Annual Report 2018

CARBINE RESOURCES
LIMITED

ABN 81 122 976 818

CONTENTS

CORPORATE DIRECTORY

Directors	Mr Evan Cranston	(Non-Executive Chairman)
	Ms Oonagh Malone	(Non-Executive Director)
	Mr Mathew O'Hara	(Non-Executive Director)

Company Secretary Ms Oonagh Malone

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ASX Code CRB

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 2018 and the Auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the year are:

Mr Evan Cranston **Non-Executive Chairman**

Evan Cranston is an experienced mining executive with a background in corporate and mining law. He is the principal of corporate advisory and administration firm Konkera Corporate and has extensive experience in the areas of equity capital markets, corporate finance, structuring, asset acquisition, corporate governance and external stakeholder relations. He holds both a Bachelor of Commerce and Bachelor of Laws from the University of Western Australia.

Mr Cranston was appointed to the Board on 23 March 2010 as Non-Executive Director. On 23 March 2018, Mr Cranston transitioned to the role of Non-Executive Chairman. Although Mr Cranton is principal of Konkera Corporate, a firm which provides accounting and administrative services to the Company, Mr Cranston is considered by the Board to be an independent director due to the arms' length nature of the services provided.

Current ASX-listed directorships:	Boss Resources Limited – Non-Executive Director New Century Resources Limited (ASX:NCZ) – Executive Chairman
Prior ASX-listed directorships in last 3 years:	Cradle Resources Limited (to May 2016) Primary Gold Limited (to November 2017) Clancy Exploration Limited (to December 2017)

Ms Oonagh Malone **Company Secretary; Non-Executive Director**

Oonagh 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. Ms Malone currently acts as Company Secretary for ASX-listed companies Bunji Corporation Limited, Caprice Resources Limited, Clancy Exploration Limited, Hawkstone Mining Limited and New Century Resources Limited.

Ms Malone was appointed as Company Secretary in September 2014 and as Non-Executive Director on 23 March 2018. Ms Malone is considered by the Board to be an independent director.

Current ASX-listed directorships:	Hawkstone Mining Limited – Non-Executive Director
Prior ASX-listed directorships in last 3 years:	New Century Resources Limited (to July 2017)

Mr Mathew O'Hara **Non-Executive Director**

Mathew O'Hara is a Chartered Accountant with extensive experience in corporate finance, accounting and governance and has been employed by, and acted as, company secretary and CFO of several companies in the resources sector. Prior to these roles, Mr O'Hara spent 12 years at an international public practice firm in the Corporate Finance, Advisory and Audit divisions in Melbourne and Perth gaining significant experience with ASX, TSX and AIM listed clients across a diverse range of industries. Mathew is currently CFO and Company Secretary for ASX-listed company Boss Resources Limited.

Mr O'Hara was appointed as Non-Executive Director on 22 September 2018. Mr O'Hara is considered by the Board to be an independent director.

Current ASX-listed directorships: Nil

Prior ASX-listed directorships in last 3 years: Nil

Mr John Fitzgerald **Non-Executive Chairman**

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 resigned from the Board on 23 March 2018. Mr Fitzgerald was considered an independent director by the Board.

Current ASX-listed directorships: Danakali Limited – Non-Executive Director
Exore Resources Limited – Non-Executive Chairman
Northern Star Resources Limited – Non-Executive Director

Prior ASX-listed directorships in last 3 years: Nil

Mr Anthony James **Managing Director**

Mr James is a mining engineer with considerable operational, project development and corporate experience including roles as Managing Director of Atherton Resources Ltd and Mutiny Gold Ltd. 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 and Avoca Resources Ltd 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.

Mr James resigned from the Board on 22 September 2018.

Current ASX-listed directorships: Apollo Consolidated – Non-Executive Director
Blackham Resources Limited – Non-Executive Director
Galena Mining Limited – Non-Executive Director

Prior ASX-listed directorships in last 3 years: Nil

Mr Graham Brock **Non-Executive Director**

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 resigned from the Board on 23 March 2018. Mr Brock was considered an independent director by the Board.

Current ASX-listed directorships: Nil

Prior ASX-listed directorships in last 3 years: Nil

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 Graham Brock	2	2
Mr Evan Cranston	4	4
Mr John Fitzgerald	2	2
Mr Anthony James	2	2
Ms Oonagh Malone	2	2
Mr Mathew O'Hara	2	2

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. Information for prior directors is as at their date of resignation.

DIRECTOR	ORDINARY SHARES FULLY PAID		OPTIONS		PERFORMANCE RIGHTS	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Graham Brock	-	150,000**	-	-	-	-
Evan Cranston	-	182,500***	-	-	-	-
John Fitzgerald	500,000	-	-	-	-	-
Anthony James	833,334	1,069,500*	-	-	-	-
Oonagh Malone	-	-	-	-	-	-
Mathew O'Hara	-	-	-	-	-	-

* Shares held indirectly by Mr Anthony James were held by his jointly with his spouse (1,012,500) and by his spouse (47,000).
** Shares held indirectly by Mr Graham Brock were held by GJ and LJ Brock.
*** Shares held by Mr Evan Cranston are held by Konkera Pty Ltd

Principal Activities

The principal activities of the Group during the year were the development of the Mount Morgan Gold & Copper Project in Queensland until its relinquishment in March 2018 and the evaluation of potential acquisition opportunities.

Results

The loss for the financial year after income tax was $520,502 (31 December 2017 Loss: $2,506,500).

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 2018 are $3,499,213 compared to $4,019,715 as at 31 December 2017.

Review of Operations and Signficant Changes in the State of Affairs

On 22 February 2018, the Company advised that an economic review of the Mount Morgan Copper-Gold Project had found that the forecast all-in sustaining cost (AISC) had 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 was 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.

On 23 March 2018, the Company advised that the Board of Directors had resolved to cease all project expenditure and stop all work associated with the Mount Morgan Project, effective immediately. The Board's resolution was a direct result of the Company not being able to achieve any meaningful outcomes with the key stakeholders to improve the terms of the various agreements associated with the Project to increase returns to an acceptable level.

The Company continues to evaluate and assess a number of exploration and mineral development opportunities within suitable operating jurisdictions. At the date of this report, the Company has not identified an asset that meets the investment criteria for the Company to deliver sufficient shareholder value.

Options

No options were exercised during the year.

The following options lapsed unexercised during the year:

- 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.

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 or unquoted options over ordinary shares in Carbine Resources Limited:

Matters Subsequent to the End of the Financial Year

There were no events subsequent to the end of the financial year ended 31 December 2018 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.

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 Evan Cranston – Non-Executive Chairman
- Ms Oonagh Malone – Non-Executive Director and Company Secretary
- Mr Mathew O'Hara – Non-Executive Director

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.

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')
LTI are granted to reward directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. Previous LTI were share based payments consisting of performance rights granted in 2016 and share options that were issued in previous years. There are no current performance rights or share options.

Performance Rights

In prior years, the Company granted 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 entitled 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 in 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 exercised its discretion under the Performance Rights Plan to extend the timing of the milestones for Tranches 2, 3, and 4. On 31 December 2017, all Tranche 2 Performance Rights lapsed without conversion. All Tranche 3 and Tranche 4 Performance Rights lapsed without conversion during 2018 following the cessation of the Mount Morgan Project.

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

Recipient	Performance Rights Initially Granted to Directors				
	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 Performance Rights were valued in 2016 at $0.16 each, being the share price at the grant date, and were expensed over the expected vesting period. No expense relating to the performance rights was recognised in 2018 because previously recognised amounts were reversed in 2017 after remaining performance rights were expected to never vest.

Recipient	Performance rights held at 31 December 2017 that lapsed without conversion in 2018				
	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**

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 2018. No individual has a contractual right to participate or to receive any guaranteed benefits. The issue of options was not linked to performance conditions.

All outstanding share options at 31 December 2017 were held by non-Key Managament Personnel, vested on issue in 2015, were fully expensed in 2015, and lapsed without conversion in 2018. There were no outstanding share options at 31 December 2018.

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 2018.

	2018	**2017**	**2016**	**2015**	**2014**
Loss after income tax attributable to shareholders ($)	(520,502)	(2,506,500)	(4,501,732)	(1,855,429)	(1,404,117)
Share price at year end ($)	.024	0.075	0.11	0.058	0.034
Total dividends declared (cents per share)	-	-	-	-	-
Returns of capital (cents per share)	-	-	-	-	-
Basic loss per share (cents)	(0.26)	(1.28)	(2.66)	(1.33)	(1.00)

Details of Remuneration for the year ended 31 December 2018

	Short-Term Benefits		Post Employment Benefits	Share-Based Payment		
	Cash Salary and Fees $	Non-monetary benefits $	Super-annuation $	Performance Rights $	Total $	Remuneration consisting of Performance Rights %
Non-Executive Directors						
G. Brock	12,500	829	1,187	-	14,516	-
E. Cranston	54,750	3,692	-	-	58,442	-
J. Fitzgerald	20,000	829	1,900	-	22,729	-
O. Malone*	-	-	-	-	-	-
M. O'Hara	9,900	1,011	-	-	10,911	-
Sub-total	97,150	6,361	3,087	-	106,598	-
Executive Directors						
A. James	200,837	2,680	16,478	-	219,995	-
Sub-total	200,837	2,680	16,478	-	219,995	-
Other Key Management Personnel						
O. Malone *	36,000	3,692	-	-	39,692	-
Total	**333,987**	**12,733**	**19,565**	**-**	**366,285**	**-**

* Company secretary for full year. No remuneration paid for directorship.

Details of Remuneration for the year ended 31 December 2017

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

* The Performance Rights remuneration had a negative value due to amounts reversed for lapsed performance rights and for Tranche 3 and Tranche 4 Performance Rights which were expected to never vest.

Service Agreements

The Group appointed Mr Anthony James as Managing Director on 13 April 2016. His service agreement provided 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 could have been 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.

Mr James resigned effective 22 September 2018 with no termination payment payable.

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 2018.

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 prior 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.

Option holdings of Key Management Personnel

2018 Key Management Personnel	Balance at 1 Jan 18 or appointment	Granted as Remuneration	Options Exercised	Other Changes	Balance at 31 Dec 18 or resignation	Total Vested 31 Dec 18	Total Exercisable 31 Dec 18
Graham Brock*	-	-	-	-	-	-	-
Evan Cranston	-	-	-	-	-	-	-
John Fitzgerald*	-	-	-	-	-	-	-
Anthony James**	-	-	-	-	-	-	-
Oonagh Malone	-	-	-	-	-	-	-
Mathew O'Hara***	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

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)	-	-	-
	7,000,000	-	-	(7,000,000)	-	-	-

* Resigned 23 March 2018

** Resigned effective 22 September 2018

*** Appointed 22 September 2018

No options were held by Key Management Personnel at 31 December 2017 or 31 December 2018.

Performance Rights holdings of Key Management Personnel

2018 Key Management Personnel	Balance at 1 Jan 18 or appointment	Received as Remuneration	Performance Rights converted	Performance Rights lapsed	Balance at 31 Dec 18 or resignation
Graham Brock*	500,000	-	-	(500,000)	-
Evan Cranston	500,000	-	-	(500,000)	-
John Fitzgerald*	1,000,000	-	-	(1,000,000)	-
Anthony James**	4,500,000	-	-	(4,500,000)	-
Oonagh Malone	-	-	-	-	-
Mathew O'Hara***	-	-	-	-	-
	6,500,000	-	-	(6,500,000)	-

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

Shareholdings of Key Management Personnel

2018 Key Management Personnel	Balance at 1 Jan 18 or appointment	Received as Remuneration	Performance Rights converted	Other Changes	Balance at 31 Dec 18 or resignation
Graham Brock*	150,000	-	-	-	150,000
Evan Cranston	182,500	-	-	-	182,500
John Fitzgerald*	500,000	-	-	-	500,000
Anthony James**	1,892,834	-	-	-	1,892,834
Oonagh Malone	-	-	-	-	-
Mathew O'Hara***	-	-	-	-	-
	2,725,334	-	-	-	2,725,334

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

* Resigned 23 March 2018
** Resigned effective 22 September 2018
*** Appointed 22 September 2018

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 $12,733 (2017: $12,650).

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 28th day of March, 2019

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 2018

		CONSOLIDATED	
	Notes	**2018**	**2017**
		$	**$**
Revenue from continuing operations	2(a)	57,542	110,566
Other income	2(b)	676,047	795,890
Exploration & evaluation costs	8	(423,199)	(2,244,875)
Loss on disposal of property, plant and equipment	7	(2,853)	-
Depreciation	2(c)	(1,305)	(2,166)
Share based payment reversal	18	-	582,877
Employee, director and consultant expenses	2(d)	(451,484)	(997,888)
General and administration expenses	2(e)	(375,250)	(750,904)
Loss before income tax		(520,502)	(2,506,500)
Income tax	3	-	-
Loss after income tax attributable to members of Carbine Resources Limited		**(520,502)**	**(2,506,500)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Total comprehensive loss attributable to members of Carbine Resources Limited		**(520,502)**	**(2,506,500)**
Loss per share attributable to the ordinary equity holders of the company			
Basic loss per share	13	(0.26)	(1.28)
Diluted loss per share	13	(0.26)	(1.28)
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share	13	(0.26)	(1.28)
Diluted loss per share	13	(0.26)	(1.28)

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 2018

	Notes	CONSOLIDATED 2018 $	2017 $
Current Assets			
Cash and cash equivalents	4	2,869,538	3,875,014
Trade and other receivables	5	13,932	51,653
Financial assets	9	590,000	288,600
Other current assets	6	16,254	20,904
Total Current Assets		3,489,724	4,236,171
Non-Current Assets			
Plant and equipment	7	215	4,373
Exploration and evaluation expenditure	8	-	-
Financial assets	9	50,000	50,000
Total Non-Current Assets		50,215	54,373
Total Assets		3,539,939	4,290,544
Current Liabilities			
Trade and other payables	10	40,726	250,192
Provisions	11	-	20,637
Total Current Liabilities		40,726	270,829
Total Liabilities		40,726	270,829
Net Assets		**3,499,213**	**4,019,715**
Equity			
Issued Capital	12	31,121,482	31,121,482
Reserves	21(a)	2,948,558	2,948,558
Accumulated losses		(30,570,827)	(30,050,325)
Total Equity		**3,499,213**	**4,019,715**

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 2018

	CONSOLIDATED			
	Contributed Equity	**Accumulated Losses**	**Share Based Payment Reserve**	**Total Equity**
	$	**$**	**$**	**$**
Balance at 1 January 2018	**31,121,482**	**(30,050,325)**	**2,948,558**	**4,019,715**
Loss for the year from continuing operations	-	(520,502)	-	(520,502)
Total comprehensive income/ (loss) for the year	-	(520,502)	-	(520,502)
Transactions with owners in their capacity as owners:				
Securities issued	-	-	-	-
Capital raising costs	-	-	-	-
Share based payments	-	-	-	-
	-	-	-	-
Balance at 31 December 2018	**31,121,482**	**(30,570,827)**	**2,948,558**	**3,499,213**

	CONSOLIDATED			
	Contributed Equity	**Accumulated Losses**	**Share Based Payment 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**

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 2018

	Note	CONSOLIDATED 2018 $	2017 $
Cash Flows From Operating Activities			
Payments to suppliers and employees		(817,357)	(1,696,900)
Payments for exploration expenditure		(625,128)	(1,851,381)
R&D tax refunds received		574,647	917,490
Interest paid		-	(7)
Interest received		62,362	110,536
Net cash (outflow) from operating activities	19	**(805,476)**	**(2,520,262)**
Cash Flows From Investing Activities			
Raging Bull option fee		-	(200,000)
Payment for exercising share options.		(200,000)	-
Payment for plant and equipment		-	(4,067)
Net cash (outflow) from investing activities		**(200,000)**	**(204,067)**
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	133,920
Capital raising costs		-	(2,218)
Net cash inflow from financing activities		**-**	**131,702**
Net (decrease) in cash and cash equivalents held		**(1,005,476)**	**(2,592,627)**
Cash and cash equivalents at the beginning of the year		3,875,014	6,467,641
Differences in foreign exchange		-	-
Cash and cash equivalents at the end of the year	4	**2,869,538**	**3,875,014**

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 2018

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.

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:

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

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 and Derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Measurement of Financial Assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories: financial assets at amortised cost; financial assets at fair value through profit or loss (FVTPL); debt instruments at fair value through other comprehensive income (FVTOCI); and equity instruments at FVTOCI. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial Assets at Amortised Cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments as well as bonds that were previously classified as held-to-maturity under AASB 139.

Impairment of Financial Assets

AASB 9's new forward-looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

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.

- 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:

i. if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

ii. 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.

(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 satisfied the performance obligation in relevant contracts by transfer the promsed asset to a customer with the customer obtaining control of the asset.

(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.

(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 any 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.

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.

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 results 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 except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

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

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

(r) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2018 affected any of the amounts recognised in the current period or any prior period.

The adoption of *AASB 9 Financial Instruments* from 1 January 2018 has not affected any reported balance as no financial instruments held by the group are recognised or measured differently under this standard and the group has no hedging instruments or hedged items. The shares and unlisted options detailed in note 9 are classified as a financial asset at fair value through profit or loss, which has the same effect as previous treatment, so no changes to recognition or opening balances are required.

The adoption of *AASB 15 Revenue from Contracts with Customers* from 1 January 2018 has not affected any reported balance as no revenue or current potential revenue of the Group is measured differently under this standard. Future effects of the implementation of this standard will depend on wording and intent of relevant agreements.

(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.

- 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 no material impact on the financial statements.
  The adoption of this standard from 1 January 2018 would not have led to the recognition of any right-of-use asset, or associated lease liability, as the serviced office agreement does not specify or require fixed office locations, with staff offices moving during the year at the discretion of the lessor. The Group has no other agreements within the possible scope of this standard. Future effects of the implementation of this standard will depend on wording and intent of relevant agreements.

- *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.

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 $574,647 (2017: $917,490). This has been classified as other income. The $574,647 R&D tax rebate related to the calender year ended 31 December 2017 because the Company’s Australian tax year ends on 31 December. No asset is recognised at 31 December 2018 for the expected R&D tax rebate for the year ended 31 December 2018, 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 2018 R&D tax rebate is also out of the scope of the definition of government grants, at this stage, so not yet recognisable.

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.

2. REVENUE, OTHER INCOME AND EXPENSES

	CONSOLIDATED	
	2018	**2017**
	$	**$**
(a) Revenue from continuing operations		
Interest revenue	57,542	110,566
	57,542	110,566
(b) Other income		
R&D tax rebate	574,647	917,490
Fair value increase/ (decrease) in financial assets	101,400	(121,600)
	676,047	795,890
(c) Depreciation		
Plant and equipment	(1,305)	(2,166)
	(1,305)	(2,166)
(d) Employee, director and consultant expenses		
Superannuation expenses	(23,954)	(61,897)
Other expenses	(427,530)	(935,991)
Total employee, director and consultant expenses	(451,484)	(997,888)
(e) General and administration expenses		
Operating lease - rental	(72,000)	(72,000)
Administration fees	(120,000)	(120,000)
Other expenses	(183,250)	(558,904)
Total general and administrative expenses	(375,250)	(750,904)

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	-	-

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

Accounting loss before income tax	(520,502)	(2,506,500)
Amount calculated on the domestic rates applicable to profits or losses in the countries concerned at the Group's weighted average effective rate of 27.5%. (2017: 30%)	(143,138)	(751,950)
Temporary differences	(174,687)	(248,480)
Tax effect of expenses that are never deductible for tax purposes	1,077	(173,920)
Unrecognised DTA losses	316,748	1,174,350
Utilisation of carried forward tax losses	-	-
Income tax attributable to the Group	-	-
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	7,022,210	7,670,653

3. INCOME TAX (continued)

	CONSOLIDATED	
	2018	2017
	$	$
Deferred tax assets/ (losses)		
- temporary differences	(751)	69,517
- tax losses (operating losses)	3,766,522	4,048,657
- tax losses (capital losses)	3,256,439	3,552,479
	7,022,210	7,670,653

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 rate within Australia is 27.5% (2017: 30%). The expected tax rate for 2018 of 27.5% is used based on presuming that the Group will not exceed the the aggregate turnover threshold required to use this tax rate and not the general company tax rate of 30%.

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	2,869,538	3,875,014
Petty Cash	-	-
	2,869,538	3,875,014

The effective interest rate on short term bank deposits was 1.47% (2017: 2.18%)

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	7,745	43,719
Other receivable	6,187	7,934
	13,932	51,653

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	16,254	20,904
	16,254	20,904

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7. PLANT AND EQUIPMENT

	CONSOLIDATED Furniture & Equipment $	Total $
Year ended 31 December 2018		
Opening net book value	4,373	4,373
Additions	-	-
Depreciation charge for the year	(1,305)	(1,305)
Disposals	(2,853)	(2,853)
Closing net book value	215	215
At 31 December 2018		
Cost	427	427
Accumulated depreciation and impairment	(212)	(212)
Net book value	215	215
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

8. EXPLORATION AND EVALUATION EXPENDITURE

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

	CONSOLIDATED 2018 $	2017 $
Carrying amount at beginning of year	-	-
Carrying amount of sold mineral exploration interests	-	-
Carrying amount at the end of year	-	-
Exploration and evaluation incurred	423,199	2,244,875
Exploration costs expensed	(423,199)	(2,244,875)
	-	-

9. FINANCIAL ASSETS

Current financial assets

	CONSOLIDATED	
	2018	**2017**
	$	**$**
Value of 10,000,000 unquoted share options in Boss Resources Limited at start of the year	288,600	-
Reclassification of 10,000,000 unquoted share options in Boss Resources Limited from Non-current	-	410,200
Increase/(decrease) in value of 10,000,000 unquoted share options in Boss Resources Limited, before conversion	261,400	(121,600)
Conversion of share options to shares in Boss Resources Limited	200,000	-
Decrease in value of 10,000,000 shares in Boss Resources Limited after conversion of share options	(160,000)	-
Total current financial assets at fair value	590,000	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 Limited at start of the year	-	410,200
Reclassification of 10,000,000 unquoted share options in Boss Resources Limited to Current	-	(410,200)
Total non-current financial assets at fair value	50,000	50,000

On 1 September 2015 Boss Resources Limited (“Boss”) issued to the Group 10 million unquoted share options exercisable at $0.02 each by 31 August 2018. 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 was within 12 months.

At 31 December 2017 these options were revalued at $0.02886 each for a total value of $288,600 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, a volatility of 75%, and a risk free interest rate of 2.01%pa.

These options were exercised with shares issued on 27 August 2018 for a total exercise price of $200,000, when Boss’s share price was $0.075, giving the 10,000,000 Boss shares a total value of $750,000 on 27 August 2018. On 31 December 2018, these Boss shares were worth $0.059 each for a total value of $590,000. The net increases in the value of these shares and options totalling $101,400 (2017: decrease of $121,600) have been recognised by the Group in other income. This net increase consists of $101,400 consists of the $261,400 increase in the value of the options from 31 December 2017 to 27 August 2018, less then $160,000 decrease in the value of the Boss shares from 27 August 2018 to 31 December 2018.

The options were valued based on the observable inputs detailed above, with all observable inputs based on market data, and consequently classified as Tier 2 financial assets. The Black-Scholes valuation model was used reflecting assumptions that buyers or sellers of unquoted share options in Boss would generally use. The shares are Tier 1 financial assets because Boss shares are quoted on the ASX. All term deposits have been valued based on quoted (unadjusted) market values and are therefore Tier 1 measured financial assets.

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.

10. TRADE AND OTHER PAYABLES - CURRENT

	CONSOLIDATED	
	2018	**2017**
	$	**$**
Trade payables – unsecured	12,826	186,547
Other payables and accruals – unsecured	27,900	63,645
Total trade and other payables	40,726	250,192

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

11. PROVISIONS

	CONSOLIDATED	
	2018	**2017**
	$	**$**
Annual leave provision	-	20,637
Total provisions	-	20,637

12. ISSUED CAPITAL

	CONSOLIDATED			
	2018		**2017**	
(a) Ordinary shares fully paid	**No. of Shares**	**$**	**No. of Shares**	**$**
Balance at beginning of year	199,746,729	31,121,482	193,037,453	30,789,780
Shares issued on conversion of performance rights	-	-	1,575,000	-
Shares issued on exercise of $0.0496 share options	-	-	2,700,000	133,920
Shares issued to extend Raging Bull option fee	-	-	2,434,276	200,000
Costs of capital raising	-	-	-	(2,218)
Balance at end of year	199,746,729	31,121,482	199,746,729	31,121,482

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

(b) Options

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

	CONSOLIDATED	
Date and details of grant/exercise/forfeit	**No. of Options**	**Exercise Price**
Issued options opening balance	7,000,000	Various
Options granted in the year	-	-
Options expired 7 July 2018	(2,500,000)	$0.065
Options expired 7 July 2018	(2,500,000)	$0.10
Options expired 26 October 2018	(1,000,000)	$0.0886
Options expired 26 October 2018	(1,000,000)	$0.124
Balance at 31 December 2018	-	

Further details are disclosed in note 18.

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12. ISSUED CAPITAL (continued)

(c) Performance rights

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

	CONSOLIDATED	
Date and details of grant/exercise/forfeit	**No. of Performance rights**	**Exercise Price**
Issued performance rights opening balance	6,500,000	-
Performance rights converted to shares	-	-
Performance rights lapsed	(6,500,000)	-
Balance at 31 December 2018	-	-

13. EARNINGS PER SHARE

(a) Basic earnings per share

	CONSOLIDATED	
	2018	**2017**
	$	**$**
Basic (loss) per share (cents per share)	(0.26)	(1.28)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic (loss) per share	199,746,729	195,263,351
Net loss used in the calculation of basic (loss) per share	(520,502)	(2,506,500)

(b) Diluted earnings per share

	CONSOLIDATED	
	2018	**2017**
	$	**$**
Diluted (loss) per share (cents per share)	(0.26)	(1.28)
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted (loss) per share	199,746,729	195,263,351
Net (loss) used in the calculation of diluted (loss) per share	(520,502)	(2,506,500)

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.

14. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2018	**2017**
	$	**$**
Remuneration of Auditor of the Company	27,608	32,551
	27,608	32,551

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.

16. RELATED PARTY TRANSACTIONS AND BALANCES

Kingslane Pty Ltd and associated entities (Kingslane) is a substantial shareholder in the Company and held 14,163,869 ordinary shares in the Company at 31 December 2018. Entities controlled by Kingslane received $72,000 (2017: $72,000) during the year for office rent.

Konkera Corporate received $120,000 (2017: $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 Graham Brock – Non-Executive Director
- Mr Evan Cranston – Non-Executive Chairman
- Mr John Fitzgerald – Non-Executive Chairman
- Mr Anthony James – Managing Director
- Ms Oonagh Malone – Non-Executive Director and Company Secretary
- Mr Mathew O’Hara – Non-Executive Director

Remuneration by Category

Key Management Personnel

	2018	2017
	$	$
Short-term	346,720	535,708
Post-employment	19,565	41,069
Share-based payment	-	(420,967)
	366,285	155,810

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

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

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.

All options on issue at 31 December 2017 expired without conversion during 2018. The terms and conditions of each grant of Plan options on issue during the year were as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
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 31 December 2017 was 0.60 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 2018 was $nil (2017: nil). No amount (2017: nil) has been expensed over the vesting period for options granted in previous years.

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									
7 July 2015	7 July 2018	$0.065	2,500,000	-	67,150	-	(2,500,000)	-	-
7 July 2015	7 July 2018	$0.10	2,500,000	-	55,650	-	(2,500,000)	-	-
26 October 2015	26 October 2018	$0.0886	1,000,000	-	32,440	-	(1,000,000)	-	-
26 October 2015	26 October 2018	$0.124	1,000,000	-	28,090	-	(1,000,000)	-	-
			7,000,000	-	183,330	-	(7,000,000)	-	-
Weighted average exercise price ($)			0.0893	-		-	0.0893	-	-

No options were forfeited during the year.

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18. SHARED BASED PAYMENTS (continued)

(b) Performance Rights Plan

In prior years, the Company granted 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 entitled 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 in 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 exercised its discretion under the Performance Rights Plan to extend the timing of the milestones for Tranches 2, 3, and 4. On 31 December 2017, all Tranche 2 Performance Rights lapsed without conversion. All Tranche 3 and Tranche 4 Performance Rights lapsed without conversion during 2018 following the cessation of the Mount Morgan Project.

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

Recipient	Performance Rights Initially Granted to Directors				
	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**

18. SHARE BASED PAYMENTS (continued)

The Performance Rights were valued in 2016 at $0.16 each, being the share price at the grant date, and were expensed over the expected vesting period. No expense relating to the performance rights was recognised in 2018 because previously recognised amounts were reversed in 2017 after remaining performance rights were expected to never vest.

Recipient	Performance rights held at 31 December 2017 that lapsed without conversion in 2018				
	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**

A total gain of $582,877 was recognised in 2017 after remaining performance rights were expected to never vest. This left no gain or loss to recognise when all remaining performance rights lapsed without vesting in 2018.

Performance rights converted 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.

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

	CONSOLIDATED	
	2018	**2017**
	$	**$**
Loss after income tax	(520,502)	(2,506,500)
Add:		
- Depreciation	1,305	2,166
- Loss on disposal of property, plant and equipment	2,853	-
- Share based payments	-	(582,877)
Deduct:		
Option fee paid	-	400,000
Fair value decrease / (increase) in financial assets	(101,400)	121,600
Changes in assets and liabilities during the year:		
Decrease / (increase) in other current assets	4,650	(11,603)
Decrease / (increase) in trade and other receivables	37,721	(11,447)
(Decrease) / increase in trade and other payables	(209,466)	75,109
(Decrease) in provisions	(20,637)	(6,710)
Net cash used in operations	(805,476)	(2,520,262)

There were no non-cash financing or investing activities during 2018.

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.

20. FINANCIAL INSTRUMENTS (continued)

	CONSOLIDATED	
	2018	**2017**
	$	**$**
Financial Asset		
Cash and cash equivalents	2,869,538	3,875,014
	2,869,538	3,875,014
Other Current Financial Assets		
Trade and other receivables	13,932	51,653
Financial assets at fair value	590,000	288,600
	603,932	340,253
Non-Current Financial Assets		
Financial assets at fair value	50,000	50,000
	50,000	50,000
Financial Liabilities		
Trade and other payables	40,726	250,192
	40,726	250,192

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 2018, $44,494 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.

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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:

2018	**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	1.47	819,538	2,050,000	-	2,869,538
Receivables	-	-	-	13,932	13,932
Current financial assets at fair value	-	-	-	590,000	590,000
Non current financial assets at fair value	2.70	-	50,000	-	50,000
Financial Liabilities					
Payables	-	(5,506)	-	(35,220)	(40,726)
Net Financial Assets	**1.25**	**814,032**	**2,100,000**	**568,712**	**3,482,744**

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**

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.

2018		**-1%**		**1%**	
	Carrying Amount	**Profit**	**Equity**	**Profit**	**Equity**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	2,869,538	(28,695)	(28,695)	28,695	28,695
Trade receivables	13,932	-	-	-	-
Current financial assets at fair value	590,000	-	-	-	-
Non-current financial assets at fair value	50,000	(500)	(500)	500	500
Trade payables	(40,726)	-	-	-	-
Total increase/(decrease)	**3,482,744**	(29,195)	(29,195)	29,195	29,195

2017		**-1%**		**1%**	
	Carrying Amount	**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

Price Risk

In 2018, the Group is exposed to equity security price risk due to 10,000,000 issue shares held in Boss. These shares were valued at acquisition on 27 August 2018 at the ASX quoted share price of $0.075 each for a total value of $750,000, as disclosed in note 9. This reduced to a total value of $590,000 at 31 December 2018 following the Boss share price reducing to $0.059.

In 2018 and 2017, the Group was also exposed to equity security price risk due to 10,000,000 unquoted options over shares in 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. These options were worth $550,000 when converted on 27 August 2018 based on the closing share price for Boss of $0.075 per share (worth $288,600 at 31 December 2018).

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 31 December 2018 and 31 December 2017 closing Boss share price by $0.01 per share.

20. FINANCIAL INSTRUMENTS (continued)

		+$0.01		-$0.01	
	Carrying Amount	Profit	Equity	Profit	Equity
	$	$	$	$	$
2018					
Current quoted shares at fair value	590,000	100,000	100,000	(100,000)	(100,000)
2017					
Current unquoted options at fair value	288,600	97,200	97,200	(94,100)	(94,100)

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:

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

Tier 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).

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

Consolidated – 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Ordinary shares	590,000	-	-	590,000
Total assets	590,000	-	-	590,000

Consolidated – 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Unquoted share options	-	288,600	-	288,600
Total assets	-	288,600	-	288,600

There were no transfers between levels during 2018 or 2017.

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.

20. FINANCIAL INSTRUMENTS (continued)

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 2018 and 2017 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	
	2018	**2017**
	$	**$**
Movements		
Opening balance	2,948,558	3,531,435
Amounts (reversed) / expensed for share based payments	-	(582,877)
Closing balance	2,948,558	2,948,558

(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. The Group had no foreign controlled entities or foreign currency translation reserve during 2018 or 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

22. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

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

	CONSOLIDATED	
	2018	**2017**
	$	**$**
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	10,000	150,000
Due greater than 1 year and less than 5	-	-
Total	10,000	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

The Company has no contingent liabilities.

Following the cessation of expenditure and work on the Mount Morgan Project, the Company disposed of all interests in the Mount Morgan Project, other than retaining ownership of data from work undertaken during the Company's control of the Mount Morgan Project. The Company has no outstanding exploration commitments and has no outstanding legal obligations arising from the Mount Morgan Project.

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 2018 and 31 December 2017. The subsidiary listed below had share capital consisting solely of ordinary shares, that were held directly by the Company, and the proportions of ownership interests held equalled the voting rights held by the Company. The subsidiary's country of incorporation or registration was also its principal place of business.

	Country of Incorporation	Percentage Owned (%)	
Subsidiaries of Carbine Resources Limited:		**2018**	**2017**
Raging Bull Metals Pty Ltd	Australia	-	75

Raging Bull Metals Pty Ltd (RBT) had 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 was $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 had 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 never occured; and
- a final payment to Norton of a total $13 million via 20% of the annual net earnings from operations of the Project. This never occurred.

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 was 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.

23. CONTROLLED ENTITIES (continued)

The option and associated acquisition terms 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 in the year to 31 December 2017 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.

With the lapse of this, option, the Group lost control of Raging Bull Metals Pty Ltd and all of its interests as disclosed in note 24.

24. DISPOSAL OF SUBSIDIARY

The following assets and liabilities were disposed of with the loss of control of Raging Bull Metals Pty Ltd on 23 March 2018.

	23 March 2018 $	31 December 2017 $
Cash and cash equivalents	99	99
Trade and other payables	(99)	(99)
Net assets over which control was lost	-	-

25. SUBSEQUENT EVENTS

There were no events subsequent to the end of the financial year ended 31 December 2018 which significantly affected or could significantly affect the operations of the Group in future financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

26. PARENT ENTITY INFORMATION

The following detailed information is related to the parent entity, Carbine Resources Limited at 31 December 2018. The information presented here has been prepared using consistent accounting policies as discussed in note 1.

	PARENT	
	2018	**2017**
	$	**$**
Current assets	3,489,724	4,236,072
Non-current assets	50,215	54,373
Total assets	**3,539,939**	**4,290,445**
Current liabilities	40,726	270,730
Non-current liabilities	-	-
Total liabilities	**40,726**	**270,730**
Contributed equity	31,121,482	31,121,482
Accumulated losses	(30,570,827)	(30,050,325)
Share based payment reserve	2,948,558	2,948,558
Total equity	**3,499,213**	**4,019,715**
Loss for the year	(520,502)	(2,506,500)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	**(520,502)**	**(2,506,500)**

Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 31 December 2018 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 22.

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 2018 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 28th day of March, 2019

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trading as
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28 March 2019

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 2018, 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)

Martin Michalik
Director

Stantons International Audit and Consulting Pty Ltd
trading as
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Chartered Accountants and Consultants

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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 2018, 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 2018 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 2018, 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 2001and 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 7 to 13 of the directors' report for the year ended 31 December 2018. 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 2018 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 & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
28 March 2019

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 2018 (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.

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 and has identified a director's independence in the Directors' Report.

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
1.1	A listed entity should disclose: (a) The respective roles and responsibilities of its board and management; and (b) Those matters expressly reserved to the board and those delegated to management.	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
1.2	A listed entity should: (a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (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.	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. The Company provides all relevant information on all directors in its annual report and on its website.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their employment.	The Company requires that a detailed letter of appointment or employment contract is agreed with each director and employee.
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.	The Company's organisation chart reflects the position of the Company Secretary within the Company structure in compliance with the recommendation.
1.5	A listed entity should: (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; (b) Disclose that policy or a summary of it; and (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: 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	The Company has adopted a formal Gender Diversity Policy, a summary of which is provided above. As at 31 December 2018: • The Board comprised three members, two of whom were male and one female. • The senior executives comprised three people (defined by the Board as the directors and other key management personnel), two of whom were male and one female. • The whole organisation comprised four people, three 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.	
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.
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.
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.

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 for the stage of the Company. As the Company identifies an appropriate asset for shareholder value, it will re-evaluate the Board and recruit accordingly.
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.	The Company discloses the independence and 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 Company complies with this recommendation with all 3 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.	Mr Evan Cranston is 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
4.1	The board of a listed entity should: (a) Have an audit committee which: i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	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.carbineresouces.com.au).

	ii. is chaired by an independent director, who is not the chair of the board; and disclose: iii. the charter of the committee; iv. the relevant qualifications and experience of 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 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.	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. The Board has adopted a formal policy regarding the appointment, removal and rotation of the Company's external auditor and audit partner.
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.	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.
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.	The Company's auditor is required to attend the Company's AGM and is available to answer questions relevant to the audit.
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	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.
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	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of 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 risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	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.carbineresouces.com.au). 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.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Board reviews its risk management strategy annually and considers it to be sound.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the	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.

	effectiveness of its risk management and internal control processes.	
7.4	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.	The Company does not currently have any material exposure to any economic, environmental and social sustainability risks.
8.1	The board of a listed entity should: (a) have a remuneration 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 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.	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. 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.
8.2	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.	The Company discloses its policies on remuneration in the Remuneration Report set out in its annual report.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company recognises that Director, executives and employees may hold securities in the Company and that most investors are encouraged by these holdings. The 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.

ADDITIONAL INFORMATION

The following information is based on share registry information processed up to and including 27 March 2019.

Distribution of Fully Paid Ordinary Shares

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

Holding Ranges	Holders	Total Units	% Issued Shares Capital
1 – 1,000	41	9,167	0.00%
1,001 – 5,000	116	385,468	0.19%
5,001 – 10,000	137	1,173,751	0.59%
10,001 – 100,000	444	17,368,938	8.70%
100,001 and over	239	180,809,405	90.52%
Total	**977**	**199,746,729**	**100%**

There are 395 holders of unmarketable parcels comprising a total of 3,003,798 ordinary shares.

Substantial Shareholders in Carbine Resources Limited

	Shareholder	Number Held	% of Issued Shares
1	GR Engineering Services Limited	15,886,726	7.95%

Twenty Largest Holders of Shares in Carbine Resources Limited

	Shareholder	Number Held	% of Issued Shares
1	GR Engineering Services Limited	15,886,726	7.95%
2	Kingslane Pty Ltd <Cranston Superannuation A/C>	7,478,749	3.74%
3	Gurravembi Investments Pty Ltd <The Gurravembi S/Fund A/C>	7,099,029	3.55%
4	Mr Mark John Bahen and Mrs Margaret Patricia Bahen <MJ Bahen Super Fund A/C>	5,347,073	2.68%
5	Mr Mark John Bahen and Mrs Margaret Patricia Bahen <Superannuation A/C>	5,307,737	2.66%
6	Mr David Keith Edwards & Mrs Roberta May Edwards <Edwards Super Fund A/C>	5,006,911	2.51%
7	Kingslane Pty Ltd <Cranston Super Pension A/C>	4,985,120	2.50%
8	Mr Bradley Keith Moir	4,700,000	2.35%
9	Nero Resources Fund Pty Ltd	3,843,634	1.92%
10	Ms Kathryn Elizabeth Strickland	3,500,000	1.75%
11	Kobia Holdings Pty Ltd	3,500,000	1.75%
12	Flue Holdings Pty Ltd	3,500,000	1.75%
13	Ocean View WA Pty Ltd	3,090,468	1.55%
14	Kingarth Pty Ltd	3,000,000	1.50%
15	Nebraska Pty Ltd <R G Sayers Family A/C>	3,000,000	1.50%
16	Ross Sutherland Properties Pty Ltd <Sutherland Family SF A/C>	2,570,000	1.29%
17	BNP Paribas Nominees Pty Ltd <LDN UK BCH DRP A/C>	2,036,136	1.02%
18	Mr David Owen Phipps & Mrs Palma Mary Phipps <Phipps Super Fund A/C>	2,025,000	1.01%
19	Lamerton Pty Ltd	2,000,000	1.00%
20	West Side Sales Pty Ltd	2,000,000	1.00%
Total		**89,876,583**	**44.98%**

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 199,746,729 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.

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Ms Oonagh Malone

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