C> | 4,225,000 | 1.42 |
| JA Johnstone Pty Ltd <Waterhouse Super Fund A/C> | 3,763,636 | 1.27 |
| Nicholson Super Pty Ltd <Nicholson Family S/F A/C> | 3,626,833 | 1.22 |
| Max Mobile Auto Clinic Pty Ltd | 3,621,521 | 1.22 |
| Bullock Point Pty Ltd <Bishop Family Super Fund> | 3,515,014 | 1.18 |
| Golden Reef Enterprises Pty Ltd <Golden Reef Enterprises Fam A/> | 3,221,826 | 1.09 |
| Mr Paul Marchetti | 3,210,000 | 1.08 |
| Mr Robert Hunter Landale + Ms Diana Josephine Batten <Landten Super Fund A/C> | 3,200,000 | 1.08 |
| Outdoor Holdings Pty Ltd | 3,177,779 | 1.07 |
| Fallon Nominees Pty Ltd <Fallon Family A/C> | 3,068,587 | 1.03 |
| Andrew James Morgan | 2,900,000 | 0.98 |
| IPZ Pty Ltd <Sheffield-Parker & Gatto Super> | 2,888,889 | 0.97 |
| Mr David Hanks | 2,600,000 | 0.88 |
| Mr Raymond Thomas Page | 2,529,000 | 0.85 |
| Sofew Assets Pty Ltd <Sofew Pastoral A/C> | 2,500,000 | 0.84 |
| Total of Top 20 Holdings | 134,527,605 | 45.33 |
| Other Holdings | 162,217,574 | 54.67 |
| Total Fully Paid Shares Issued | 296,745,179 | 100.00 |

**Employee Share based Performance Plan**
At a General Meeting held 8 November 2012 shareholders approved the adoption of the Carbine Tungsten Limited Awards Plan. The purpose of the Plan is to attract, motivate and retain employees, provide employees an incentive and provide the ability to grant Performance Rights or Options to employees, including Non-Executive Directors. This Plan replaces the Company's Employee Share Option Plan (ESOP) which was approved in March 2006.

**Voting rights**
There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those partly-paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

**Audit Committee**
At the date of the Report of the Directors, the Company has a Committee of two Non-Executive Directors that meets with the Company's external auditors at least once during each half-year. These meetings take place prior to the finalisation of the Half-year financial statements and Annual Report, and prior to the signing of the Audit Report.

# NOTES

CARBINE TUNGSTEN

Reawakening the Mt Carbine Tungsten Mine