

Annual Report 2017



CARBINE RESOURCES
LIMITED

ABN 81 122 976 818

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CORPORATE DIRECTORY

Directors	Mr Evan Cranston	(Non-Executive Chairman)
	Mr Anthony (Tony) James	(Managing Director)
	Ms Oonagh Malone	(Non-Executive Director)

Company Secretary Ms Oonagh Malone

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REVIEW OF OPERATIONS

Mount Morgan Gold-Copper Project

In April 2014, Carbine entered into an agreement with Raging Bull Mining to acquire the Mount Morgan Gold-Copper Project in Queensland. Carbine completed a pre-feasibility study on the Project in 2015 followed by a feasibility study in December 2016.

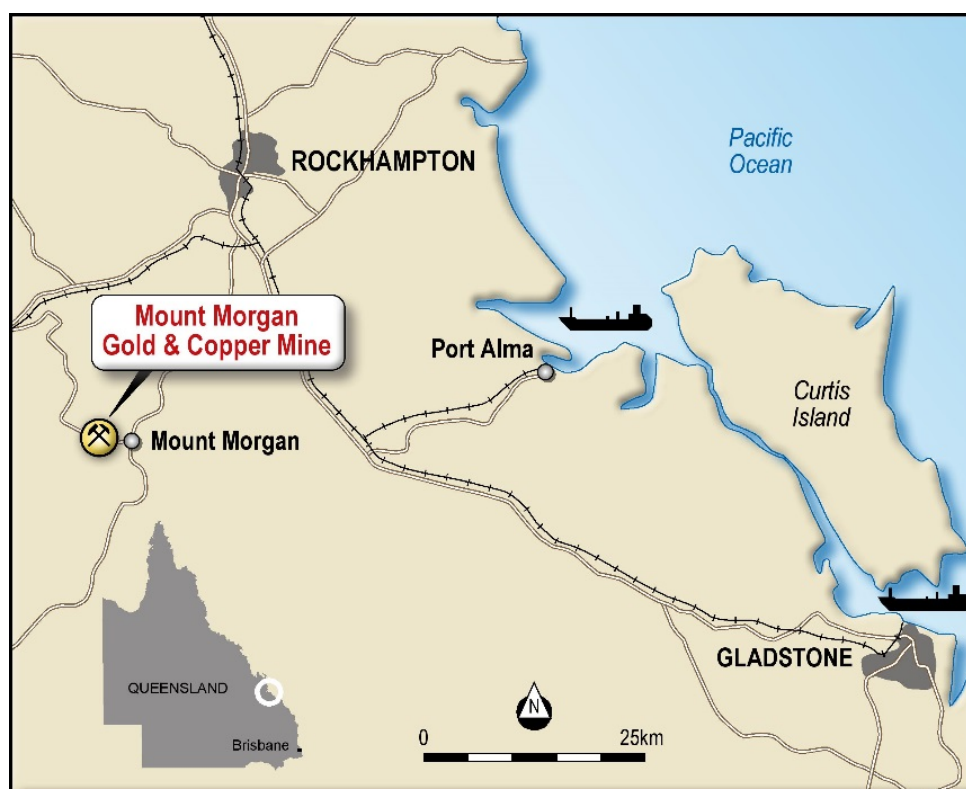


Figure 1. Mount Morgan Gold-Copper Project, Queensland

During the course of 2017, Carbine focused on advancing the required regulatory approvals, offtake arrangements for the premium unroasted iron pyrite market, and project finance terms. The Company also commenced Front End Engineering and Design (FEED) which included a demonstration plant to assess the Company's proposed flowsheet design.

In February 2018, the Company advised that an economic review of the Mount Morgan Gold Project has found that the forecast all-in sustaining cost (AISC) has increased to A\$862/oz from the A\$549/oz contained in the feasibility study estimate, originally released to the market on 8 December 2016.

The increase is due primarily to higher cyanide consumption and lower by-products credits due to a lower pyrite price and the loss of copper sulphate premium associated with a change in the copper products produced.

The revised AISC stems in part from the recently-finalised demonstration plant test work results, which identified key technical outcomes following completion of process design criteria (PDC) and metallurgical mass balances. Contrary to earlier studies, whilst the processing plant will recover gold, copper and pyrite the Company is unable to manufacture copper sulphate at the required market specification and instead will produce cemented copper concentrate and copper cathode.

The increase in AISC is also due to a large reduction in the forecast credits from pyrite sales, resulting from lower market pyrite prices and the incorporation of offtake terms with IKing International, which were agreed in August 2017.

Upon completion and compilation of the demonstration plant and economic review results, the revised AISC, combined with a relatively high pre-production capital cost of \$87M, means Mount Morgan will not generate the level of shareholder returns needed to justify development of the Project based on current parameters.

On 23 March 2018, the Company further advised that it had ceased all project expenditure and stopped all work associated with the Mount Morgan Project, effective immediately. The decision is a direct result of the Company not being able to achieve any meaningful outcomes with the key stakeholders in the Project to improve the terms of the various agreements associated with the Project to increase returns to an acceptable level.

Revised All In Sustaining Cost (AISC)

The economic review has been completed following the finalisation of the demonstration plant metallurgical test work results and the FEED by GR Engineering Services (GRES).

The increase in AISC is due primarily to a significant reduction in the forecast by-product credits from pyrite and copper sales of A\$160/Au oz which includes A\$40/Au oz for the change in USD/AUS exchange rate. The reduction in pyrite revenue is due to a forecast lower pyrite concentrate price and the reduction in copper revenue is due to a change in copper products removing the premium attributable with copper sulphate production.

Following the completion of the demonstration plant metallurgical test work and after receiving the detailed results, the Company revised the PDC and metallurgical mass balances. This has resulted in an increase in processing operating costs by \$2.52/t from \$22.99/t to \$25.51/t due primarily to revised cyanide consumption rates. This equates to a A\$119/Au oz cost increase. Additional cyanide consumption rate test work has commenced in an attempt to reconcile the differences in cyanide consumption between the DFS and the demonstration plant test work.

The revised Raging Bull option agreement dated 24 March 2017 for the acquisition of the remaining 25% of the Project also increased the project royalties by A\$21/Au oz.

The economic review also includes new pyrite offtake arrangements with IKing, revised copper products and pricing, updated commodity prices and exchange rate.

The following table summarises the changes to the Project's AISC when compared directly to the December 2016 DFS.

Table 1 – Comparison between DFS and revised Economic Model AISC

Cost Basis	Revised Economic Model (A\$/Au oz)	December 2016 DFS (A\$/Au oz)	Variance (A\$/Au oz)	Comment
Mining Costs	280	270	+10	Increased haul distance to plant
Processing Costs	974	855	+119	Increased cyanide consumption in processing plant
Administration	73	73		
By-Product credits & FX	(642)	(802)	(160)	FX equates to A\$ 40/Au oz. Additional variance due to Pyrite price and new copper products
C1 Cash Costs	686	395	+291	
Royalties	131	110	+21	Payable under the Raging Bull Option
Sustaining Capex	45	45		
AISC	862	549	+313	

The following figure outlines the variances to the Project's AISC A\$/Au oz.

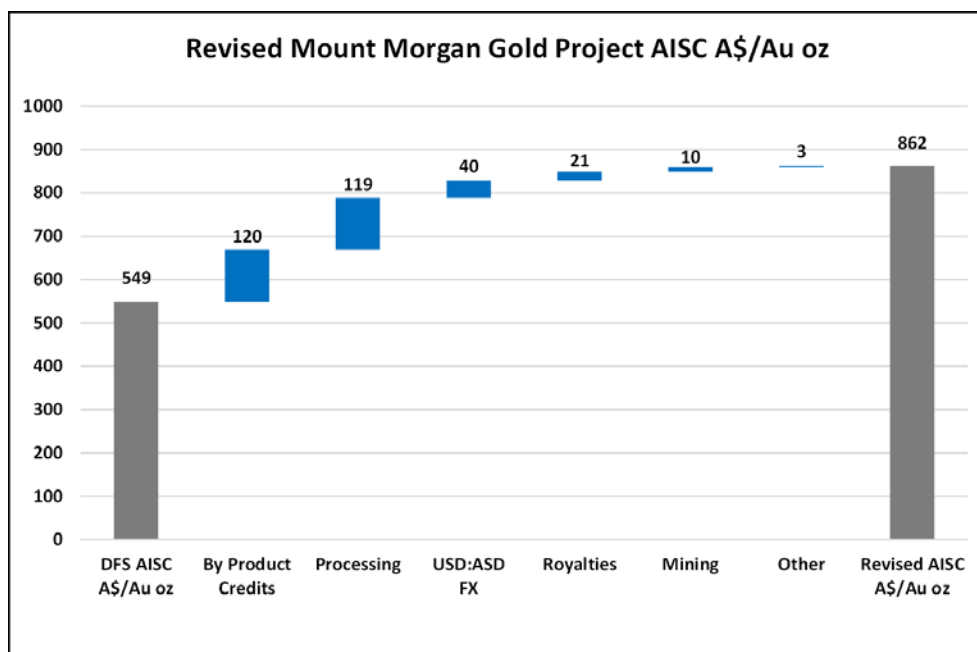


Figure 2 – AISC Variances

Commodity Prices and Exchange Rate

The revised project economics were determined using a AUD/USD FX 0.78, gold price of US\$1,300/oz, copper price of US\$7,000/t, unroasted iron pyrite US\$60.50/t for years 1 & 2 then US\$74.50/t for the remaining years. The pyrite prices were included as CFR prices with an additional A\$10/t added for sea freight. As cemented copper is produced, TCs/RCs were included for that product at a rate of US\$80/t for TCs and US\$0.08/lb for RCs.

The DFS economics were previously determined using a AUD/USD FX 0.75, gold price of US\$1,200/oz, copper price of US\$5,800/t and an FOB pyrite price of US\$60/t for years 1 & 2 the US\$80/t for the remaining years. The DFS pyrite prices were FOB prices and no additional cost was included for sea freight. The DFS was based on the production of copper sulphate whereby the copper grade of the copper sulphate was 25% and an additional \$500/t premium was paid for the manufacture of copper sulphate.

Demonstration Plant Test Work

The demonstration plant test work was conducted on the proposed mill feed blend for the first three years of production, comprising 50% No 2 Mill tailings, 40% Mundic tailings and 10% Red Oxide tailings.

The previous test work completed for the DFS showed that coarse material in the feed greater than 4mm contained sub-economic grade. This resulted in the DFS flow sheet design having a scrubbing circuit prior to the copper circuit that enabled the +4mm material to be rejected from the feed as waste. The blend sample used in the demonstration plant test work returned economic grades for the material greater than 4mm. Based on this, the Company has decided to remove the scrubbing circuit from the process flow sheet and shift the ball mill to the front of the circuit prior to the copper circuit. This change in flow sheet design will enable any coarse fraction with economic grade to be processed and recovered. Furthermore, the finer material entering the Cu RIP was seen to improve resin loading performance.

The inclusion of low levels of Red Oxide material in the blend (10%) was considered appropriate in the DFS and test work at that stage indicated it was not likely to cause any processing issues. The demonstration plant test work, however, has shown that Red Oxide included in the blend even at a low level does in fact cause some processing issues due to its variability, low Cu and Au solubility and

high soluble iron levels. This means that Red Oxide material will now be batched through the processing plant separately to the sulphide tailings (Mundic, No 2 Mill and Shepherds) allowing it to bypass the pyrite flotation circuit.

Additional test work completed on the Red Oxide material has shown that the gold and copper recoveries are different to those determined in the DFS test work. For Red Oxide, the gold recovery has reduced from 74% to 60% and the copper recovery has reduced from 56% to 15%. This in turn has reduced the overall project recovery for gold from 71% to 69% and recovery for copper from 56% to 51%. In terms of recovered gold over the life of mine, the effect of Red Oxide reduces the recovered gold from 266,235 ounces to 259,411 ounces.

Copper Resin in Pulp (CuRIP) Circuit

The advantage of having a CuRIP circuit as the first metal recovery stage in the process design allows acid soluble copper to be removed prior to pyrite flotation and cyanide leaching. Not all of the cyanide soluble Cu is removed in this stage of the process but a significant reduction occurs. The demonstration plant test work confirmed that copper is easily recovered in this stage and that no issues were observed in regards to resin degradation. The demonstration plant test work did show however that iron was loaded onto the resin at a level that prevented the Project from making "in specification" copper sulphate at 5ppm Fe. This resulted in the Company deciding to replace the copper sulphate crystallisation part of the CuRIP circuit with a "cemented copper" product stage. Test work supported this change in the process design and the revised economic model takes this change into account. The major difference being that a \$500/t copper sulphate premium is no longer valid in the economics revenue stream.

Cemented copper (69.6% Cu) will be produced in bulka bags and sold as a copper concentrate. Suitable TC's/RCs and freight charges have been applied to the revised economic model.

Cemented copper production has been previously successfully used at Mount Morgan in the early 1900's.

In the DFS the CuRIP circuit PDC and design was supplied by Clean TeQ. In the FEED and revised economic model, this part of the plant has been revised and designed by GRES.

Pyrite Flotation

The demonstration plant test work confirmed that pyrite concentrate recovery was greater than 92% producing a premium quality concentrate containing 50% sulphur and 43% iron. The increase in pyrite recovery subsequently increased the pyrite concentrate production over the mine life from 1.8Mt to 2.2Mt. The pyrite concentrate quality has remained consistent through all the stages of test work associated with the Project.

Gold Carbon in Leach (CIL)

In the demonstration plant test work, gold leach kinetics were affected by higher than expected levels of cyanide soluble copper and iron reaching the gold circuit. Additional cyanide was required in comparison to the DFS testwork to achieve the same gold recovery levels from Mundic, No 2 Mill and Shepherds sulphide tailings. This was responsible for increasing the cyanide cost due to increased cyanide consumption. This resulted in an increase in processing costs by A\$2.51/t from A\$22.99/t to A\$25.51/t. This has had an overall effect on the AISC of A\$119/Au oz.

Cyanide recovery RIP circuit (CNRIP)

Following the CIL circuit, the process flow sheet has a cyanide/copper recovery RIP circuit that is designed to recover the remaining cyanide for re-use and copper for metal production. During the demonstration plant test work and FEED, the Company identified a successfully operating resin plant being used for the recovery of cyanide similar to that planned for Mount Morgan. The plant was located at the Mirah Gold Mine in Indonesia and was installed by GreenGold Engineering. Following a site visit by Carbine and GRES technical staff, it was decided to use the GreenGold design in the demonstration plant work. This resulted in revised cyanide and copper recovery which also changed the cyanide consumption rates in the gold circuit. The copper recovered from the GreenGold plant is put through an electro winning process to produce copper cathode. The end result of this is two

separate copper products will now be made in the process flowsheet being cemented copper from the CuRIP and copper cathode from the CNRIP.

In the DFS, the CNRIP circuit PDC and design was supplied by Clean TeQ. In the revised economic model, this part of the plant has been revised and designed by GreenGold and GRES.

Mining Costs

Geotechnical drilling during the FEED stage of the plant design indicated that tailings were located under the DFS designed plant location. As a result of this, the plant and ROM pad location have been moved 300m to the south subsequently increasing the haul distances increasing the mining costs from A\$7.26/t to A\$7.33/t. This increase in haul cost has an effect of increasing the AISC by A\$10/Au oz.

Royalties

The revised option for Carbine to acquire the remaining 25% of the Project from Raging Bull included a 1% royalty (ASX: 24 March 2017). This increase in royalties increases the AISC by A\$21/Au oz.

Capital Costs

The capital cost for the processing plant has increased by A\$2M from A\$79M to A\$81M, with an increase in pre-production capital cost by the same amount to \$87M. This processing plant capital increase is a direct result of the changes made in the process flow sheet design and FEED. The largest change in the capital cost is the inclusion of a RO water treatment plant (+A\$1M), followed by Greengold CNRIP (+A\$0.5M), revised GRES CuRIP circuit (+A\$0.3M), and revised plant civils (+A\$0.1M).

Norton and Raging Bull Agreements

Raging Bull Metals Pty Ltd (Raging Bull Metals) entered into an agreement with Norton Gold Fields Limited (Norton) in 2014 (Mining Property Sales Agreement) under which Raging Bull Metals will assume legal title of the Mount Morgan tenements following (i) a decision to mine the project and (ii) completion of a capital raising to finance the development of the project. Consideration is to take the form of an initial payment of A\$2M and a deferred payment of A\$13M to be satisfied by payment of 20% of annual project EBITDA. These costs are included in the project economics.

Carbine, in its capacity as 75% shareholder of Raging Bull Metals, has been in discussions with Norton over the past 2 years seeking early title transfer and revised payment terms for the benefit of both the Project and Norton. No agreement has been reached.

A second agreement (Shareholder and Project Funding Agreement) exists between Carbine, Raging Bull Mining Pty Ltd (Raging Bull Mining) and Raging Bull Metals under which Carbine acquired 75% of Raging Bull Metals in April 2014. In 2017 (ASX: 24 March 2017), Carbine agreed terms with Raging Bull Mining for the acquisition price for the remaining 25% of Raging Bull Metals (and in turn, the Mount Morgan Project, following completion of the Mining Property Sales Agreement) by acquiring 100% of Raging Bull Mining. This agreement is in the form of an exclusive 6 month option for Carbine to acquire 100% of Raging Bull Mining. In September 2017 (ASX 25 September 2017), the parties agreed to extend the exclusive option to 23 March 2018 with an additional payment of A\$200,000.

Project Approvals

The three significant approvals required for the development of the Mount Morgan Project are the Development by the State Application under section 71 of the Queensland Heritage Act 1992 (Heritage), Environmental Authority Amendment (EA), and the Regional Interests Development Approval (RIDA).

“The Development by the State Application under section 71 of the Queensland Heritage Act 1992” (Heritage) was submitted by the Department of Natural Resources and Mines (DNRM) in January 2017. The Minister of Natural Resources and Mines granted final Heritage approval in May 2017. This approval is a precursor for a Heritage Agreement to be established between the Company and the Department of Environment and Science (DES) (previously the Department of Environment and Heritage Protection) for the Mount Morgan Project.

A development application seeking a Regional Interests Development Approval (RIDA) regarding resource activities in a Priority Living Area (PLA) was lodged in January 2017. In July 2017, the Queensland Department of Infrastructure, Local Government and Planning (DILGP) approved the RIDA for the development of the Mount Morgan Mine. This approval was given under the Regional Planning Interest Act 2014 section 51. The approval followed on from the Rockhampton Regional Council endorsement at the full Rockhampton Council meeting in June 2017.

Following extensive background work and communication with DES in 2017, the Company submitted its final EA amendment application in December 2017. On the 19th January 2018, DES advised the Company by formal Notice that the Assessment Level Decision (ALD) for the application is a major amendment. DES has determined that the amendment is a major amendment pursuant to EP Act (s 228) because it does not meet the criteria for a minor amendment as specified under EP Act (s 223) and, subject to completion of additional work and responses, a decision on the revised EA is not expected until May 2018.

Process Flow Sheet

The following schematic in Figure 3 shows the revised process flow sheet design following the completion of the demonstration plant test work and FEED.

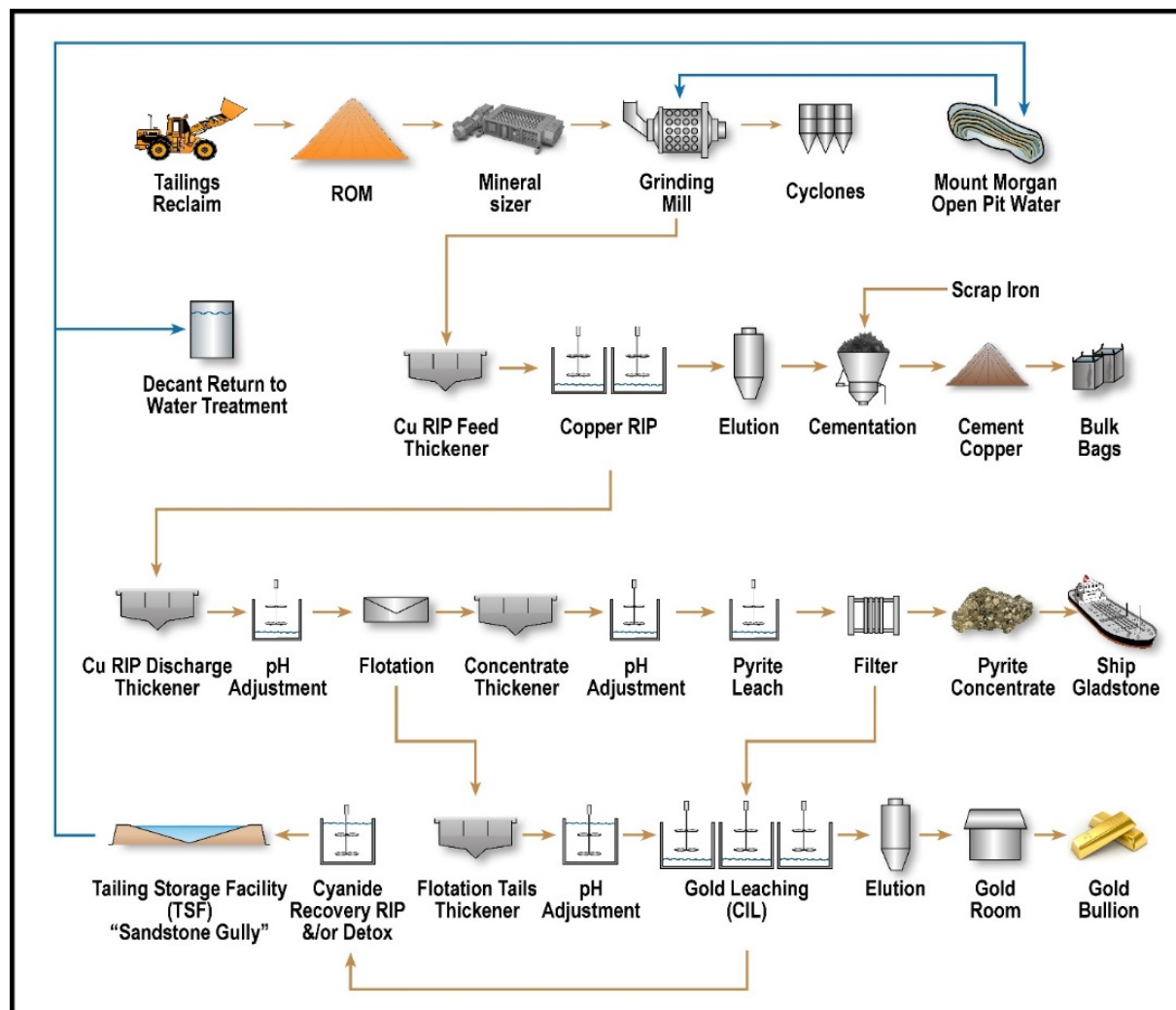


Figure 3 – Revised schematic of Mount Morgan Project “Process Flow Sheet” design

Resources and Reserves

The Mineral Resources and Mineral Reserves as at 31 December 2017 are summarised below in Tables 2 and 3. There is no change from the 31 December 2016 Mineral Resource or Ore Reserve Estimate.

Table 2: Mount Morgan Tailings JORC 2012 Mineral Resource Summary

AREA	TYPE	CATEGORY	TONNAGE (MT)	GOLD (G/T)	GOLD (KOZ)	COPPER (%)	COPPER METAL (T)	SILVER (G/T)	SILVER METAL (KG)	SULPHUR (%)	PYRITE EQUIV. (WT %)
NO 2 MILL	Sulphide	Indicated	2.71	1.11	97	0.12	3,184	1.14	3,078	13.7	25.6
	Oxide	Indicated	0.12	0.8	3	0.05	55	1.8	207	4	
MUNDIC GULLY	Sulphide	Indicated	1.7	1.91	104	0.17	2,922	0.9	1,533	10.5	19.6
	Sulphide	Inferred	0.02	1.86	1	0.24	40	1.24	21	10.6	19.9
SHEPHERDS	Sulphide	Indicated	4.83	0.84	131	0.17	8,195	1.42	6,889	12.4	23.2
RED OXIDE	Oxide	Indicated	0.83	2.17	58	0.3	2,495	0.6	499	0.6	
	Oxide	Inferred	0.03	2.05	2	0.29	85	0.58	17	0.5	
SANDSTONE GULLY	Sulphide	Inferred	0.25	0.85	7	0.07	175	1.2	301	12	22.4
	Oxide	Inferred	0.02	0.85	1	0.07	14	1.2	24	2	
IN-PIT TAILS	Sulphide	Inferred	26.67	0.52	446	0.07	18,672	1.38	36,884	11.3	21.1
TOTAL INDICATED	Total Indicated	Indicated	10.19	1.2	394	0.16	16,750	1.2	12,207	11.4	
	Sulphide	Indicated	9.24	1.12	333	0.15	14,200	1.24	11,500	12.4	23.2
	Oxide	Indicated	0.95	2	61	0.27	2,550	0.74	706	1	
TOTAL INFERRED	Total Inferred	Inferred	26.99	0.53	456	0.07	18,986	1.38	37,246	11.3	
	Sulphide	Inferred	26.94	0.52	454	0.07	18,887	1.38	37,205	11.3	21.1
	Oxide	Inferred	0.05	1.56	2	0.2	99	0.84	41	1.1	

(Carbine Resources Limited ASX announcements 18 July, 2016, 27 July, 2016, 1 Aug, 2016, 9 Aug, 2016 and 30 Aug, 2016. Rounding errors can occur.)

Table 3: Mount Morgan Project Ore Reserve Estimate 2016¹

LOCATION	RESERVE CATEGORY	QUANTITY (MT)	AUEQ (G/T) ²	AUEQ (KOZ) ²	AU (G/T)	CU (%)	S (%)	PYRITE (WT%) ³
MUNDIC	Proven							
	Probable	1.52	2.57	126	2.04	0.17	10.1	18.9
RED OXIDE	Proven							
	Probable	0.73	2.48	58	2.11	0.3	0.4	-
No 2 Mill	Proven							
	Probable	2.82	1.73	156	1.1	0.11	13.1	24.4
SHEPHERDS	Proven							
	Probable	4.83	1.49	232	0.84	0.17	12.4	23.1
TOTAL	Proven							
	Probable	9.9	1.8	573	1.19	0.16	11.3	21.1

Table Notes:

1. AuEq (g/t) refers to the calculated Au equivalent grade formula for which is stated at the back of this report.
2. Some discrepancies in total may occur due to the rounding of numbers.

Mineral Resource and Reserve Estimation Governance Statement

Carbine Resources Limited ensures that Mineral Resource and Mineral Reserve estimates are subject to the appropriate levels of governance and internal controls. The Mineral Resources and Mineral Reserves have been generated by a combination of internal and independent external Competent Persons who are experienced in best practices in ore resource and reserve estimation procedures. The Competent Persons have also undertaken reviews of the quality and suitability of the underlying information used to generate the estimations.

Carbine reports its Mineral Resources and Mineral Reserves in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) 2012 Edition. Mineral Resources are quoted inclusive of Ore Reserves. Competent Persons named by the Company are Fellows of the Australian Institute of Mining and Metallurgy and qualify as Competent Persons as defined in the JORC Code.

Metal Equivalent

AuEq was calculated for each ore source based on the different metallurgical recoveries associated with those ore sources established from detailed metallurgical test work (refer to ASX: December 8 announcement for further details). A combined total AuEq was also determined for representation of the combined effect of the four different ore sources. The following formulas show the various calculations for the AuEq values seen in this announcement. The AuEq value is determined by multiplying the recovered metal by the metal prices and dividing by the gold price to determine the equivalent gold grade. Consideration is also given to the fact that the end product for copper is copper sulphate and for pyrite is pyrite concentrate. The total AuEq is determined by taking a weighted average of the four separate AuEq grades.

- Mundic Gully AuEq = Au (g/t) + Cu (%) * 172.11 + PyriteEq (wt%) * 1.30
- No 2 Mill AuEq = Au (g/t) + Cu (%) * 172.76 + PyriteEq (wt%) * 1.73
- Red Oxide AuEq = Au (g/t) + Cu (%) * 122.83
- Shepherds AuEq = Au (g/t) + Cu (%) * 138.83 + PyriteEq (wt%) * 1.79

Metal prices used in this calculation are US\$1,200/oz gold, US\$60/t unroasted iron pyrite for years 1 and 2 and US\$80/t thereafter, A\$5,800/t copper. Copper sulphate revenue is based on copper LME price for approximately 25% copper grade plus A\$500/t premium for copper sulphate. It is Carbine's view that all the metals included within this formula are expected to be recovered and sold.

Competent Persons' Statements

The information in this report that relates to the Inferred Mineral Resources for Mount Morgan In-Pit and Sandstone Gully is based on, and fairly represents, information and supporting documentation prepared by Mr C. Newman, who is a Competent Person according to the JORC 2012 Code. Mr. C Newman was a fulltime employee of Carbine Resources and a Fellow of the Australasian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. The information in this report is extracted from previous company releases ASX: 16 August 2016 and 30 August 2016, and is available to view on the Carbine Resources website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to the Mineral Resources for Mundic Gully, Shepherds Gully, No 2 Mill and Red Oxide is based on information compiled by Dr M. Abzalov, who is a Competent Person according to the JORC 2012 Code. Dr M. Abzalov is a Fellow of the Australasian Institute of Mining and Metallurgy. He has sufficient experience in estimation of resources of gold mineralisation, and has a strong expertise in the all aspects of the data collection, interpretation and geostatistical analysis to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Dr M. Abzalov is an independent consultant. The information in this report is extracted from previous company releases ASX: 18 July 2016, 27 July 2016, 1 August 2016 and 9 August 2016, and is available to view on the Carbine Resources website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to Mineral Reserves for Mount Morgan is based on, and fairly represents, information and supporting documentation prepared by Mr. A James, who is a Competent Person according to the JORC 2012 Code. Mr. A James is a fulltime employee of Carbine Resources as the Managing Director of the Company and he holds shares in the Company. He is a Fellow of the Australasian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Mr. A James consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Carbine Resources Limited (the Company) and the entity it controlled (the Group) for the year ended 31 December 2017 and the Auditor's report thereon.

Directors

The name of Directors who held office during or since the end of the year and until the date of this report is set out below. Directors were in office for the entire period unless otherwise stated.

Mr John Fitzgerald	Non-Executive Chairman (resigned 23 March 2018)
Mr Anthony James	Managing Director
Mr Graham Brock	Non-Executive Director (resigned 23 March 2018)
Mr Evan Cranston	Non-Executive Director (Non-Executive Chairman from 23 March 2018)
Ms Oonagh Malone	Non-Executive Director (appointed 23 March 2018)

Principal Activities

The principal activity of the Group during the year was the development of the Mount Morgan Gold & Copper Project in Queensland.

Results

The loss for the financial year after income tax was \$2,506,500 (31 December 2016 Loss: \$4,501,732).

Dividends Paid or Recommended

No dividends have been paid or declared and the Directors at present do not recommend a dividend.

Financial Position

The net assets of the Group as at 31 December 2017 are \$4,019,715 compared to \$6,777,390 as at 31 December 2016.

Review of Operations & Significant Changes in State of Affairs

During the year, Carbine Resources continued development work on the Mount Morgan Gold & Copper Project, Queensland.

Share Capital Transactions During the Year

On 15 March 2017, the Company issued 1,575,000 shares on vesting of performance rights, including 1,012,500 shares issued to director Anthony James, and issued 4,250,000 performance rights to staff that were not key management personnel. These additional performance rights lapsed without vesting on 30 June 2017.

On 22 September 2017, the Company issued 2,434,276 shares at an issue price of \$0.08216 for a deemed total value of \$200,000 to extend the Raging Bull Option to 23 March 2018. With this extension, the remaining consideration for the Raging Bull Option reduced to \$2.1m.

On 20 November 2017, the Company issued 2,700,000 shares at an issue price of \$0.0496 for a total value of \$133,920 on exercise of unquoted options.

On 31 December 2017, 4,550,000 performance rights lapsed without conversion.

Options

200,000 unquoted consultant options and 2,500,000 unquoted options that were issued to a former director were exercised during the year at an exercise price of \$0.0496 to raise \$133,920 (before costs). No options have been exercised subsequent to the year end and to the date of this report.

7,000,000 unquoted options exercisable at \$0.0496 each and 10,000,000 unquoted options exercisable at \$0.10 each lapsed at expiry on 17 November 2017 without conversion.

No options were granted during the year or to the date of this report.

At the date of this report the Group has no quoted options and 7,000,000 unquoted options over ordinary shares in Carbine Resources Limited as follows:

- 2,500,000 unquoted options at an exercise price of \$0.065 with an expiry date of 7 July 2018;
- 2,500,000 unquoted options at an exercise price of \$0.10 with an expiry date of 7 July 2018;
- 1,000,000 unquoted options at an exercise price of \$0.0886 with an expiry date of 26 October 2018; and
- 1,000,000 unquoted options at an exercise price of \$0.124 with an expiry date of 26 October 2018.

There are no rights to participate in share issues attached to these unquoted options unless exercised before the record date of any such issue.

Matters Subsequent to the End of the Financial Year

Subsequent to the end of the year:

- Mr John Fitzgerald and Mr Graham Brock resigned as Non-Executive Chairman and Non-Executive Director respectively on 23 March 2018;
- Mr Anthony James resigned as Managing Director on 22 March 2018 with an effective date of 23 September 2018 following completion of his notice period;
- Ms Oonagh Malone was appointed as Non-Executive Director on 23 March 2018;
- The Company's option to acquire the remaining 25% interest in the Mount Morgan Project from Raging Bull Mining Pty Ltd lapsed on 23 March 2018; and
- The Company announced it had ceased all project expenditure and work associated with the Mount Morgan Project on 23 March 2018.

There were no other events subsequent to the end of the financial year ended 31 December 2017 which significantly affected or could significantly affect the operations of the Group in future financial years.

Future Developments, Prospects and Business Strategies

Disclosure of further information regarding likely developments in the operations of the Group in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice of those operations, or the state of affairs of the Group in future financial periods.

Information on Directors

The following information is provided for the Directors and Company Secretary in office as at the end of the year.

Mr Evan Cranston **Non-Executive Director; appointed Chairman on 23 March 2018**

Mr Cranston is a lawyer specialising in corporate and mining law. He has extensive experience in the areas of public listed entities including capital raisings, initial public offerings and liaison with market analysts and potential investors, together with Corporate Governance, the Australian Securities Exchange's Listing Rules and the Corporations Act. His experience in mining law extends to tenement acquisition agreements, mineral right agreements, joint ventures and mergers and acquisitions. He holds both Bachelor of Commerce and Bachelor of Law degrees.

Mr Cranston is currently non-executive chairman of ASX-listed New Century Resources Limited (ASX: NCZ) and a non-executive director of ASX-listed Boss Resources Limited (ASX: BOE). In the past three years, Mr Cranston was a non-executive director of Cradle Resources Limited (to May 2016), Primary Gold Limited (to November 2017) and Clancy Exploration Limited (to December 2017).

Mr Anthony James **Managing Director**

Mr James is a mining engineer with considerable operational, project development and corporate experience including recent roles as Managing Director of Atherton Resources Ltd (ASX: ATE) and Mutiny Gold Ltd (ASX: MYG). At Atherton Resources Ltd he achieved a favourable outcome for shareholders following the takeover by Auctus Minerals. At Mutiny Gold Ltd he led the implementation of a revised development strategy for the Deflector copper-gold deposit in WA that resulted in the successful merger of Mutiny Gold Ltd and Doray Minerals Limited (ASX: DRM).

Prior to these roles, Mr James held a number of executive positions with international gold producer Alacer Gold Corporation, including President of its Australian operations following the merger between Anatolia Minerals (TSX: ANO) and Avoca Resources Ltd (ASX: AVO) in 2011. He also played a key role in Avoca's initial growth and success, leading the feasibility and development of the Higginsville Gold Operations.

In the past three years, Mr James was a director of ASX-listed Mutiny Gold Ltd (to January 2015) and Atherton Resources Ltd (to November 2015).

Ms Oonagh Malone **Company Secretary; appointed Non-Executive Director on 23 March 2018**

Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has almost a decade of experience in administrative and company secretarial roles for listed companies and is a member of the Governance Institute of Australia and the Australian Institute of Company Directors. She currently acts as company secretary for ASX-listed Boss Resources Limited, Clancy Exploration Limited, Hawkstone Mining Limited, Matador Mining Limited, New Century Resources Limited and Primary Gold Limited. Ms Malone is a non-executive director of Hawkstone Mining Limited (ASX: HWK). In the past three years, Ms Malone was a non-executive director of New Century Resources Limited (to July 2017).

Mr John Fitzgerald **Non-Executive Chairman (resigned 23 March 2018)**

Mr John Fitzgerald has over 30 years in the resource sector as a financier, corporate advisor and director. Mr Fitzgerald has previously held senior positions at NM Rothschild & Sons, Investec Bank Australia, Commonwealth Bank and HSBC Precious Metals. He is a Chartered Accountant, a Fellow of the Financial Services Institute of Australasia and a graduate member of the Australian Institute of Company Directors.

Mr Fitzgerald is currently a non-executive director of ASX-listed Northern Star Resources Limited (ASX: NST) and Danakali Limited (ASX: DNK) and non-executive chairman of Novo Latio Limited (ASX: NLI) (previously Dakota Minerals Limited (ASX: DKO)). In the past three years, Mr Fitzgerald was the chairman of Atherton Resources Limited (to November 2015).

Mr Graham Brock **Non-Executive Director (resigned 23 March 2018)**

Mr Brock is a metallurgist with over 40 years' experience in the mining industry, and in particular gold and base metal projects. He has been involved in the full range of mine development activities from feasibility through construction, commissioning and operations. Mr Brock has been previously involved in development of several successful gold mines including Golden Crown, Westonia, Wirralie, Waihi, Big Bell, Mt Hogan, Salsigne and Stawell. Within the base metal sector, he was also part of the successful development of Mt Keith, Lake Johnston, Kambalda, Honeymoon Well, Black Swan, Golden Grove, Wheal Jane and Namosi.

In the past three years, Mr Brock was a director of Direct Nickel Limited (to August 2015).

Directors' Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year under review are:

	Board Meetings Eligible to Attend as a Director	Board Meetings Attended
Mr John Fitzgerald	5	5
Mr Anthony James	5	5
Mr Graham Brock	5	5
Mr Evan Cranston	5	4

There were no separate Remuneration Committee Meetings held during the year. There have been other matters of Board business which have been resolved by circular resolutions of Directors, which are a record of decisions made at a number of informal meetings held to control, implement and monitor the Group's activities throughout the year.

Directors' Interests

The relevant interest of each Director who held office during or since the end of the financial year in the share capital and options of the Company shown in the Register of Directors' Shareholdings as at the date of this report is as follows.

DIRECTOR	ORDINARY SHARES FULLY PAID		OPTIONS	
	Direct	Indirect	Direct	Indirect
Mr Graham Brock	-	150,000**	-	-
Mr Evan Cranston	-	182,500***	-	-
Mr John Fitzgerald	500,000	-	-	-
Mr Anthony James	-	1,892,834*	-	-
Ms Oonagh Malone	-	-	-	-

* Shares held indirectly by Mr Anthony James are held by his jointly with his spouse (1,845,834) and by his spouse (47,000).

** Shares held indirectly by Mr Graham Brock are held by GJ and LJ Brock.

*** Shares held by Mr Evan Cranston are held by Konkera Pty Ltd

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for Directors and other key management personnel of Carbine Resources Limited during the financial year. These remuneration disclosures have been audited. The Group had no key management personnel other than the Directors and Company Secretary of the Company.

Details of Key Management Personnel at the end of the financial year:

- Mr John Fitzgerald – Non-Executive Chairman
- Mr Anthony James – Managing Director
- Mr Graham Brock – Non-Executive Director
- Mr Evan Cranston – Non-Executive Director
- Ms Oonagh Malone – Company Secretary

Compensation of Key Management Personnel

Due to the size of the Company, the Remuneration Committee is currently comprised of all of the Directors of the Board. The Committee assesses the appropriateness of the nature and amount of emoluments of such key management personnel on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of appropriately qualified personnel. Presently there are no formalised arrangements which give rise to the payment of additional remuneration to non-executive directors contingent on Group performance, other than the arrangements set out in the Performance Rights Plan.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The Group has not increased its total aggregate remuneration from that disclosed in its prospectus in February 2007 of \$200,000. Given the size of the Group and its operations there is no relationship between remuneration and Group performance and shareholder wealth other than options and performance rights issued as remuneration.

Non-executive directors' remuneration is determined according to market practice for junior listed companies based on information obtained from industry analysts. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. No additional fees are payable for chairing or participating in sub-committees of the Board. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. Executive directors' fees and payments, other than long term incentives subject to shareholder approval as detailed below, are documented in service agreements that are approved by the members of the Remuneration Committee before execution.

Long term incentives ('LTI')

The LTI are granted to reward directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. The LTI are share based payments consisting of performance rights granted in 2016 and share options that were issued in previous years.

Performance Rights

The Company grants performance rights as part of the Company's long term incentive benefits to certain company executives (including directors) and other personnel. The Company's Performance Rights Plan is a carefully designed, performance linked, equity plan used to attract and retain staff by providing them with an opportunity to participate in the creation of a financial stake in the Company. The Performance Rights Plan was approved at the Annual General Meeting held on 31 May 2016 along with the issue of performance rights to the Directors. Performance rights entitle holders to the issue of fully paid ordinary shares in the Company if the performance rights meet any vesting conditions before expiry dates set for the performance rights. Performance rights may lapse at the Board's discretion if holders cease being eligible participants.

The numbers of each tranche of performance rights which were granted to the Directors on 31 May 2016 with the initial milestone dates is detailed in the table below. Following the delayed achievement of the Tranche 1 Milestone, the Board decided on 31 January 2017 that only 75% of the Tranche 1 Performance Rights granted to Mr Anthony James and non-key management personnel would vest, but all Tranche 1 Performance Rights granted to other Directors lapsed without vesting. During 2017, the Board resolved to use its discretion to extend the timing of the milestones associated with Tranches 2, 3, and 4. On 31 December 2017, all 4,550,000 Tranche 2 Performance Rights lapsed without conversion. The Board now expects that no Tranche 3 or Tranche 4 Performance Rights will vest, based on the unlikelihood of achieving the vesting conditions by the current milestone dates.

Performance Rights	Milestones	Initial Milestone Date	Extended Milestone Date
Tranche 1	ASX announcement of successful completion of a definitive feasibility study for the Mount Morgan Project.	30 September 2016	N/A
Tranche 2	ASX announcement of successful completion of the project funding arrangements for the Mount Morgan Project.	31 March 2017	31 December 2017
Tranche 3	ASX announcement of successful completion of construction of the mine for the Mount Morgan Project.	31 December 2017	31 December 2018
Tranche 4	ASX announcement of achievement of commercial production of the Mount Morgan	30 June 2018	30 June 2019

Recipient	Performance Rights Initially Granted				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	TOTAL
John Fitzgerald	300,000	700,000	400,000	600,000	2,000,000
Anthony James	1,350,000	3,150,000	1,800,000	2,700,000	9,000,000
Graham Brock	150,000	350,000	200,000	300,000	1,000,000
Evan Cranston	150,000	350,000	200,000	300,000	1,000,000
TOTAL	1,950,000	4,550,000	2,600,000	3,900,000	13,000,000

The Board has discretion to extend milestone dates provided that Performance Rights do not have a term of more than 5 years.

The Performance Rights were valued in 2016 at \$0.16 each, being the share price at the grant date, and are expensed over the expected vesting period. The below table details the total values of remaining Performance Rights that have not lapsed and are expected to never vest, and amounts expensed or reversed during the year.

Recipient	Unlapsed Performance Rights Held at 31 December 2017				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	TOTAL
John Fitzgerald	-	-	400,000	600,000	1,000,000
Anthony James	-	-	1,800,000	2,700,000	4,500,000
Graham Brock	-	-	200,000	300,000	500,000
Evan Cranston	-	-	200,000	300,000	500,000
TOTAL	-	-	2,600,000	3,900,000	6,500,000
Unexpensed amount for remaining Performance Rights that are now not expected to vest (\$)	-	-	416,000	624,000	1,040,000
Amount (reversed)/ expensed for 2017 (\$)	-	(256,237)	(76,877)	(87,853)	(420,967)
Amount expensed for 2016 (\$)	162,000	256,237	76,877	87,853	582,967

Share options

Options over shares were granted to the Directors and certain employees at the discretion of the Board in prior years. No options were issued to Directors or employees in 2017. No individual has a contractual right to participate or to receive any guaranteed benefits. The issue of options was not linked to performance conditions because by setting the option price at a level above current share price at the time the options are granted; this provided incentive for management to improve the Company's performance.

All outstanding share options at 31 December 2017 vested on issue in 2015 and were fully expensed in 2015.

Additional information for consideration of shareholder wealth

This table summarises the earnings of the consolidated entity and other factors that are considered to affect shareholder wealth for the 5 years to 31 December 2017.

	2017	2016	2015	2014	2013
Loss after income tax attributable to shareholders (\$)	(2,506,500)	(4,501,732)	(1,855,429)	(1,404,117)	(1,096,746)
Share price at year end (\$)	0.075	0.11	0.058	0.034	0.028
Total dividends declared (cents per share)	-	-	-	-	-
Returns of capital (cents per share)	-	-	-	-	-
Basic loss per share (cents)	(1.28)	(2.66)	(1.33)	(1.00)	(0.78)

Details of Remuneration for the year ended 31 December 2017

Name	Short-Term Benefits		Post Employment Benefits	Share-Based Payment	Total	Remuneration consisting of Performance Rights %
	Cash Salary and Fees \$	Non-monetary benefits \$	Super-annuation \$	Performance Rights \$		
Non-Executive Directors						
Mr Graham Brock	50,000	2,530	4,750	(32,382)	24,898	(130%)
Mr Evan Cranston	54,750	2,530	-	(32,382)	24,898	(130%)
Mr John Fitzgerald	80,000	2,530	7,600	(64,764)	25,366	(255%)
Sub-total Non-Executive Directors	184,750	7,590	12,350	(129,528)	75,162	(172%)
Executive Directors						
Mr Anthony James	302,308	2,530	28,719	(291,439)	42,118	(692%)
Sub-total Executive Directors	302,308	2,530	28,719	(291,439)	42,118	(692%)
Other Key Management Personnel						
Ms Oonagh Malone	36,000	2,530	-	-	38,530	-
Total	523,058	12,650	41,069	(420,967)*	155,810	(270%)

* The Performance Rights remuneration has a negative value due to amounts reversed for lapsed performance rights and for Tranche 3 and Tranche 4 Performance Rights which are now not expected to vest.

Details of Remuneration for the year ended 31 December 2016

Name	Short-Term Benefits		Post Employment Benefits	Share- Based Payment	Total \$	Remuneration consisting of Performance Rights %
	Cash Salary and Fees \$	Non- monetary benefits \$	Super- annuation \$	Performance Rights \$		
Non-Executive Directors						
Mr Tom Bahen	10,451	695	993	-	12,139	-
Mr Graham Brock	35,834	1,750	3,404	32,382	73,370	44%
Mr Evan Cranston	54,750	2,445	-	32,382	89,577	36%
Mr Stephen Dobson	10,451	695	993	-	12,139	-
Mr John Fitzgerald	57,334	1,750	5,447	64,764	129,295	50%
<i>Sub-total Non-Executive Directors</i>	168,820	7,335	10,837	129,528	316,520	41%
Executive Directors						
Mr Anthony James	231,539	1,750	21,996	453,439	708,724	64%
Mr Patrick Walta *	141,290	695	-	-	141,985	-
<i>Sub-total Executive Directors</i>	372,829	2,445	21,996	453,439	850,709	53%
Other Key Management Personnel						
Ms Oonagh Malone	36,000	2,445	-	-	38,445	-
Total	577,649	12,225	32,833	582,967	1,205,674	48%

* Mr Walta's disclosed remuneration includes \$81,290 for consulting services provided after his resignation on 13 April 2016.

Service Agreements

The Group appointed Mr Anthony James as Managing Director on 13 April 2016. His service agreement provides for:

- A base salary of \$300,000 per annum, with additional superannuation provided to meet statutory requirements.
- An eligibility to receive cash payments as Short Term Incentives, not exceeding 50% of the base salary, at the sole discretion of the Board if key performance indicators determined by the Board are met. These Short Term Incentives may be paid in whole or part by the issue of shares. No Short Term Incentives have been paid to Mr James.
- Long term incentives in the form of the Performance Rights granted to Mr James.
- A termination period of 6 months on termination for incapacity or for non-summary reasons before the commencement of production.
- A termination period of 12 months for non-summary reasons not involving incapacity following the commencement of production.

On appointment to the Board, all Non-Executive Directors enter into a letter agreement with the Group which summarises the Board policies and terms which mirror those set out within the Corporations Act 2001, including compensation, relevant to the office of Director.

No other remuneration arrangements for Directors were in place during the financial year ended 31 December 2017.

Share Based Payment Compensation

No options over ordinary shares in the Company were provided to any of the Key Management Personnel of the Group during the year. All outstanding options that were issued to Key Management Personnel in prior years were granted with no vesting conditions and fully vested in prior years. 7,000,000 options issued to Key Management Personnel lapsed during the year. Further information on the options is set out in note 18 to the financial statements.

The assessed fair value at grant date of any share based payments granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date of options are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Fair values at grant date of performance rights are equal to the share prices at grant dates.

No options were exercised during the year by Key Management Personnel that were previously granted as remuneration.

CARBINE RESOURCES LIMITED

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Option holdings of Key Management Personnel

2017 Key Management Personnel	Balance at 1 Jan 17 or appointment	Granted as Remuneration	Options Exercised	Other Changes	Balance at 31 Dec 17 or resignation	Total Vested 31 Dec 17	Total Exercisable 31 Dec 17
Graham Brock*	-	-	-	-	-	-	-
Evan Cranston	5,000,000	-	-	(5,000,000)	-	-	-
John Fitzgerald*	-	-	-	-	-	-	-
Anthony James*	-	-	-	-	-	-	-
Oonagh Malone	2,000,000	-	-	(2,000,000)	-	-	-
	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>(7,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>

2016 Key Management Personnel	Balance at 1 Jan 16 or appointment	Granted as Remuneration	Options Exercised	Other Changes	Balance at 31 Dec 16 or resignation	Total Vested 31 Dec 16	Total Exercisable 31 Dec 16
Tom Bahen**	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
Graham Brock*	-	-	-	-	-	-	-
Evan Cranston	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
Stephen Dobson**	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
John Fitzgerald*	-	-	-	-	-	-	-
Anthony James*	-	-	-	-	-	-	-
Oonagh Malone	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000
Patrick Walta**	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
	<u>22,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>

* Appointed 13 April 2016

** Resigned 13 April 2016

Details of options held by each Key Management Person of the Group at 31 December 2016 are shown below. No options were held by Key Management Personnel at 31 December 2017.

Key Management Personnel	Grant date	Number granted	Value of options granted (\$)	Vesting date	Expiry Date	Vested %
Mr Evan Cranston	14/11/2014	5,000,000	38,900	14/11/2014	17/11/2017	100
Ms Oonagh Malone	17/11/2014	2,000,000	15,520	17/11/2014	17/11/2017	100

Performance Rights holdings of Key Management Personnel

2017 Key Management Personnel	Balance at 1 Jan 17 or appointment	Received as Remuneration	Performance Rights converted	Performance Rights lapsed	Balance at 31 Dec 17 or resignation
Graham Brock*	850,000	-	-	(350,000)	500,000
Evan Cranston	850,000	-	-	(350,000)	500,000
John Fitzgerald*	1,700,000	-	-	(700,000)	1,000,000
Anthony James*	8,662,500	-	(1,012,500)	(3,150,000)	4,500,000
Oonagh Malone	-	-	-	-	-
	12,062,500	-	(1,012,500)	(4,550,000)	6,500,000

2016 Key Management Personnel	Balance at 1 Jan 16 or appointment	Received as Remuneration	Performance Rights lapsed	Balance at 31 Dec 16 or resignation	Performance Rights vested
Tom Bahen**	-	-	-	-	-
Graham Brock*	-	1,000,000	(150,000)	850,000	-
Evan Cranston	-	1,000,000	(150,000)	850,000	-
Stephen Dobson**	-	-	-	-	-
John Fitzgerald*	-	2,000,000	(300,000)	1,700,000	-
Anthony James*	-	9,000,000	(337,500)	8,662,500	1,012,500
Oonagh Malone	-	-	-	-	-
Patrick Walta**	-	-	-	-	-
	-	13,000,000	(937,500)	12,062,500	1,012,500

Shareholdings of Key Management Personnel

2017 Key Management Personnel	Balance at 1 Jan 17 or appointment	Received as Remuneration	Performance Rights converted	Other Changes	Balance at 31 Dec 17 or resignation
Graham Brock*	150,000	-	-	-	150,000
Evan Cranston	182,500	-	-	-	182,500
John Fitzgerald*	500,000	-	-	-	500,000
Anthony James*	880,334	-	1,012,500	-	1,892,834
Oonagh Malone	-	-	-	-	-
	1,712,834	-	1,012,500	-	2,725,334

2016 Key Management Personnel	Balance at 1 Jan 16 or appointment	Received as Remuneration	Performance Rights converted	Other Changes	Balance at 31 Dec 16 or resignation
Tom Bahen**	3,622,799	-	-	-	3,622,799
Graham Brock*	150,000	-	-	-	150,000
Evan Cranston	182,500	-	-	-	182,500
Stephen Dobson**	5,749,444	-	-	-	5,749,444
John Fitzgerald*	500,000	-	-	-	500,000
Anthony James*	880,334	-	-	-	880,334
Oonagh Malone	-	-	-	-	-
Patrick Walta**	135,000	-	-	-	135,000
	11,220,077	-	-	-	11,220,077

* Appointed 13 April 2016

** Resigned 13 April 2016

End of the Remuneration Report (Audited)

Environmental Regulations

In the course of its normal mining and exploration activities the Group adheres to environmental regulations imposed upon it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Group has complied with all material environmental requirements up to the date of this report.

Insurance of Directors and Officers

During the year, the Group has paid an insurance premium in respect of a contract indemnifying the Group's Directors and officers. The total amount recognised in expenditure was \$12,650 (2016: \$12,225).

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Other Information

The registered office and principal place of business is Suite 23, 513 Hay Street Subiaco WA 6008.

Non Assurance Services

There were no non-assurance services provided by the Group's auditors during the year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is attached to this full year financial statement.

Dated at Perth this 29th day of March, 2018

Signed in accordance with a resolution of the Directors



Mr Evan Cranston
Non-Executive Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		2017	2016
		\$	\$
Revenue from continuing operations	2(a)	110,566	63,703
Other income	2(b)	795,890	962,755
Exploration & evaluation costs	8	(2,244,875)	(3,104,105)
Depreciation	2(c)	(2,166)	(1,611)
Share based payment reversal/(expenses)	18	582,877	(834,877)
Employee, director and consultant expenses	2(d)	(997,888)	(1,180,765)
General and administration expenses	2(e)	(750,904)	(660,284)
Loss before income tax		<u>(2,506,500)</u>	<u>(4,755,184)</u>
Income tax	3	-	-
Loss after income tax from continuing operations attributable to members of Carbine Resources Limited		<u>(2,506,500)</u>	<u>(4,755,184)</u>
Discontinued operations			
Gain on deconsolidation of discontinued operations		-	253,452
Loss attributable to members of Carbine Resources Limited		<u>(2,506,500)</u>	<u>(4,501,732)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on disposal of subsidiary		-	(253,452)
Exchange difference on translation of foreign operations	21(b)	-	-
Total comprehensive income/(loss)		<u>-</u>	<u>(253,452)</u>
Total comprehensive loss attributable to members of Carbine Resources Limited		<u>(2,506,500)</u>	<u>(4,755,184)</u>
Loss per share attributable to the ordinary equity holders of the company			
Basic loss per share	13	(1.28)	(2.66)
Diluted loss per share	13	(1.28)	(2.66)
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share	13	(1.28)	(2.81)
Diluted loss per share	13	(1.28)	(2.81)

This Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	CONSOLIDATED 2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	4	3,875,014	6,467,641
Trade and other receivables	5	51,653	40,206
Financial assets	9	288,600	-
Other current assets	6	20,904	9,301
Total Current Assets		<u>4,236,171</u>	<u>6,517,148</u>
Non-Current Assets			
Plant and equipment	7	4,373	2,472
Exploration and evaluation expenditure	8	-	-
Financial assets	9	50,000	460,200
Total Non-Current Assets		<u>54,373</u>	<u>462,672</u>
Total Assets		<u>4,290,544</u>	<u>6,979,820</u>
Current Liabilities			
Trade and other payables	10	250,192	175,083
Provisions	11	20,637	27,347
Total Current Liabilities		<u>270,829</u>	<u>202,430</u>
Total Liabilities		<u>270,829</u>	<u>202,430</u>
Net Assets		<u>4,019,715</u>	<u>6,777,390</u>
Equity			
Issued Capital	12	31,121,482	30,789,780
Reserves	21(a)	2,948,558	3,531,435
Accumulated losses		(30,050,325)	(27,543,825)
Total Equity		<u>4,019,715</u>	<u>6,777,390</u>

This Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	CONSOLIDATED				
	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 January 2017	30,789,780	(27,543,825)	3,531,435	-	6,777,390
Loss for the year from continuing operations	-	(2,506,500)	-	-	(2,506,500)
Total comprehensive income/ (loss) for the year	-	(2,506,500)	-	-	(2,506,500)
Transactions with owners in their capacity as owners:					
Securities issued	333,920	-	-	-	333,920
Capital raising costs	(2,218)	-	-	-	(2,218)
Share based payments	-	-	(582,877)	-	(582,877)
	331,702	-	(582,877)	-	(251,175)
Balance at 31 December 2017	31,121,482	(30,050,325)	2,948,558	-	4,019,715

	CONSOLIDATED				
	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 January 2016	22,636,442	(23,042,093)	2,696,558	253,452	2,544,359
Loss for the year from continuing operations	-	(4,755,184)	-	-	(4,755,184)
Gain from discontinued operations	-	253,452	-	-	253,452
Deconsolidation of subsidiary	-	-	-	(253,452)	(253,452)
Total comprehensive income/ (loss) for the year	-	(4,501,732)	-	(253,452)	(4,755,184)
Transactions with owners in their capacity as owners:					
Securities issued	8,517,688	-	-	-	8,517,688
Capital raising costs	(364,350)	-	-	-	(364,350)
Share based payments	-	-	834,877	-	834,877
	8,153,338	-	834,877	-	8,988,215
Balance at 31 December 2016	30,789,780	(27,543,825)	3,531,435	-	6,777,390

This Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	CONSOLIDATED	
		2017	2016
		\$	\$
Cash Flows From Operating Activities			
Payments to suppliers and employees		(1,696,900)	(947,917)
Payments for exploration expenditure		(1,851,381)	(3,695,674)
R&D tax refunds received		917,490	926,955
Interest paid		(7)	-
Interest received		110,536	65,764
Net cash (outflow) from operating activities	19	(2,520,262)	(3,650,872)
Cash Flows From Investing Activities			
Raging Bull option fee		(200,000)	-
Payment for plant and equipment		(4,067)	-
Net cash (outflow) from investing activities		(204,067)	-
Cash Flows From Financing Activities			
Proceeds from issue of shares		133,920	8,264,880
Capital raising costs		(2,218)	(364,350)
Net cash inflow from financing activities		131,702	7,900,530
Net (decrease) / increase in cash and cash equivalents held		(2,592,627)	4,249,658
Cash and cash equivalents at the beginning of the year		6,467,641	2,218,072
Differences in foreign exchange		-	(89)
Cash and cash equivalents at the end of the year	4	3,875,014	6,467,641

This Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, Australian Accounting Interpretations and other mandatory professional reporting requirements.

Carbine Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements, comprising the financial statements and notes thereto also comply with International Financial Reporting Standards 'IFRS'. The presentation currency of the Group is Australian Dollars. Functional Currency is determined and discussed in the following accounting policy.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period unless otherwise stated. The comparatives have been regrouped or reclassified as required.

Historical cost convention

The financial report has been prepared on an accruals basis and is based on historical costs, with the exception of certain financial assets at fair value.

(a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the Statement of Financial Position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

(c) Mineral Exploration and Evaluation and Development Expenditure

The Group, when acquiring exploration and evaluation assets will carry those projects at acquisition value in the Statement of Financial Position, less any subsequent impairment.

All exploration and evaluation expenditure within an area of interest will be expensed until the Directors conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable, further expenditure is capitalised.

No amortisation is charged during the exploration and evaluation phase. Amortisation is charged on commencement of commercial production. Exploration and evaluation assets are tested for impairment annually or when there is an indication of impairment, until commercially viable material resources are established. Upon establishment of commercially viable mineral resources exploration and evaluation assets are tested for impairment when there is an indicator of impairment. Subsequently the assets are stated at cost less impairment provision.

(d) Property, Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation

The depreciation amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Furniture & Equipment	20% - 33%
Motor vehicle	33%
Patenting, Licensing, Software	33%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

(e) Impairment of Assets

At each reporting date, the Group reviews the carrying values of tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Employee Benefits

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(g) Financial Instruments

At present, the Group does not undertake any hedging or deal in derivative instruments other than the unquoted options in Boss Resources Ltd detailed in note 9.

Recognition

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- held-to-maturity investments; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

The Group recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Financial assets are classified based on the objective of the Group's business model for managing the financial assets and the characteristics of the contractual cash flows.

The Group derecognises a financial asset when the contractual cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows such that substantially all the risks and rewards of ownership of the financial asset are transferred.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are included in trade and other receivables (note 5) in the Statement of Financial Position.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

Financial assets at fair value through profit or loss are measured initially at fair value which includes transaction costs directly attributable to the acquisition of the financial asset. They are measured subsequently at fair value with movements in fair value being recognised in profit or loss.

Profit or loss arising on the sale of equity investments is recognised in profit or loss unless the election has been made to recognise fair value movements in other comprehensive income, in which case the profit or loss on sale is also recognised in other comprehensive income.

Impairment

Impairment losses on financial assets at fair value through profit or loss are recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(h) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest methods, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance amount (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance amount. Subsequent recoveries of amounts previously written off are credited against other expenses in profit and loss.

(i) Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the Group has passed control of the goods or other assets to the buyer. Interest income is recognised using the effective interest rate method.

(j) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Carbine Resources Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 23.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(k) Foreign Currency Translation

Functional and presentation currency

The financial statements are presented in Australian dollars, which is Carbine Resources Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to Shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(l) Earnings Per Share

Basic earnings per share

Basic earnings per share ("EPS") is calculated as net profit or loss attributable to ordinary shareholders of the Group divided by the weighted average number of shares outstanding during the period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Diluted earnings per share

Diluted EPS earnings is calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average price.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing operations, and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group 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 recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an integral part of the total lease expense.

(n) Share-Based Payment Transactions

The Group provides benefits to employees (including Directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The plans currently in place to provide these benefits are the Employee Option Plan and the Performance Rights Plan, both of which are detailed in note 18.

The cost of these equity-settled transactions with Directors and employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option pricing model.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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In valuing equity-settled transactions, no account is taken of any performance conditions. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) 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 balance date. No expense is recognised for awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Contributed Equity

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Other taxes

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

- when the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT 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, which are stated with the amount of GST or VAT included.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivable or payables in the Statement of Financial Position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST and VAT components 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 or VAT recoverable from, or payable to, the taxation authority.

(r) New and amended standards adopted by the group

No new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2017 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

(s) New accounting standards for Application in Future Periods

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- IFRS 16: *Leases* applies to annual reporting periods beginning on or after 1 January 2019.

IFRS 16 requires that lessees recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a net present value basis. The directors anticipate this will have an impact on the financial statements but at this stage are unable to quantify the impact.

- *Other standards not yet applicable.*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Carbine Resources Limited.

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(u) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Share based payments

The cost of share-based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options granted is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of performance rights granted is equal to the share price at the grant date, less any discount required to reflect any market based vesting conditions. Performance rights with performance based vesting conditions are expensed over expected vesting periods based on the board's best estimate of the number of Performance Rights expected to vest. Refer to note 18 for further details.

Exploration and Evaluation

All acquisition costs and subsequent exploration and evaluation expenditure for areas of interest of the Group have been fully expensed.

Deferred Taxation

No deferred tax assets or deferred tax liabilities are currently brought to account by the Group because there is insufficient certainty that the Group will derive sufficient future assessable income to enable any income tax benefits to be realised and comply with the conditions for assessable income or allowable deductions imposed by the law.

R&D Tax rebate

During the year, the Group received a R&D tax rebate of \$917,490 (2016: \$926,955). This has been classified as other income. The \$917,490 R&D tax rebate related to the calendar year ended 31 December 2016 because the Company's Australian tax year ends on 31 December. No asset is recognised at 31 December 2017 for the expected R&D tax rebate for the year ended 31 December 2017, even though an R&D tax rebate is expected, because it does not meet recognition criteria for an asset at this stage. The expected 31 December 2017 R&D tax rebate is also out of the scope of the definition of government grants, as at this stage, so not yet recognisable.

Disposal group

The Group disposed of controlled subsidiary Carbine Resources SARL during 2016. Consequently, the entire assets and liabilities of Carbine Resources SARL constituted a disposal group at 31 December 2016. As the carrying amount of the disposal group was not expected to be recovered principally through a sale transaction, no separate balances for the disposal group are presented in the Statement of Financial Position. Relevant disclosures are presented in note 24. As the disposal group met the definition of a discontinued operation, per AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* Appendix A, for 2016, relevant balances are separately disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the previously recognised foreign currency translation reserve balance has been derecognised.

Fair value measurement of financial assets

When determining fair values of assets or liabilities, the Group applies valuation techniques that reflect the assumptions that buyers and sellers would use when pricing the assets or liabilities, including assumptions about risks. When selecting valuation techniques, the Group gives priority to techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

For this reason, the options over shares in Boss Resources Limited, described in note 9, were valued using the Black-Scholes formula based on observable market data, enabling them to be level 2 financial instruments as described in note 20.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. REVENUE, OTHER INCOME AND EXPENSES

	CONSOLIDATED	
	2017	2016
	\$	\$
(a) Revenue from continuing operations		
Interest revenue	110,566	63,703
	<u>110,566</u>	<u>63,703</u>
(b) Other income		
R&D tax rebate	917,490	926,955
Fair value (decrease)/ increase in financial assets	(121,600)	35,800
	<u>795,890</u>	<u>962,755</u>
(c) Depreciation		
Plant and equipment	(2,166)	(1,611)
	<u>(2,166)</u>	<u>(1,611)</u>
(d) Employee, director and consultant expenses		
Superannuation expenses	(61,897)	(83,647)
Other expenses	(935,991)	(1,097,118)
Total employee, director and consultant expenses	<u>(997,888)</u>	<u>(1,180,765)</u>
(e) General and administration expenses		
Operating lease - rental	(72,000)	(63,000)
Administration fees	(120,000)	(120,000)
Other expenses	(558,904)	(477,284)
Total general and administrative expenses	<u>(750,904)</u>	<u>(660,284)</u>

3. INCOME TAX

The components of income tax benefit/(expense) comprise:

Current tax	-	-
Deferred tax	-	-
Income tax benefit/(expense) reported in the Statement of Profit or Loss and Other Comprehensive Income	<u>-</u>	<u>-</u>

The prima facie tax on (loss) before income tax is reconciled to the income tax as follows:

Accounting loss before income tax	(2,506,500)	(4,501,732)
Amount calculated on the domestic rates applicable to profits or losses in the countries concerned at the Group's weighted average effective rate of 30%. (2016: 30.4%)	(751,950)	(1,369,525)
Temporary differences	(248,480)	272,644
Tax effect of expenses that are never deductible for tax purposes	(173,920)	251,668
Unrecognised DTA losses	1,174,350	845,213
Utilisation of carried forward tax losses	-	-
Income tax attributable to the Group	<u>-</u>	<u>-</u>

Tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1(b) occur	7,670,653	7,080,531
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3. INCOME TAX (continued)

	CONSOLIDATED	
	2017	2016
	\$	\$
Deferred tax assets/ (losses)		
- temporary differences	69,517	42,084
- tax losses (operating losses)	4,048,657	3,485,968
- tax losses (capital losses)	3,552,479	3,552,479
	<u>7,670,653</u>	<u>7,080,531</u>

Deferred tax assets have not been recognised as it is not considered probable at this stage that they will be recovered. The statutory income tax rates within Australia and Burkina Faso are 30% (2016: 30%) and 22.5% (2016: 22.5%) respectively. Although lower Australian statutory income tax rates are available for companies with lower turnovers, this is not expected to be available if the group commences production.

4. CASH AND CASH EQUIVALENTS

Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash at bank	3,875,014	6,467,541
Petty Cash	-	100
	<u>3,875,014</u>	<u>6,467,641</u>

The effective interest rate on short term bank deposits was 2.18% (2016: 2.47%)

The Group's exposure to interest rate risk is discussed at note 20. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and cash equivalents mentioned above.

5. TRADE AND OTHER RECEIVABLES

Net GST refundable	43,719	34,994
Other receivable	7,934	5,212
	<u>51,653</u>	<u>40,206</u>

Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the total mentioned above. Further details on the Group's risk management policy can be found at note 20.

6. OTHER CURRENT ASSETS

Prepayments	20,904	9,301
	<u>20,904</u>	<u>9,301</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. PLANT AND EQUIPMENT

	CONSOLIDATED	
	Furniture & Equipment	Total
	\$	\$
Year ended 31 December 2017		
Opening net book value	2,472	2,472
Additions	4,067	4,067
Depreciation charge for the year	(2,166)	(2,166)
Disposals	-	-
Closing net book value	4,373	4,373
At 31 December 2017		
Cost	8,897	8,897
Accumulated depreciation and impairment	(4,524)	(4,524)
Net book value	4,373	4,373
Year ended 31 December 2016		
Opening net book value	4,083	4,083
Additions	-	-
Depreciation charge for the year	(1,611)	(1,611)
Disposals	-	-
Closing net book value	2,472	2,472
At 31 December 2016		
Cost	4,830	4,830
Accumulated depreciation and impairment	(2,358)	(2,358)
Net book value	2,472	2,472

During 2016, fully depreciated Furniture and Equipment with a cost of \$10,839 was written off.

8. EXPLORATION AND EVALUATION EXPENDITURE

Exploration expenditure – costs carried forward in respect of areas of interest in:

	CONSOLIDATED	
	2017	2016
	\$	\$
Carrying amount at beginning of year	-	-
Carrying amount of sold mineral exploration interests	-	-
Carrying amount at the end of year	-	-
Exploration and evaluation incurred	2,244,875	3,104,105
Exploration costs expensed	(2,244,875)	(3,104,105)
	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. FINANCIAL ASSETS

Current financial assets

	CONSOLIDATED	
	2017	2016
	\$	\$
Reclassification of 10,000,000 unquoted share options in Boss Resources Limited from Non-current	410,200	-
Decrease in value of 10,000,000 unquoted share options in Boss Resources Limited	(121,600)	-
Total current financial assets at fair value	288,600	-

Non-current financial assets

Term deposit held as a security bond	50,000	50,000
Value of 10,000,000 unquoted share options in Boss Resources Ltd at start of the year	410,200	374,400
Increase in value of 10,000,000 unquoted share options in Boss Resources Ltd	-	35,800
Reclassification of 10,000,000 unquoted share options in Boss Resources Ltd to Current	(410,200)	-
Total non-current financial assets at fair value	50,000	460,200

On 1 September 2015 Boss Resources Ltd (Boss) issued to the Group 10 million unquoted share options exercisable at \$0.02 each by 31 August 2018. These options were issued to the Group in consideration for the Group guaranteeing the payment by Boss of a payment of \$2,521,666.

All term deposits have been valued based on quoted (unadjusted) market values and are therefore Tier 1 measured financial assets.

The options in Boss, were classified as non-current in 2016 but reclassified as current at 31 December 2017 because the expiry date of 31 August 2018 is within 12 months. These options have been valued based on the observable inputs detailed above, where all these observable inputs are based on market data, and are therefore classified as Tier 2 financial assets. The Black-Scholes valuation model has been used which reflects assumptions that buyers or sellers of unquoted share options in Boss would generally use.

At 1 September 2015, these options were valued at \$0.01549 each for a total value of \$154,900, based on a Black-Scholes valuation with no dividends, a term of 3 years, an exercise price of \$0.02, a grant date share price of \$0.022, a volatility of 115% and a risk free interest rate of 1.76%pa. The full value of \$154,900 was recognised by the Group as other income at the grant date.

At year end, these options were revalued at \$0.02886 each (2016: \$0.04102 each) for a total value of \$288,600 (2016: \$410,200), based on a Black-Scholes valuation with no dividends, an expiry date of 31 August 2018, an exercise price of \$0.02, a share price at 31 December 2017 of \$0.048 (2016: \$0.057), a volatility of 75% (2016: 91%), and a risk free interest rate of 2.01%pa (2016: 1.86%). The decrease in value of \$121,600 (2016: increase of \$35,800) was recognised by the Group in other income.

There have been no transfers between measurement levels during the year and there are currently no other assets in any other categories.

The Group's exposure to credit, equity market and interest rate risks related to financial assets is disclosed in note 20.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. TRADE AND OTHER PAYABLES - CURRENT

	CONSOLIDATED	
	2017	2016
	\$	\$
Trade payables – unsecured	186,547	130,022
Other payables and accruals – unsecured	63,645	45,061
Total trade and other payables	250,192	175,083

Information about the Group's exposure to foreign exchange risk is provided in note 20.

11. PROVISIONS

	CONSOLIDATED	
	2017	2016
	\$	\$
Annual leave provision	20,637	27,347
Total provisions	20,637	27,347

12. ISSUED CAPITAL

	CONSOLIDATED			
	2017		2016	
	No. of		No. of	
(a) Ordinary shares fully paid	Shares	\$	Shares	\$
Balance at beginning of year	193,037,453	30,789,780	140,017,394	22,636,442
Placement to GR Engineering	-	-	12,500,000	750,000
Shares issued to GR Engineering for payment of services	-	-	1,170,000	124,591
New director placement	-	-	3,333,333	500,000
Placement to sophisticated and institutional investors	-	-	35,000,000	7,000,000
Shares issued to GR Engineering for payment of services	-	-	716,726	128,217
Shares issued on conversion of performance rights	1,575,000	-	-	-
Shares issued on exercise of \$0.0496 share options	2,700,000	133,920	300,000	14,880
Shares issued to extend Raging Bull option fee	2,434,276	200,000	-	-
Costs of capital raising	-	(2,218)	-	(364,350)
Balance at end of year	199,746,729	31,121,482	193,037,453	30,789,780

Fully paid ordinary shares entitle the holder to participate in dividends and to one vote per share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

12. ISSUED CAPITAL (continued)

(b) Options

Options granted, exercised or forfeited during the year, and on issue at balance date are as follows.

Date and details of grant/exercise/forfeit	CONSOLIDATED	
	No. of Options	Exercise Price
Issued options opening balance	26,700,000	Various
Options granted in the year	-	-
Options exercised	(2,700,000)	\$0.0496
Options expired	(7,000,000)	\$0.0496
Options expired	<u>(10,000,000)</u>	\$0.10
Balance at 31 December 2017	<u>7,000,000</u>	

Further details are disclosed in note 18.

(c) Performance rights

Performance rights granted, exercised or forfeited during the year, and on issue at balance date are as follows.

Date and details of grant/exercise/forfeit	CONSOLIDATED	
	No. of Options	Exercise Price
Issued performance rights opening balance	16,875,000	-
Performance rights converted to shares	(1,125,000)	-
Performance rights lapsed	<u>(9,250,000)</u>	-
Balance at 31 December 2017	<u>6,500,000</u>	

1,575,000 performance rights vested during 2016 but were converted during 2017. Further details are disclosed in note 18.

13. EARNINGS PER SHARE

(a) Basic earnings per share

	CONSOLIDATED	
	2017	2016
	\$	\$
Basic (loss) per share (cents per share)	(1.28)	(2.66)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic (loss) per share	195,263,351	169,378,221
Net loss used in the calculation of basic (loss) per share	(2,506,500)	(4,501,732)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

	CONSOLIDATED	
	2017	2016
	\$	\$
Diluted (loss) per share (cents per share)	(1.28)	(2.66)
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted (loss) per share	195,263,351	169,378,221
Net (loss) used in the calculation of diluted (loss) per share	(2,506,500)	(4,501,732)

Due to the Group being in a loss position, options and performance rights are considered anti-dilutive and therefore earnings per share are not diluted by unexercised options or performance rights.

(c) Basic and diluted earnings per share from continuing operations

	CONSOLIDATED	
	2017	2016
	\$	\$
Basic earnings per share (cents per share) from continuing operations	(1.28)	(2.81)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share from continuing operations	195,263,351	169,378,221
Net loss used in the calculation of basic earnings per share from continuing operations	(2,506,500)	(4,755,184)

During 2016, the Group discontinued operations in Burkina Faso. Consequently the comparative earnings per share from continuing operations differs from the comparative earnings per share. Due to the continuing operations being in a loss position in 2016, options and performance rights are considered anti-dilutive and therefore earnings per share are not diluted by unexercised options and performance rights. Consequently both the weighted number of ordinary shares outstanding during the year and net loss used in calculating the diluted (loss) per share from continuing operations is equal to these parameters as used in the calculation of basic (loss) per share.

14. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2017	2016
	\$	\$
Remuneration of Auditor of the Company	32,551	26,126
	<u>32,551</u>	<u>26,126</u>

15. SEGMENT REPORTING

The Board of Directors, which is the chief operating decision maker, has determined the operating segment based on geographical location. The Group has one reportable segment; mineral exploration and evaluation in Australia.

The Australian segment incorporates the Group's mineral exploration and evaluation in Australia along with head office and treasury functions. Consequently financial information for the sole operating segment is identical to the information presented in these financial reports.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. RELATED PARTY TRANSACTIONS AND BALANCES

Kingslane Pty Ltd and associated entities (Kingslane) is a substantial shareholder in the Company and held 9,178,749 ordinary shares in the Company at 31 December 2017. Entities controlled by Kingslane received \$72,000 (2016: \$63,000) during the year for office rent.

Konkera Corporate received \$120,000 (2016: \$120,000) during the year for accounting and administrative services.

Kingslane and Konkera Corporate are related parties of Non-Executive Director Evan Cranston.

All related party transactions are on normal arms' length terms.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following people have been designated as Key Management Personnel for the year:

- Mr Anthony James – Managing Director
- Mr Graham Brock – Non-Executive Director
- Mr Evan Cranston – Non-Executive Director
- Mr John Fitzgerald – Non-Executive Chairman
- Ms Oonagh Malone – Company Secretary

Remuneration by Category

Key Management Personnel

	2017	2016
	\$	\$
Short-term	535,708	589,874
Post-employment	41,069	32,833
Share-based payment	(420,967)	582,967
	<u>155,810</u>	<u>1,205,674</u>

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the year and no balance outstanding at year end.

Other transactions and balances with Key Management Personnel

Former executive director Mr Patrick Walta is a director and shareholder of Raging Bull Mining Pty Ltd (RBM). Before his appointment as a director in 2014, the Group acquired from RBM a 75% shareholding in Raging Bull Metals Pty Ltd (RBT) as described in note 23. RBM retained a 25% shareholding in RBT with the potential to receive the further consideration described in note 23. Mr Walta resigned as a director in the prior year on 13 April 2016.

There were no other transactions with Key Management Personnel (other than those disclosed in notes 16, 18 and 24).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

18. SHARED BASED PAYMENTS

(a) Employee Option Plan

The Employee Share Option Plan is used to reward the Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. There are no performance requirements to be met before exercise can take place. The Plan is designed to provide long-term incentives to deliver long-term shareholder returns. Participation in the Plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted, provides incentive for management to improve the Company's performance.

The terms and conditions of each grant of Plan options on issue during the year are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
14 November 2014	Vesting on issue	17 November 2017	\$0.0496	\$0.00988
14 November 2014	Vesting on issue	17 November 2017	\$0.10	\$0.00568
17 November 2014	Vesting on issue	17 November 2017	\$0.0496	\$0.00986
17 November 2014	Vesting on issue	17 November 2017	\$0.10	\$0.00566
7 July 2015	Vesting on issue	7 July 2018	\$0.065	\$0.02686
7 July 2015	Vesting on issue	7 July 2018	\$0.10	\$0.02226
26 October 2015	Vesting on issue	26 October 2018	\$0.0886	\$0.03244
26 October 2015	Vesting on issue	26 October 2018	\$0.124	\$0.02809

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.60 years (2016: 1.07 years).

The assessed fair values at grant date of options granted on 7 July 2015 were as detailed above. The fair values at grant date were determined using a Black-Scholes option pricing model. The volatility rate was 90%, the risk free interest rate was 1.91% and a 20% discount was applied for illiquidity. The share price at grant date was 6.0 cents per share. These options had a total value of \$122,800.

The assessed fair values at grant date of options granted on 26 October 2015 were as detailed above. The fair values at grant date were determined using a Black-Scholes option pricing model. The volatility rate was 92%, the risk free interest rate was 1.86% and a 20% discount was applied for illiquidity. The share price at grant date was 7.4 cents per share. These options had a total value of \$60,530.

The total value of options granted and vesting immediately during the year ended 31 December 2017 was \$nil (2016: nil). No amount (2016: nil) has been expensed over the vesting period for options granted in previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

18. SHARED BASED PAYMENTS (continued)

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Value at grant date \$	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity									
14 November 2014	17 November 2017	\$0.0496	7,500,000	-	74,100	(2,500,000)	(5,000,000)	-	-
14 November 2014	17 November 2017	\$0.10	7,500,000	-	42,600	-	(7,500,000)	-	-
17 November 2014	17 November 2017	\$0.0496	2,200,000	-	21,692	(200,000)	(2,000,000)	-	-
17 November 2014	17 November 2017	\$0.10	2,500,000	-	14,150	-	(2,500,000)	-	-
7 July 2015	7 July 2018	\$0.065	2,500,000	-	67,150	-	-	2,500,000	2,500,000
7 July 2015	7 July 2018	\$0.10	2,500,000	-	55,650	-	-	2,500,000	2,500,000
26 October 2015	26 October 2018	\$0.0886	1,000,000	-	32,440	-	-	1,000,000	1,000,000
26 October 2015	26 October 2018	\$0.124	1,000,000	-	28,090	-	-	1,000,000	1,000,000
			26,700,000	-	335,872	(2,700,000)	(17,000,000)	7,000,000	7,000,000
Weighted average exercise price (\$)			0.0784	-		0.0496	0.0792	0.0875	0.0875
No options were forfeited during the year.									

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

18. SHARED BASED PAYMENTS (continued)

(b) Performance Rights Plan

The Company grants Performance Rights as part of the Company's long term incentive benefits to officers and other staff. The Performance Rights Plan was approved at the Annual General Meeting held on 31 May 2016 along with the issue of Performance Rights to Directors. Performance Rights entitle holders to the issue of fully paid ordinary shares in the Company if the Performance Rights meet any vesting conditions before expiry dates set for the performance rights. Performance Rights may lapse at the Board's discretion if holders cease being eligible participants.

The numbers of each tranche of Performance rights which were granted to Directors on 31 May 2016 with the initial milestone dates is detailed in the table below. A further 5,000,000 Performance Rights were granted to staff whom the Company does not consider Key Management Personnel. Following the delayed achievement of the Tranche 1 Milestone, the Board decided on 31 January 2017 that only 75% of the Tranche 1 Performance Rights granted to Mr Anthony James and other staff would vest, but all Tranche 1 Performance Rights granted to other Directors lapsed without vesting.

During 2017, the Board resolved to use its discretion to further extend the timing of the milestones associated with Tranches 2, 3, and 4. On 31 December 2017, all 4,550,000 Tranche 2 performance rights lapsed without conversion or any extension of milestone dates. The Board now expects that no Tranche 3 or Tranche 4 performance rights will vest, based on the unlikelihood of achieving the vesting conditions by the current milestone dates.

Performance Rights	Milestones	Initial Milestone Date	Extended Milestone Date
Tranche 1	ASX announcement of successful completion of a definitive feasibility study for the Mount Morgan Project.	30 September 2016	N/A
Tranche 2	ASX announcement of successful completion of the project funding arrangements for the Mount Morgan Project.	31 March 2017	31 December 2017
Tranche 3	ASX announcement of successful completion of construction of the mine for the Mount Morgan Project.	31 December 2017	31 December 2018
Tranche 4	ASX announcement of achievement of commercial production of the Mount Morgan Project	30 June 2018	30 June 2019

The Board has discretion to extend milestone dates provided that Performance Rights do not have a term of more than 5 years. The Performance Rights have been valued at \$0.16 each, being the share price at the grant date, and expensed over the expected vesting period. As all Performance Rights have performance based vesting conditions, the Performance Rights are expensed over expected vesting periods based on the Board's best estimate of the number of Performance Rights expected to vest. These expectations are revised by the Board based on the best available information for each reporting date. The below table details the total values of remaining performance rights that did not lapse, but still may never vest, and amounts expensed during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. SHARED BASED PAYMENTS (continued)

Recipient	Performance Rights Granted				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	TOTAL
John Fitzgerald	300,000	700,000	400,000	600,000	2,000,000
Anthony James	1,350,000	3,150,000	1,800,000	2,700,000	9,000,000
Graham Brock	150,000	350,000	200,000	300,000	1,000,000
Evan Cranston	150,000	350,000	200,000	300,000	1,000,000
Other staff	750,000	1,750,000	1,000,000	1,500,000	5,000,000
TOTAL	2,700,000	6,300,000	3,600,000	5,400,000	18,000,000

Recipient	Unlapsed Performance Rights Held at 31 December 2017				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	TOTAL
John Fitzgerald	-	-	400,000	600,000	1,000,000
Anthony James	-	-	1,800,000	2,700,000	4,500,000
Graham Brock	-	-	200,000	300,000	500,000
Evan Cranston	-	-	200,000	300,000	500,000
Other staff	-	-	-	-	-
TOTAL	-	-	2,600,000	3,900,000	6,500,000
Unexpensed amount for remaining Performance Rights that are now not expected to vest (\$)	-	-	416,000	624,000	1,040,000
Amount (reversed)/ expensed for 2017 (\$)	-	(354,789)	(106,446)	(121,642)	(582,877)
Amount expensed for 2016 (\$)	252,000	354,789	106,446	121,642	834,877

Performance rights convert into ordinary shares after vesting conditions are met, with no further amounts payable. The weighted average expected term until the initial milestone dates for remaining performance rights was 1.30 years at 31 December 2017 (0.86 years at 31 December 2016).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH LOSS AFTER INCOME TAX

	CONSOLIDATED	
	2017	2016
	\$	\$
Loss after income tax	(2,506,500)	(4,755,184)
Add:		
- Depreciation	2,166	1,611
- Expenses paid through issue of shares to GR Engineering	-	252,808
- Share based payments	(582,877)	834,877
Deduct:		
Option fee paid	400,000	-
Fair value decrease / (increase) in financial assets	121,600	(35,800)
Changes in assets and liabilities during the year:		
Increase in other current assets	(11,603)	(243)
Increase in trade and other receivables	(11,447)	(18,702)
Increase in trade and other payables	75,109	42,325
(Decrease) / increase in provisions	(6,710)	27,347
Foreign exchange differences	-	89
Net cash used in operations	<u>(2,520,262)</u>	<u>(3,650,872)</u>

There were no non-cash financing or investing activities other than the 2,434,276 shares issued to extend the Raging Bull option for a value of \$200,000 as disclosed in note 12.

20. FINANCIAL INSTRUMENTS

Financial Risk Management

The Group's principal financial instruments comprise cash, short-term deposits and unquoted options.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and equity market risk. The Board of Directors reviews and agrees policies for managing each of these risks as summarised below.

Financial Risk

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, foreign exchange risk, equity market risk and credit risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. FINANCIAL INSTRUMENTS (continued)

	CONSOLIDATED	
	2017	2016
	\$	\$
Financial Asset		
Cash and cash equivalents	3,875,014	6,467,641
	<u>3,875,014</u>	<u>6,467,641</u>
Other Current Financial Assets		
Trade and other receivables	51,653	40,206
Financial assets at fair value	288,600	-
	<u>340,253</u>	<u>40,206</u>
Non-Current Financial Assets		
Financial assets at fair value	50,000	460,200
	<u>50,000</u>	<u>460,200</u>
Financial Liabilities		
Trade and other payables	250,192	175,083
	<u>250,192</u>	<u>175,083</u>

Liquidity Risk and Liquidity Risk Management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities or other fund raising initiatives.

The Group does not have major funding in place. However, the Group continuously monitors forecast and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk.

The Group has access to a credit card facility totalling \$50,000. The credit card facility may be drawn at any time and may be terminated by the bank without notice. At 31 December 2017, \$45,144 of this facility was available for use.

Credit Risk

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

Banks and Financial Institutions are chosen only if they are independently rated parties with a minimum rating of 'A'.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

20. FINANCIAL INSTRUMENTS (continued)

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

2017	Weighted Average Interest Rate %	Floating Interest Rate \$	Fixed Interest Maturing in 1 Year or Less \$	Non-Interest Bearing \$	Total \$
Financial Assets					
Cash and cash equivalents	2.18	375,014	3,500,000	-	3,875,014
Receivables	-	-	-	51,653	51,653
Current financial assets at fair value	-	-	-	288,600	288,600
Non current financial assets at fair value	2.47	-	50,000	-	50,000
Financial Liabilities					
Payables	-	(4,856)	-	(245,336)	(250,192)
Net Financial Assets	2.14	370,158	3,550,000	94,917	4,015,075
2016					
	Weighted Average Interest Rate %	Floating Interest Rate \$	Fixed Interest Maturing in 1 Year or Less \$	Non-Interest Bearing \$	Total \$
Financial Assets					
Cash and cash equivalents	2.47	367,541	6,100,000	100	6,467,641
Receivables	-	-	-	40,206	40,206
Non current financial assets at fair value	0.29	-	50,000	410,200	460,200
Financial Liabilities					
Payables	0.89	(10,078)	-	(165,005)	(175,083)
Net Financial Assets	2.35	357,463	6,150,000	285,501	6,792,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

20. FINANCIAL INSTRUMENTS (continued)

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk. The interest rate risk affects the valuation of the unquoted options in Boss included in the balance of current financial assets at fair value in 2017 because it is an observable market parameter for the Black-Scholes valuation.

2017	Carrying Amount \$	-1%		1%	
		Profit \$	Equity \$	Profit \$	Equity \$
Cash and cash equivalents	3,875,014	(38,750)	(38,750)	38,750	38,750
Trade receivables	51,653	-	-	-	-
Current financial assets at fair value	288,600	(1,100)	(1,100)	1,100	1,100
Non-current financial assets at fair value	50,000	(500)	(500)	500	500
Trade payables	(250,192)	-	-	-	-
Total increase/(decrease)	4,015,075	(40,350)	(40,350)	40,350	40,350

2016	Carrying Amount \$	-1%		1%	
		Profit \$	Equity \$	Profit \$	Equity \$
Cash and cash equivalents	6,467,641	(64,676)	(64,676)	64,676	64,676
Trade receivables	40,206	-	-	-	-
Non-current financial assets at fair value	460,200	(2,500)	(2,500)	2,600	2,600
Trade payables	(175,083)	-	-	-	-
Total increase/(decrease)	6,792,964	(67,176)	(67,176)	67,276	67,276

Price Risk

The Group was exposed to equity security price risk due to 10,000,000 unquoted options over shares in Boss Resources Limited (Boss). These options were valued at acquisition on 1 September 2015 based on a share price for Boss of \$0.022 per share and revalued at each reporting date based on a closing share price for Boss of \$0.048 per share (2016: \$0.057 per share). The following table summarises the sensitivity of the Group's financial assets to Boss's share price at year end by showing the effects of increasing or decreasing the closing 31 December 2017 Boss share price by \$0.01 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

20. FINANCIAL INSTRUMENTS (continued)

2017	Carrying Amount	+\$0.01		-\$0.01	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Current unquoted options at fair value	288,600	97,200	97,200	(94,100)	(94,100)

2016	Carrying Amount	+\$0.01		-\$0.01	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Non-current unquoted options at fair value	410,200	94,300	94,300	(92,300)	(92,300)

The Group is not exposed to commodity price risk.

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 – 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Unquoted share options	-	288,600	-	288,600
Ordinary shares	-	-	-	-
Total assets	-	288,600	-	288,600

Consolidated – 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Unquoted share options	-	410,200	-	410,200
Ordinary shares	-	-	-	-
Total assets	-	410,200	-	410,200

There were no transfers between levels during 2017 or 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. FINANCIAL INSTRUMENTS (continued)

Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Unrecognised Financial Instruments

The Group does not have any unrecognised financial instruments.

Foreign exchange risk

The Group's only direct exposure to foreign exchange risk in 2017 and 2018 is limited to exposure to the currency fluctuations of United States Dollar (USD) denominated trade creditors. There were no foreign currency balances held at year end or at prior year end.

Consequently, the Group had no exposure to foreign currency risk at the end of the reporting period or at the end of the prior year.

Capital Management Risk

Capital is defined as the wealth owned or employed in the Group. The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares and sell its financial assets held at fair value.

21. RESERVES

(a) Share-Based Payment Reserve

This reserve records the value of options, performance rights and shares provided as payment for services received.

	CONSOLIDATED	
	2017	2016
	\$	\$
Movements		
Opening balance	3,531,435	2,696,558
Amounts (reversed) / expensed for share based payments	(582,877)	834,877
Closing balance	<u>2,948,558</u>	<u>3,531,435</u>

(b) Foreign Currency Translation

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

21. RESERVES (continued)

	CONSOLIDATED	
	2017	2016
	\$	\$
Movements		
Opening balance	-	253,452
Foreign currency translation	-	(253,452)
Closing balance	-	-
Total Reserves	2,948,558	3,531,435

22. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements:

Operating Lease Commitments		
Due within 1 year	36,000	36,000
Due greater than 1 year and less than 5	-	-
Total	36,000	36,000

The administrative services agreement contracted for but not recognised in the financial statements:

Administrative Services Commitments		
Due within 1 year	120,000	120,000
Due greater than 1 year and less than 5	-	-
Total	120,000	120,000

Executive services agreements contracted for but not recognised in the financial statements:

Executive Services Commitments		
Due within 1 year	150,000	150,000
Due greater than 1 year and less than 5	-	-
Total	150,000	150,000

The Group leases various offices under operating leases expiring within one or two years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Contingent liability

Potential payments at 31 December 2017 to Norton Goldfields Ltd in consideration for a 100% interest in the Mount Morgan Au/Cu Mine and 1Mtpa Kundana CIP are detailed in note 23(b).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

23. CONTROLLED ENTITIES

(a) Information about Principal Subsidiaries

The information presented in this note is presented here in accordance with AASB 12.

Set out below is the Group's subsidiary at 31 December 2017. The subsidiary listed below has share capital consisting solely of ordinary shares, which are held directly by the Company, and the proportions of ownership interests held equals the voting rights held by the Company. Each subsidiary's country of incorporation or registration is also its principal place of business.

	Country of Incorporation	Percentage Owned (%)	
		2017	2016
Subsidiaries of Carbine Resources Limited:			
Raging Bull Metals Pty Ltd	Australia	75	75

Raging Bull Metals Pty Ltd (RBT) has an agreement with Norton Goldfields Ltd (Norton) to potentially acquire a 100% interest in the Mount Morgan Project and the 1Mtpa Kundana CIP plant. Other than this contingent asset, RBT's only asset is \$99 in cash effectively held for the benefit of the vendors.

(b) Summarised Financial Information of Subsidiaries with Material Non-controlling Interests

During 2014, the Group gained control of RBT with the acquisition of 75% of the ordinary shares of RBT from Raging Bull Mining Pty Ltd (RBN), and the ability to solely determine mineral exploration and development activities regarding any mineral exploration interests or mining projects held by RBT.

RBT has an agreement to potentially acquire a 100% interest in the Mount Morgan Au/Cu Mine and 1Mtpa Kundana CIP plant from Norton Goldfields Ltd (Norton).

RBT's right-to-mine agreement with Norton for acquisition of the Project required:

- payment to Norton of \$500,000 that was paid in prior years;
- completion of a DFS on the Project which occurred in December 2016;
- payment to Norton of \$2 million on completion of a capital raising to fund the project development. This capital raising and payment is yet to occur; and
- a final payment to Norton of a total \$13 million via 20% of the annual net earnings from operations of the Project.

The agreement for the Group to acquire RBT required the Group to solely fund mineral exploration activities up to the completion of a bankable feasibility study (BFS) or forfeit all interests in RBT. Under the terms of the agreement, Carbine is progressively earning 100% of RBT by:

- solely funding the Project to completion of a BFS, earning an initial 75% interest; and
- executing an option to acquire the remaining 25% of RBM via independent valuation.

The completion of the BFS in December 2016 triggered a previous agreement for the Group to negotiate to acquire the remaining 25% of shares in RBT. RBN was to receive 25M shares in Carbine on the successful production of 10,000oz of gold and a further 25M shares on the successful production of 5,000t of copper from Mount Morgan and/or other projects acquired through RBN.

On 23 March 2017, the Group agreed revised terms to acquire the remaining 25% of the Mount Morgan Project by giving the Company an exclusive option to acquire a 100% interest in RBN.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

CONTROLLED ENTITIES (continued)

The option and associated acquisition terms, which were formalised in a terms sheet signed on 23 March 2017, are summarised as follows:

Carbine agreed to pay the shareholders of RBN \$200,000 for a 6 month exclusive option to acquire 100% of RBN. This was paid on 29 March 2017. Exercise of the option was subject to:

1. Carbine shareholder approval; and
2. RBT acquiring 100% of the legal and beneficial title to the tenements comprising the Mount Morgan Project from Norton Goldfields Limited (Norton) (Tenements).

On exercise of the option, subject to any necessary approvals, the shareholders of RBN would receive:

1. 25 million Carbine shares,
2. \$2.1 million (\$2.3 million before option extension to 23 March 2018 detailed below) in cash or shares at the election of Carbine (number of shares based on the 15 day VWAP at the time of option election), and
3. A 1.0% royalty over gold, copper and pyrite revenue from the Mt Morgan Project.

The initial option was extended by 6 months to 23 March 2018 with the issue of 2,434,276 ordinary shares with an agreed value of \$200,000 as shown in note 12(a).

The option lapsed on 23 March 2018 unexercised.

24. DISPOSAL OF SUBSIDIARY

In January 2016, fully owned subsidiary Carbine Resources SARL was dissolved with the disposal of all assets and settlement of all liabilities. This subsidiary was responsible for all previous operations in Burkina Faso, that were discontinued in 2016. This was recognised as a discontinued operation at 31 December 2016, with \$253,452 of cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of the subsidiary. No consideration was received for the disposal of Carbine Resources SARL. The profit on disposal of subsidiary was disclosed as discontinued operations in the statement of profit or loss and other comprehensive income in the prior year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25. SUBSEQUENT EVENTS

Subsequent to the end of the year:

- Mr John Fitzgerald and Mr Graham Brock resigned as Non-Executive Chairman and Non-Executive Director respectively on 23 March 2018;
- Mr Anthony James resigned as Managing Director on 22 March 2018 with an effective date of 23 September 2018 following completion of his notice period;
- Ms Oonagh Malone was appointed as Non-Executive Director on 23 March 2018;
- The Company's option to acquire the remaining 25% interest in the Mount Morgan Project from Raging Bull Mining Pty Ltd lapsed on 23 March 2018; and
- The Company announced it had ceased all project expenditure and work associated with the Mount Morgan Project on 23 March 2018.

There were no other events subsequent to the end of the financial year ended 31 December 2017 which significantly affected or could significantly affect the operations of the Group in future financial years.

26. PARENT ENTITY INFORMATION

The following detailed information is related to the parent entity, Carbine Resources Limited at 31 December 2017. The information presented here has been prepared using consistent accounting policies as discussed in note 1.

	PARENT	
	2017	2016
	\$	\$
Current assets	4,236,072	6,517,049
Non-current assets	54,373	462,672
Total assets	4,290,445	6,979,721
Current liabilities	270,730	202,331
Non-current liabilities	-	-
Total liabilities	270,730	202,331
Contributed equity	31,121,482	30,789,780
Accumulated losses	(30,050,325)	(27,543,825)
Share based payment reserve	2,948,558	3,531,435
Total equity	4,019,715	6,777,390
Loss for the year	(2,506,500)	(4,755,184)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(2,506,500)	(4,755,184)

Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 31 December 2017 in relation to the debt of a subsidiary.

Contingent liabilities

There are no contingent liabilities of the Company or the Group other than as detailed in note 23.

DIRECTORS' DECLARATION

The Directors of Carbine Resources Limited declare that:

1. The financial statements comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the accompanying notes, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the Group.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations as required by section 295A.

Signed in accordance with a resolution of the Directors:



Mr Evan Cranston
Non-Executive Chairman

Dated at Perth this 29th day of March, 2018

29 March 2018

The Directors
Carbine Resources Limited
Suite 23, 513 Hay Street
SUBIACO WA 6008

Dear Sirs

RE: CARBINE RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Carbine Resources Limited.

As Audit Director for the audit of the financial statements of Carbine Resources Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Samir R Tirodkar
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARBINE RESOURCES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Carbine Resources Ltd (the Company and its subsidiary (the Group)), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our

knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 entity'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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical

requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

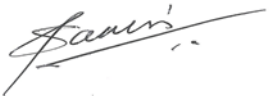
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the year ended 31 December 2017. 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 on the Remuneration Report

In our opinion the Remuneration Report of Carbine Resources Limited for the year ended 31 December 2017 complies with section 300A of the Corporations Act 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd


Samir Tirodkar
Director

West Perth, Western Australia
29 March 2018

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition). The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines.

Unless disclosed below, all the principles and recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 31 December 2017 (reporting period).

Board Composition

The skills, experience and expertise relevant to the position of each Director in office for the year and their term of office are detailed in the Director's report.

The independent Directors of the Company during the reporting period were:

- Mr John Fitzgerald
- Mr Graham Brock
- Mr Evan Cranston

When determining the independent status of a Director, the Board used the Guidelines detailed in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Diversity Policy

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people.

Our policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

The Company's strategies are to:

1. recruit and manage on the basis of an individual's competence, qualification and performance;
2. create a culture that embraces diversity and that rewards people to act in accordance with this policy;
3. appreciate and respect the unique aspects that individual brings to the workplace;
4. foster an inclusive and supportive culture to enable people to develop to their full potential;
5. identify factors to be taken into account in the employee selection process to ensure we have the right person for the right job;
6. take action to prevent and stop discrimination, bullying and harassment; and
7. recognise that employees at all levels of the Company may have domestic responsibilities.

The Board is accountable for ensuring this policy is effectively implemented. Each employee has a responsibility to ensure that these objectives are achieved.

Compliance with ASX Recommendations

Recommendation	Current Practice
<p>1.1 A listed entity should disclose:</p> <p>(a) The respective roles and responsibilities of its board and management; and</p> <p>(b) Those matters expressly reserved to the board and those delegated to management.</p>	<p>The Company's Board Charter sets out the roles and responsibilities of the Board and Management. It is available for review at, www.carbineresources.com.au</p>
<p>1.2 A listed entity should:</p> <p>(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>The Company has implemented a policy of undertaking police and bankruptcy checks on all senior employees and directors before appointment or putting to shareholders for election.</p> <p>The Company provides all relevant information on all directors in its annual report and on its website.</p>
<p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their employment.</p>	<p>The Company requires that a detailed letter of appointment or employment contract is agreed with each director and employee.</p>
<p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company's organisation chart reflects the position of the Company Secretary within the Company structure in compliance with the recommendation.</p>
<p>1.5 A listed entity should:</p> <p>(a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) Disclose that policy or a summary of it; and</p> <p>(c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>i. The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p>	<p>The Company has adopted a formal Gender Diversity Policy, a summary of which is provided above.</p> <p>As at 31 December 2017:</p> <ul style="list-style-type: none"> • The Board comprised four members, all of whom were male. • The senior executives comprised five people (defined by the Board as the directors and other key management personnel), four of whom were male and one female. • The whole organisation comprised seven people, six of whom were male and one female.

ii. if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.	
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1.6 A listed entity should: (a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Board Performance Evaluation Policy is available at www.carbineresources.com.au During the reporting period, the Board collectively assessed their respective roles and contributions to the Company and determined they were appropriate for that point in the Company’s development. The Board constantly reviews its composition and during the period, was confident that the members of the Board provided the requisite skills for the stage of the Company’s development.
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1.7 A listed entity should: (a) Have and disclose a process for periodically evaluating the performance of its senior executives; and (b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Board constantly assesses the performance of the executives and the Company Secretary during the course of the year.
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2.1 The board of a listed entity should: (a) Have a nomination committee which: i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director; and disclose: iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period, and the individual attendances of the members at those meetings; or (b) If it does not have a nomination committee, disclose the fact and the processes it employs to address board succession issues and to ensure the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Board considers that given the current size of the Board and the Company, this function is efficiently achieved with full Board participation. Accordingly, the Board has not established a nomination committee.
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2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Board Charter which is available at www.carbineresources.com.au incorporates a set of skills and abilities that are desirable for the composition of the Board. The Board is satisfied that for the period, an appropriate mix of desired skills in the areas of metallurgy, exploration, commerce and finance were available to act effectively.
2.3 A listed entity should disclose: (a) The names of the directors considered by the board to be independent directors; (b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) The length of service of each director.	During the reporting period, the Company considered that Graham Brock, Evan Cranston and John Fitzgerald were independent directors. Subsequent to the end of the reporting period, Mr Brock and Mr Fitzgerald resigned from the Board. Company Secretary, Oonagh Malone, was appointed to the Board as a non-executive director and is also considered independent. The Company discloses the length of service for each director in the Director's Report of its annual report.
2.4 A majority of the board of a listed entity should be independent directors.	The composition of the Board is in compliance with this recommendation with 3 of the 4 directors considered to be independent during the reporting period, and 2 of the 3 current directors considered to be independent.
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	During the reporting period, the Chair of the Board, Mr John Fitzgerald, was an independent director and did not act in the role of CEO. Subsequent to the reporting period, Mr Evan Cranston was appointed as Chair of the Board. Mr Cranston is also an independent director and does not act in the role of CEO.
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively.	The Company has an induction program for all new directors to appropriately familiarise them with the policies and procedures of the Company. The Company encourages and facilitates all Directors to develop their skills, including with the provision of in-house seminars to maintain compliance in areas such as risk and disclosure.
3.1 A listed entity should: (a) Have a code of conduct for its directors, senior executives and employees; and (b) Disclose that code or a summary of it.	The Company's Code of Conduct is available at www.carbineresources.com.au

<p>4.1 The board of a listed entity should:</p> <p>(a) Have an audit committee which:</p> <ul style="list-style-type: none">i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; andii. is chaired by an independent director, who is not the chair of the board; <p>and disclose:</p> <ul style="list-style-type: none">iii. the charter of the committee;iv. the relevant qualifications and experience of the members of the committee; andv. as at the end of each reporting period, the number of times the committee met throughout the period, and the individual attendances of the members at those meetings; or <p>(b) If it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Company does not have an audit committee due the current size of the Board and Company. The Company has adopted a policy whereby the full Board fulfils the duties of the audit committee and abides by the adopted Audit Committee Charter (available at www.carbineresources.com.au).</p> <p>The Directors require that management report regularly on all financial and commercial aspects of the Company to ensure that they are familiar with all aspects of corporate reporting and believe this to mitigate the risk of not having an independent committee.</p> <p>The Board has adopted a formal policy regarding the appointment, removal and rotation of the Company's external auditor and audit partner.</p>
<p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal controls which is operating effectively.</p>	<p>The Board receives a section 295A declaration from the equivalent of the CEO and CFO for each quarterly, half yearly and full year report in advance of approval of these reports.</p>
<p>4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>The Company's auditor is required to attend the Company's AGM and is available to answer questions relevant to the audit.</p>
<p>5.1 A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Board has adopted a formal Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules. The Policy is available at www.carbineresources.com.au.</p>

6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company complies with this recommendation and all relevant information can be found at www.carbineresources.com.au .
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has developed a Shareholder Communications Strategy to ensure all relevant information is identified and reported accordingly.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company encourages all shareholders to attend General Meetings of the Company via its notices of meeting, and in the event they cannot attend, to participate by recording their votes by lodgement of a proxy form. The Company has implemented an online voting system to further encourage participation by shareholders.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company and its share registry actively encourage electronic communication. All new shareholders are issued with a letter encouraging the registration of electronic contact methods.
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director; and disclose: iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings: or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Company does not have a risk committee due the current size of the Board and Company. The Company has adopted a policy whereby the full Board, including Executive Directors, fulfil the duties of the risk committee and abides by the adopted Risk Management Policy (available at the Company's website, www.carbineresources.com.au).</p> <p>The Directors require that management report regularly on all financial and commercial aspects of the Company to ensure that they are familiar with all aspects of corporate reporting and believe this to mitigate the risk of not having an independent committee.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting</p>	The Board reviews its risk management strategy annually and considers it to be sound.

	period, whether such a review has taken place.	
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company is not of the size or scale to warrant the cost of an internal audit function. This function is undertaken by the Board as a whole via the regular and consistent reporting in all risk areas.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Company does not currently have any material exposure to any economic, environmental and social sustainability risks.</p>
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>i. has at least three members, a majority of whom are independent directors; and</p> <p>ii. is chaired by an independent director; and disclose:</p> <p>iii. the charter of the committee;</p> <p>iv. the members of the committee; and</p> <p>v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board consider that given the current size of the Board, this function is efficiently achieved with full Board participation. Accordingly, the Board has not established a remuneration committee.</p> <p>The Board considers industry peers when evaluating the remuneration for all directors and executives. The Board is cognisant of the fact that it wishes to attract and retain the best people, and considers strategies other than monetary to balance the need for the best people and the financial position of the Company.</p>
8.2	<p>A listed entity should separately disclose its policies and practises regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>The Company discloses its policies on remuneration in the Remuneration Report set out in its annual report.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are</p>	<p>The Company recognises that Director, executives and employees may hold securities in the Company and that most investors are encouraged by these holdings. The</p>

<p>permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Company's Securities Trading Policy (available at the Company's website, www.carbineresources.com.au) explains and reinforces the Corporations Act 2001 requirements relating to insider trading. The Policy applies to all Directors, executives, employees and consultants and their associates and closely related parties.</p>
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ADDITIONAL INFORMATION

The following information is based on share registry information processed up to and including 27 March 2018.

Distribution of Fully Paid Ordinary Shares

The number of holders, by size of holding, for fully paid ordinary shares in the Company is:

Securities Spread of Holders	Ordinary Fully Paid Shares Number of Holders
1 – 1,000	42
1,001 – 5,000	132
5,001 – 10,000	154
10,001 – 100,000	552
100,001 and over	275
Total	1,155

There are 388 holders of unmarketable parcels comprising a total of 2,531,245 ordinary shares.

Substantial Shareholders in Carbine Resources Limited

	Shareholder	Number Held	% of Issued Shares
1	GR Engineering Services Limited	15,886,725	7.95%

Twenty Largest Holders of Shares in Carbine Resources Limited

	Shareholder	Number Held	% of Issued Shares
1	GR Engineering Services Limited	15,886,725	7.95%
2	Kingslane Pty Ltd	9,178,749	4.60%
3	BT Portfolio Services Ltd	7,500,000	3.75%
4	Mr Mark John and Mrs Margaret Patricia Bahen	5,307,737	2.66%
5	Mr Ulrich Muco	4,500,000	2.25%
6	Ablett Pty Ltd	4,250,000	2.13%
7	Nero Resource Fund Pty Ltd	3,843,634	1.92%
8	Mrs Kathryn Elizabeth Strickland	3,500,000	1.75%
9	Ilwella Pty Ltd	3,000,000	1.50%
10	Kobia Holdings Pty Ltd	3,000,000	1.50%
11	Nebraska Pty Ltd	3,000,000	1.50%
12	Lamerton Pty Ltd	3,000,000	1.50%
13	Flue Holdings Pty Ltd	3,000,000	1.50%
14	Precambrian Pty Ltd	2,700,000	1.35%
15	Bargold Holdings Pty Ltd	2,610,000	1.31%
16	Ross Sutherland Props Pty Ltd	2,570,000	1.29%
17	David Owen Phipps and Palma Mary Phipps	2,025,000	1.01%
18	Kingarth Pty Ltd	1,950,000	0.98%
19	Highlands Investment Holdings Pty Ltd	1,930,239	0.97%
20	Anthony Paul James and Ann Morag James	1,845,834	0.92%
	Total	84,597,919	42.34%

Carbine Resources Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares. The Company is listed on the Australian Securities Exchange under the code CRB. The home exchange is Perth.

There are 194,612,453 ordinary fully paid shares currently listed and trading on the Australian Securities Exchange. There is no current on-market buy-back.

Voting Rights - Fully Paid Ordinary Shares

Every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each fully paid share.

Unquoted Equity Securities

Quantity	Terms	Holders
2,500,000	Options exercisable at \$0.065 on or before 7 July 2018	1
2,500,000	Options exercisable at \$0.10 on or before 7 July 2018	1
1,000,000	Options exercisable at \$0.0886 on or before 26 October 2018	1
1,000,000	Options exercisable at \$0.124 on or before 26 October 2018	1
11,050,000	Performance rights vesting on various conditions and expiring on 31 May 2021	4

Holders of Unquoted Securities (holding more than 20% of each equity security class)

Holder	Class of Securities	Exercise Price	Expiry Date	No. Securities
Mr Stephen Dobson	Option	\$0.065	7 July 2018	2,500,000
Mr Stephen Dobson	Option	\$0.10	7 July 2018	2,500,000
Coral Carter & Terence Moylan	Option	\$0.0886	26 October 2018	1,000,000
Coral Carter & Terence Moylan	Option	\$0.124	26 October 2018	1,000,000
Anthony James	Performance Right	N/A	31 May 2021	7,650,000

Company Secretary

Ms Oonagh Malone

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Share Registry

Security Transfer Registrars
770 Canning Highway
Applecross WA 6153
Telephone: 1300 992 916

Schedule of Mining Tenements as at 31 December 2017

Mount Morgan Gold-Copper Project, Queensland	Tenement Number	Interest
	ML5628	Option to Acquire 100%
	ML5613	Option to Acquire 100%
	ML5616	Option to Acquire 100%
	ML5660	Option to Acquire 100%
	ML5608	Option to Acquire 100%
	ML5617	Option to Acquire 100%
	ML5609	Option to Acquire 100%
	ML5619	Option to Acquire 100%
	ML5602	Option to Acquire 100%
	ML5618	Option to Acquire 100%
	ML5658	Option to Acquire 100%
	ML5635	Option to Acquire 100%
	ML5622	Option to Acquire 100%
	ML5620	Option to Acquire 100%
	ML5623	Option to Acquire 100%
	ML5627	Option to Acquire 100%
	ML5615	Option to Acquire 100%
	ML5589	Option to Acquire 100%
	ML5659	Option to Acquire 100%
Mount Morgan Gold-Copper Project, Queensland (continued)	Tenement Number	Interest
	ML5634	Option to Acquire 100%
	ML5626	Option to Acquire 100%
	ML5633	Option to Acquire 100%
	ML5621	Option to Acquire 100%
	ML5624	Option to Acquire 100%
	ML5625	Option to Acquire 100%
	ML6692	Option to Acquire 100%
	ML5612	Option to Acquire 100%
	ML5649	Option to Acquire 100%
	ML5614	Option to Acquire 100%
	ML5648	Option to Acquire 100%
Many Peaks Project, Queensland	Tenement Number	Interest
	ML3640	Option to Acquire 100%
	ML3641	Option to Acquire 100%
	MDL30	Option to Acquire 100%



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