



CARBINE RESOURCES
LIMITED

ASX / MEDIA ANNOUNCEMENT

22 January 2020

Carbine to acquire Cockatoo Iron NL

HIGHLIGHTS

- Carbine Resources Limited (Company) has entered into a binding Share Sale Agreement to acquire Cockatoo Iron NL (Cockatoo Iron).
- Cockatoo Iron is the holding company of Pearl Gull Pty Ltd (Pearl Gull) and Silver Gull Iron Pty Ltd (Silver Gull).
- Pearl Gull and Silver Gull are the registered holders or applicants of mining tenements located on Cockatoo Island, north of Western Australia, which are prospective for iron ore (Cockatoo Island Project).
- Acquisition consideration will consist of up to 291,479,451 ordinary shares in the Company.
- The Company will appoint Alex Passmore, Myles Schammer and Patrick Murphy as Non-Executive Directors of the Company.
- The Company will issue a Prospectus to raise \$3.2 million at \$0.03 per share.
- AMCI has entered into a binding subscription agreement with the Company to subscribe for approximately \$2.5 million worth of shares under the capital raising and has also entered into a cooperation agreement with the Company to establish a strategic relationship in respect of the Cockatoo Island Project.
- The transaction is subject to conditions, including Company shareholder approval and the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.

Carbine Resources Limited (ASX: CRB) (the Company) is pleased to advise that it has signed a binding share sale agreement (Share Sale Agreement) with Cockatoo Iron NL (Cockatoo Iron) and certain key shareholders of Cockatoo Iron that are associated with the directors of Cockatoo Iron (Signing Sellers) whereby the Company will, on the satisfaction of various conditions precedent, acquire a controlling interest in, and up to 100% of the issued shares and converting notes in Cockatoo Iron from the Cockatoo Iron shareholders and holders of converting notes (Vendors) (Transaction).

Cockatoo Iron holds 100% of both Pearl Gull Pty Ltd (Pearl Gull) and Silver Gull Iron Pty Ltd (Silver Gull), which are the registered holders or applicants in respect of certain mining tenements (detailed below) which cover a significant portion of Cockatoo Island (Cockatoo Island Project).

As part of the Transaction, the Company intends to raise \$3.2 million at an issue price of \$0.03 per ordinary fully paid share (Share) pursuant to an offer under a prospectus, with AMCI participating as cornerstone investor, agreeing to subscribe for approximately \$2.5 million worth of Shares. Funds raised will be spent on an exploration program regarding the Cockatoo Island Project.

The Transaction is subject to satisfaction of various conditions precedent, including: shareholder approval and the Company satisfying the requirements of Chapters 1 and 2 of the Listing Rules for reinstatement to official quotation of its securities.

COCKATOO ISLAND PROJECT

Cockatoo Island is located in the north of Western Australia and has a history of iron ore mining going back to the 1950's. In terms of infrastructure, the mining tenements held by Pearl Gull enable access to Cockatoo Island by air (ie includes an airstrip), and includes a workshop/office and a potable water bore field.

Past production activities undertaken by other entities (not owned by Cockatoo Iron) on Cockatoo Island have focused on the seawall pit (M04/448), but this is now flooded. This tenement is not owned by Cockatoo Iron or its subsidiaries, and so is not being acquired by the Company pursuant to the Transaction.

Cockatoo Iron is targeting high grade mineralisation on inland parts of Cockatoo Island. With the exception of the pending applications in respect of E04/2528 and L04/104, the tenements held by Cockatoo Iron and its subsidiaries are shown below in green outline and labelled "CKI Tenements". For the avoidance of doubt, the tenements in blue outline labelled "PLV Tenements" are not held by Cockatoo Iron and are not the subject of the Transaction.



Figure 1: Granted tenements held by Pearl Gull and Silver Gull (green outline). Pending applications held by Silver Gull in respect of E04/2528 and L04/104 are not shown. Tenements in blue are not the subject of the Transaction.

Pearl Gull and Silver Gull are registered as the holder / applicant of the following Tenements:

Tenement / Application	Registered holder / Applicant
E04/2528 (application for exploration licence)	Silver Gull (applicant)
L04/104 (application for miscellaneous licence)	Silver Gull (applicant)
L04/102 (granted miscellaneous licence)	Pearl Gull (registered holder)
L04/103 (granted miscellaneous licence)	Pearl Gull (registered holder)
M04/235 (granted mining lease)	Pearl Gull (registered holder)

EXPLORATION ACTIVITIES PROPOSED TO BE UNDERTAKEN BY COCKATOO IRON

Cockatoo Iron proposes to undertake a high-impact exploration program in an area of known mineralisation where interpreted repeats of high grade hematite lenses seen elsewhere on Cockatoo Island are expected to sub-crop.

Any new mineralisation discovered likely requires a relatively modest size threshold to be economic given the infrastructure in place and the potential for commercialising overburden material as ballast or, at a later stage, beneficiation plant feed.

Cockatoo Iron is investigating the potential for:

- repeats of high grade mineralisation in commercial quantities;
- economic development of lower grade hematite mineralisation (beneficiation); and
- ballast material for use in oil and gas pipeline construction to be quarried from its Tenements.

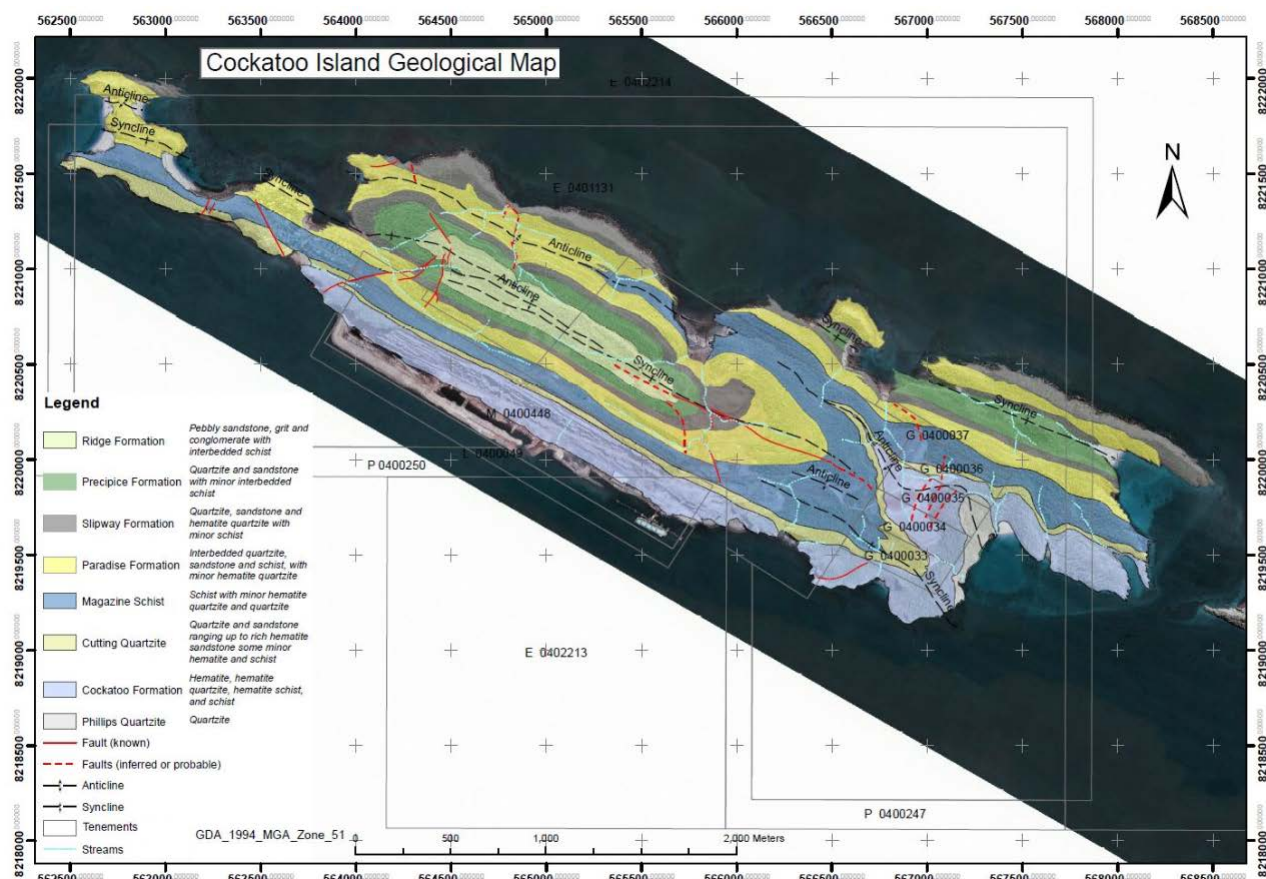


Figure 2: Geological Map of Cockatoo Island

CHANGE OF NATURE AND SCALE OF ACTIVITIES & SUSPENSION FROM TRADING

As the Transaction will amount to a significant change in the nature and scale of the Company's activities, the Company is required to obtain the approval of its shareholders for the Transaction, and must re-comply with Chapters 1 and 2 of the Listing Rules. In addition to approving the Transaction, at the General Meeting the Company will also seek shareholder approval for the Capital Raising and the appointment of Alex Passmore, Myles Schammer and Patrick Murphy as directors.

In accordance with ASX's policy for entities undertaking re-compliance transactions, the Company's securities will remain suspended from trading on ASX until the Company has complied with Chapters 1 and 2 of the Listing Rules in accordance with listing rule 11.1.3.

CAPITAL RAISING

To assist the Company to re-comply with Chapters 1 and 2 of the Listing Rules and to support the proposed exploration program following completion of the Transaction, the Company plans, subject to the approval of the Company's shareholders (**Shareholders**), to conduct a capital raising under a full form prospectus to raise \$3.2 million through the issue of 106,666,667 Shares (**Capital Raising Shares**) at an issue price of \$0.03 per Share (**Capital Raising**).

The Capital Raising will not be underwritten.

AMCI SUBSCRIPTION AND COOPERATION AGREEMENT

The Company has entered into a binding subscription agreement with AMCI Iron Ore Pty Ltd, an affiliate of the AMCI Group (**AMCI**), under which, subject to various conditions first being satisfied, AMCI has agreed to participate in the Capital Raising by subscribing for 83,000,000 Capital Raising Shares at an issue price of \$0.03 per Share (**Subscription Agreement**). Subject to completion of its subscription, AMCI has the right to appoint a nominee to the Company's board (which is proposed to be Mr Patrick Murphy) and up to 2 directors in the event its shareholding increases above 20%.

The Company has also entered into a cooperation agreement with AMCI (**Cooperation Agreement**), under which AMCI and the Company agree to establish a strategic relationship and framework for the development of the Cockatoo Island Project. The Subscription Agreement and Cooperation Agreement are conditional upon (amongst other things) completion of the Transaction.

KEY ACQUISITION TERMS

Pursuant to the Share Sale Agreement, the Company has agreed to acquire a controlling interest in, and up to 100% of the issued capital in Cockatoo Iron, subject to the satisfaction or waiver of conditions precedent. A summary of the key terms of the Transaction is set out below. The Share Sale Agreement also contains warranties granted by and to the Company, among other terms which are considered standard for agreements of this nature.

1. Consideration

The Company proposes to issue up to 291,479,451 Shares to shareholders and noteholders of Cockatoo Iron in consideration for the Transaction (**Consideration Shares**). No advisory fees are payable by the Company in connection with the Transaction.

2. Conditions Precedent

Completion of the Transaction will be subject to a number of conditions precedent, including but not limited to:

- (a) **Due diligence:** the completion of due diligence by the Company in relation to Cockatoo Iron to its satisfaction;
- (b) **Re-compliance:** the ASX providing a letter confirming that it will grant conditional re-quotations of the Company's securities on conditions acceptable to the Company including compliance with the requirements of Chapters 1 and 2 of the Listing Rules in connection with the Transaction;
- (c) **Shareholder approval:** the Company obtaining all necessary Shareholder approvals required in relation to the Transaction;
- (d) **ASX Waiver and Approval:** the Company obtaining a waiver from the requirements of Listing Rule 2.1 (Condition 2) to enable it to issue Shares pursuant to the Capital Raising at \$0.03 per Share;

- (e) **Capital Raising:** the Company completing the Capital Raising; and
- (f) **Separate sale agreements:**
 - (i) **Short form share sale agreements:** execution of separate short form share sale agreements by each shareholder of Cockatoo Iron (other than Pelican Resources Limited (**Pelican**), and those shareholders designated as 'Signing Sellers' under the Share Sale Agreement) (**Short Form Sale Agreements**);
 - (ii) **Converting note sale agreements:** execution of separate short form converting note sale agreements by each converting note holder of Cockatoo Iron (**Short Form Converting Note Sale Agreements**); and
 - (iii) **Other Sale Agreements:** execution of:
 - (A) a separate Transfer Deed by Melshare Nominees Pty Ltd (**Melshare**). Melshare holds the legal interest in shares in Cockatoo Iron on behalf of a number of entities (whom hold a beneficial interest in these shares) and will enter into a separate deed pursuant to which it will transfer the legal interest in these shares to the Company; and
 - (B) transfer instruments by custodians on behalf of shareholders of Cockatoo Iron whose shares are held by those custodians.

3. Termination

If any of the conditions precedent referred to in paragraphs 2(a) and 2(f) above are not satisfied (or waived) on or before 10 February 2020 (or such later date as the parties may agree), the Company, Cockatoo Iron, or a Signing Seller may terminate the Share Sale Agreement by notice in writing to the other parties. Similarly, if any of the other conditions precedent referred to in paragraph 2 above are not satisfied (or waived) before 1 April 2020, the Company, Cockatoo Iron, or a Signing Seller may terminate the Share Sale Agreement by notice in writing to the other parties.

The Company may terminate the Share Sale Agreement:

- (a) if an insolvency event occurs in respect of Cockatoo Iron;
- (b) if a Signing Seller or Cockatoo Iron defaults in the due observance or performance of any of their respective obligations under the Share Sale Agreement; or
- (c) as a result of any disclosure made to the Company by Cockatoo Iron or the Signing Sellers prior to completion.

A Signing Seller may terminate the Share Sale Agreement if the Company defaults in the due observance or performance of any of its obligations under the Share Sale Agreement.

4. Pelican Resources Limited

The Company intends to enter into separate short form share sale agreements with shareholders of Cockatoo Iron including Pelican with each such agreement being on substantially the same terms (**Share Sale Agreements**). Completion under the Share Sale Agreements and the other sale agreements referred to above is not conditional on completion occurring under a Share Sale Agreement with Pelican. As at the date of this announcement, Pelican holds an approximate 3.08% interest in Cockatoo Iron. In the event Pelican does not enter into a Share Sale Agreement, or does but otherwise does not complete, the Company will proceed with the Transaction and will not acquire Pelican's shares in Cockatoo Iron (i.e. the Company will acquire a controlling interest in Cockatoo Iron that is less than 100%).

PROPOSED APPOINTMENT OF DIRECTORS

Following completion, and subject to shareholder approval, Alex Passmore, Myles Schammer and Patrick Murphy will each be appointed as a Non-Executive Director of the Company.

Mr Alex Passmore is a qualified geologist with extensive corporate experience. He holds a Bachelor of Science degree with First Class Honours in Geology from the University of Western Australia and a Graduate Diploma of Applied Finance from the Securities Institute of Australia. Mr Passmore is an experienced corporate executive and company director and currently acts as Managing Director of ASX listed Rox Resources Limited. Mr Passmore has previously acted as Non-Executive (and Executive) Director of Equator Resources Ltd/Cobalt One Ltd (which merged with TSX-listed First Cobalt Corp), Non-Executive Director of Aspire Mining Ltd and CEO of Draig Resources (now Bellevue Gold Ltd).

Mr Myles Schammer is an experienced mining business leader and professional with over 10 years' experience held in corporate development, operational and governance roles. Mr Schammer has a proven track record in strategy and growth, having overseen large transactions across a number of ASX 200 resources, construction and infrastructure companies. He also has experience in successfully facilitating productivity improvements in complex operating environments while working within Rio Tinto, ConocoPhillips, Worley and Mineral Resources. Mr Schammer holds a Bachelor of Science (Applied Mathematics) from Curtin University Western Australia.

Mr Patrick Murphy is a Managing Director at the specialist natural resources group AMCI. AMCI is a highly successful fully integrated global business with exploration, development, production, processing, logistics and marketing expertise, inclusive of substantial bulk materials interests. Mr Murphy is an experienced mining investment professional, having spent 13 years combined at AMCI and the global investment group Macquarie. He has specialized in deploying capital in the raw materials and mining industries. Mr Murphy has global experience and a proven pedigree in identifying and successfully executing value enhancing initiatives in the industry. He holds board positions on a number of AMCI companies. Mr Murphy holds a Bachelor of Laws and a Bachelor of Commerce from the University of Western Australia. He is the current President of the New York Mining Club.

INDICATIVE TIMETABLE

The indicative timetable for the matters contemplated by the Transaction is set out below.

Description	Indicative timing
Despatch of Notice of Meeting	Mid-January 2020
Lodgement of Prospectus with ASIC	Late-January 2020
Opening of the Capital Raising Offer	Mid-February 2020
General Meeting held to approve the Transaction	Late-February 2020
Closing of Capital Raising Offer	Mid-March 2020
Issue of securities under the Capital Raising Offer	Late-March 2020

Note: The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The above stated date for completion of the Transaction is only a good faith estimate by the Directors and may have to be extended.

INDICATIVE CAPITAL STRUCTURE

The indicative capital structure of the Company on completion of the Transaction is set out below:

Description	Shares	%
Existing Shares	199,746,729	33.41
Consideration Shares	291,479,451	48.75
Public Offer	23,666,667	3.96%
AMCI Subscription	83,000,000	13.88%
Total	597,892,847	100

USE OF FUNDS

The Company intends to use the funds raised under the Capital Raising, together with the Company's estimated existing cash reserves, in the 24 months following the reinstatement of the Company's securities to quotation on ASX as follows:

Allocation of funds ¹	(\$)	%
Exploration activities ²	1,155,050	21.1
Operating expenses ³	678,800	12.4
Beneficiation study ⁴	1,058,000	19.3
Corporate administration ⁵	1,084,932	19.8
General working capital	953,852	17.4
Expenses of the offer	549,366	10
TOTAL	5,480,000	100

Notes:

1. The funds in the above table allocated to exploration activities, operating expenses and beneficiation study relate to activities and expenses in respect of the granted mining lease and miscellaneous licences held by Pearl Gull. These funds do not relate to activities or expenses in respect of Silver Gull's pending miscellaneous or exploration licence applications.
2. Proposed exploration activities include travel and accommodation, field mapping and sampling, supervision / geology, site preparation, programme of work submission, mobilisation, drill rig mobilisation, drilling - diamond (nq,12-16 holes, 200-280m depth), sampling, core cutting and assaying.
3. Operating expenses include site maintenance and monthly site visits and mining engineer expenses.
4. Cockatoo Iron proposes to conduct a beneficiation study, the costs of which include the costs of including field mapping and sampling, supervision / geology, site preparation, programme of work submission, mobilisation, drilling, metallurgical test work costs.
5. Corporate administration costs include company secretary fees, rent, audit, ASIC and ASX fees and executive team and support fees.

The above table is a statement of current intentions as at the date of this announcement. Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including if and when the pending tenement applications are granted to Silver Gull, the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

KEY RISKS

The following key risks regarding the Transaction have been identified as at the date of this announcement however the Company's understanding of these risks may change, or new risks be identified, as part of the ongoing due diligence process (with the completion of due diligence to the satisfaction of the Company being a condition precedent to the Transaction).

1. Re-Quotation of Shares on ASX

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

2. Dilution risk

There is a risk that the interests of Shareholders will be further diluted as a result of future capital raising that may be required in order to fund the future development of the Company.

3. Completion, counterparty and contractual risk

There is a risk that the conditions precedent for completion of the Transaction will not be fulfilled and, in turn, that completion will not occur.

The ability of the Company to achieve its stated objectives will depend on the performance by Cockatoo Iron and the shareholders of Cockatoo Iron of their obligations under the Share Sale Agreement or separate sale agreement (as applicable). If Cockatoo Iron or any other counterparty defaults in the performance of its obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly and without any certainty of a favourable outcome.

4. Title risk

Interests in all tenements in Australia are governed by the respective state legislation and are evidenced by the granting of licenses or leases. Each license or lease is for a specific term and carries with it annual expenditure and/or reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if lease or license conditions are not met or if insufficient funds are available to meet expenditure commitments.

The Company is aware of certain historical non-compliances by Cockatoo Iron with reporting conditions and rehabilitation obligations in respect of M04/235. The Company is investigating these non-compliances to determine the level of risk (if any) they present to the Company's proposed operations.

5. Grant Risk

L04/104 and E04/2528 are applications for mining tenements that have not yet been granted. Even if these applications are granted, there is a risk that the resulting tenements will be granted over a lesser area than applied for, or granted subject to non-standard conditions.

6. Exploration and development risks

Mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of acquired projects or any other exploration properties that may be acquired in the future will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

7. Operating risk

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

8. Metals and currency price volatility

The Company's ability to proceed with the development of its mineral projects and benefit from any future mining operations will depend on market factors, some of which may be beyond its control. It is anticipated that any revenues derived from mining will primarily be derived from the sale of iron ore. Consequently, any future earnings are likely to be closely related to the price of this commodity and the terms of any off-take agreements that the Company enters into.

9. Competition risk

The industry in which the Company will be involved is subject to domestic and global competition, including major mineral exploration and production companies. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

10. Contingent Loan

Cockatoo Iron borrowed the sum of \$12,237,237 from World System Capital Investment Limited (**World System**). The repayment terms for this loan are uncertain, due to there being no formal document which records the terms of the loan. If the loan becomes repayable it may have an adverse effect on the financial position of the Company.

KPMG (auditor of Cockatoo Iron) has treated the loan in the audited accounts of Cockatoo Iron as a "Contingent Liability" (ie Cockatoo Iron is not presently obliged to repay loaned amounts) and the loan is identified as a limited recourse loan (which is consistent with audit confirmation letters executed for and on behalf of World System).

The Company understands that the loan may be repayable if Cockatoo Iron or Silver Gull did subsequently acquire the assets of Pluton Resources Ltd (Receivers and Managers Appointed) (in Liquidation) and Wise Energy Group Company Limited (Receivers and Managers Appointed). The Company has no intention of

acquiring these assets, by way of Cockatoo Iron or Silver Gull, and in the circumstances considers the risk that the loan will ever become repayable is very low.

11. Revenue sharing

Under a Revenue Sharing Agreement between Pelican Resources Limited (**Pelican**), Pearl Gull and Cockatoo Iron, Pearl Gull is required to pay Pelican up to a maximum of \$500,000 per annum of gross revenue received from certain non-mining activities that may be conducted by third parties within the M04/235.

Pearl Gull's liability to pay this amount is conditional on Pearl Gull or Cockatoo Iron entering into a "Third Party Agreement" (ie an agreement with a third party in relation to a third party being granted a crown lease over the airstrip) before early-mid 2021. The Company has no current intention to enter into any such "Third Party Agreement" or facilitate the granting of crown lease over the airstrip and is accordingly of the view that the Revenue Sharing Agreement is unlikely to financially impact the Company.

12. Native title and Aboriginal heritage

The Native Title Act 1993 (Cth) recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with native title in Australia and this may impact on the Company's operations and future plans.

Native title can be extinguished by valid grants of land (such as freehold title) or waters to people other than the native title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost its connection with the relevant land or waters. Native title is not necessarily extinguished by the grant of mining leases, although a valid mining tenement prevails over native title to the extent of any inconsistency for the duration of the title.

It is possible that, in relation to Tenements which the Company has an interest in or Tenements it may in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

The Company must also comply with State and Commonwealth Aboriginal heritage legislation which (inter alia) makes it an offence for a person to damage or in any way alter an Aboriginal site.

There is a risk that Aboriginal sites and objects may exist on the land the subject of the Tenements, the existence of which may preclude or limit mining activities in certain areas of the Tenements. Further, the disturbance of such sites and objects is likely to be an offence under the applicable legislation, exposing the Company to fines and other penalties.

Heritage survey work and/or negotiations with relevant Aboriginal groups may need to be undertaken ahead of the commencement of exploration or mining operations to reduce the risk of contravening this Aboriginal heritage legislation.

The Company is party to a heritage protection agreement with the Dambimangari People in respect of L04/102 and L04/103 to assist manage the risks associated with Aboriginal heritage on these tenements.

13. Third party risks

Under State and Commonwealth legislation, the Company may be required to obtain the consent of and pay compensation to the holders of third party interests which overlay areas within the Tenements or future

tenements granted to the Company, including native title claims and pastoral leases, prior to accessing or commencing any exploration or mining activities on the affected areas within the Tenements. Any delay in obtaining these consents may impact on the Company's ability to carry out exploration activities within the affected areas or future tenements granted to the Company.

Even if the grant of overlapping tenure may have a limited direct impact on exploration activities, such tenure may adversely affect those aspects of Cockatoo Iron's activities which are not directly related to exploration and mining on the Tenements (for example, the transportation of resources or personnel).

In particular, the Company is aware that a third party has applied for a crown lease over M04/235 (which contains the aerodrome) and that this third party has applied for 3 crown leases and 1 easement overlapping the tenure held by Cockatoo Iron's Subsidiaries. The Company understands it is unlikely that an application for crown lease will be granted in circumstances where the holder of an underlying mining tenement objects to such grant. Pearl Gull has, in written correspondence with DMIRS, objected to the grant of the leases and accordingly the Company considers the applications are unlikely to be granted or have any impact on the Company's proposed activities.

Further, NK5 Group Pty Ltd (**NK5**) holds a statutory licence (**NK5 Licence**) which covers the airstrip and overlaps tenements held by Pearl Gull. This licence was originally granted pursuant to the terms of an Infrastructure Agreement between Cockatoo Iron and NK5. NK5 has applied for a renewal of the NK5 Licence with a 5 year term. It is unclear what the terms and conditions of the licence will be if renewed and whether it will have any adverse impact on the Company's proposed activities. The Company is aware that Pearl Gull has objected to the renewal. The Company is investigating the likelihood that the renewal application will be granted and the level of risk (if any) of the application to the Company's proposed activities.

14. Access to infrastructure

Due to the remote location of the Cockatoo Island Project, Cockatoo Iron's access to the project is reliant on it having reliable access to suitable infrastructure. There is no guarantee that appropriate and affordable infrastructure for the transportation of resources (eg personnel and equipment) will be available, which could have an adverse effect on the Company. The Company notes that Cockatoo Iron does not currently have a contractual right to access certain infrastructure on Cockatoo Island, including a jetty and ship loader (which are not located on the Tenements). However, the Company is of the view Pearl Gull can transport plant and equipment to and from its tenure via a barge which can unload within the area of Pearl Gull's tenure. Personnel can be transported to and from Cockatoo Island by aircraft with the airstrip being on Pearl Gull's tenure. On this basis the Company considers that Cockatoo Iron has sufficient access to infrastructure for the purpose of its proposed exploration activities. Any future loss of existing access to infrastructure may adversely affect Cockatoo Iron's activities.

In the event that the Company progresses to production there is no guarantee that appropriate and affordable infrastructure for the transportation of mineral products will be available, which could have an adverse effect on the Company. However, the Company is of the view that this risk is manageable, and that it will be able to tranship ore from its tenure to a vessel moored off Cockatoo Island. In the event of production the Company will also require the use of both power and water infrastructure. There is a risk that the Company may not be able to procure such access which could have an adverse effect on the Company.

The Company is aware that Cockatoo Iron or Pearl Gull could be exposed to historical liability in respect of its previous actions in relation to the activities on, or their rights to infrastructure on, Cockatoo Island. The Company is investigating the nature of this potential liability and whether it presents a material risk to the Company's proposed activities.

15. Environment risk

The operations and proposed activities of the Company are subject to state and Commonwealth laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

In relation to anticipated mine closure costs, the Company aware that:

- (a) Cockatoo Iron is required to undertake certain rehabilitation work on its Tenements due to the prior use of those tenements by third parties (whom are now insolvent); and
- (b) the estimated cost of mine closure for the Tenement is approximately \$6.44 million.

The Company has identified various issues that may impact this cost estimate and is undertaking investigations to confirm the estimated cost of mine closure.

Cockatoo Iron's resource has yet to be defined, therefore the life of mine and schedule of closure works is unknown and so these costs are not expected to be incurred by the Company in the near future.

In addition to the above, Government authorities may, from time to time, review the environmental bonds that are placed on permits. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

16. Licences, permits and approvals

Certain mineral rights and interests to be held by the Company are subject to the need for ongoing or new Government approvals, licences and permits. These requirements, including work permits and environmental approvals, will change as the Company's operations develop. Delays in obtaining, or the inability to obtain, required authorisations may significantly impact on the Company's operations.

Pursuant to the licences comprising the Cockatoo Island Project, the Company will become subject to payment and other obligations. In particular, licence holders are required to expend the funds necessary to meet the minimum expenditure commitments attaching to the Tenements. Failure to meet these expenditure commitments may render the licence subject to forfeiture or result in the holders being liable for fines. Further,

if any contractual or statutory obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of the Company's interest in the Cockatoo Island Project.

17. Reliance on key personnel

The Company is reliant on a number of key personnel and consultants, including members of the Board. The loss of one or more of these key contributors could have an adverse impact on the business of the Company.

It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people given the current high demand in the industry and relatively small size of the Company, compared with other industry participants.

18. Conflicts of interest

Certain Directors are also directors and officers of other companies engaged in mineral exploration and development and mineral property acquisitions. Accordingly, mineral exploration opportunities or prospects of which these Directors become aware may not necessarily be made available to the Company in the first instance. Although these Directors have been advised of their fiduciary duties to the Company, actual and potential conflicts of interest among these persons and situations may arise in which their obligations to, or interests in, other companies could detract from their efforts on behalf of the Company.

FINANCIAL INFORMATION

A reviewed pro forma statement of financial position of the Company as at 30 November 2019 based on the unaudited accounts of the Company is set out in Schedule 1.

Financial statements for Cockatoo Iron and historical financial information is to be provided with the notice of meeting to Shareholders to approve the Transaction.

DETAILS OF VENDORS

Pursuant to the Transaction, the Company will acquire up to 100% of the shares held by Cockatoo Iron's 48 shareholders and all existing converting notes held by 30 noteholders. On completion of the Transaction, assuming that Cockatoo Iron shareholders do not participate in the Capital Raising, it is expected that Cockatoo Iron shareholders will hold approximately 48.75% of the Company, and that no Cockatoo Iron shareholder will hold more than 10% of the Company.

Kingslane Pty Ltd (a shareholder and related party of the Company with a current holding of approximately 7%) (**Kingslane**), is a shareholder of Cockatoo Iron and is anticipated to hold approximately 5.16% of shares in the Company on completion of the Transaction. Kingslane is an entity controlled by Mr John Cranston, a parent of Director Mr Evan Cranston. In light of this, the Company will seek to obtain shareholder approval of the Transaction pursuant to Listing Rule 10.1.

Verde Trading Pty Ltd (**Verde**) (an entity controlled by proposed Director Alex Passmore) holds 11,697,916 ordinary shares in Cockatoo Iron and 833,333 partly paid shares in Cockatoo Iron and will receive 15,874,999 Consideration Shares in connection with the Acquisition.

Other than as set out above, none of the shareholders of Cockatoo Iron are a related party of the Company.

The Vendors referred to above are in addition to any other entities which are issued with converting notes by Cockatoo Iron prior to completion of the Transaction, in respect of which the Company will enter into agreements with such entities on similar terms to the Short Form Converting Note Sale Agreements.

DETAILS OF ADVISERS

The Company is currently in advanced discussions with a proposed lead manager to the public offer component of the Capital Raising and will release a further announcement to the market in respect of lead manager fees in due course.

No other fees are payable by the Company to any person for finding, arranging or facilitating the Transaction.

COMPANY NAME

As at the date of this announcement, the Company does not intend to change its name.

APPROPRIATE ENQUIRIES

The Company has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses and prospects of Cockatoo Iron to be satisfied that the Transaction is in the interests of the Company and its security holders, subject to it completing the various conditions precedent of the Share Sale Agreement to its satisfaction.

As part of its enquiries, the Company has commenced legal and financial due diligence of Cockatoo Iron's operations and at the date of this Announcement has concluded 4 due diligence committee meetings. The Company notes that the Share Sale Agreement contains a condition precedent that the Company completes due diligence to its satisfaction. The Company has not yet satisfied or waived this condition precedent, but intends to complete due diligence prior to lodging the prospectus pursuant to the Capital Raising and seeking reinstatement of its shares to official quotation.

LISTING RULE 11.1.2 AND ASX DISCRETION

Listing Rule 11.1.2 applies to the Transaction, which requires Shareholder approval. The Company will seek Shareholder approval at a meeting of Shareholders to be held in due course. If such Shareholder approval is not received, the Transaction will not progress.

In order to be reinstated to trading, the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Transaction may not proceed if those requirements are not met.

ASX has an absolute discretion in deciding whether or not to re-admit the entity to the official list and quote its securities and therefore the Transaction may not proceed if ASX exercises that discretion. Investors should take account of these uncertainties in deciding whether or not to buy the Company's securities, which are currently suspended from trading.

ASX takes no responsibility for the contents of this announcement.

The Company confirms that this announcement has been authorised and approved by its Board.

The Company confirms that it is in compliance with Listing Rule 3.1.

SHAREHOLDER APPROVALS

A notice of meeting seeking Shareholder approval for the resolutions required to give effect to the Transaction will be sent to Shareholders in due course. It is expected that the Company will convene an annual general meeting to be held in February 2020 to facilitate Shareholder approval for matters in respect of the Transaction. Those approvals will include:

- (a) the change in nature and scale of the Company's activities pursuant to Listing Rule 11.1.2;
- (b) the issue of up to 16,666,668 Consideration Shares to Kingslane (or its nominees) pursuant to Listing Rules 10.1 and 10.11;

- (c) the issue of up to 15,874,999 Consideration Shares to Verde (or its nominees), an entity controlled by proposed Director Alex Passmore, pursuant to Listing Rule 10.11;
- (d) the issue of up to 258,937,784 Consideration Shares to the unrelated Vendors (or their nominees), being the Vendors other than Kingslane and Verde pursuant to Listing Rule 7.1;
- (e) the issue of up to 106,666,667 Capital Raising Shares at an issue price of \$0.03 per Share, including the issue of 83,000,000 Capital Raising Shares to AMCI (or its nominees);
- (f) the appointment of Messrs Alex Passmore, Myles Schammer and Patrick Murphy as Directors; and
- (g) Director participation in the Capital Raising pursuant to Listing Rule 10.11.

ASX WAIVERS

The Company will apply to ASX for waivers from Listing Rules:

- (a) 2.1 (Condition 2) to permit the Company to issue the Capital Raising Shares at an issue price of \$0.03 per Share;
- (b) 9.1 to permit the Company to apply 'look through relief to the Consideration Shares; and
- (c) 10.13.5 to permit the Notice to state that the:
 - (i) Consideration Shares to be issued to Kingslane (or its nominees) will be issued at the same time as the issue of the Capital Raising Shares;
 - (ii) Consideration Shares to be issued to Verde (or its nominees) will be issued at the same time as the issue of the Capital Raising Shares; and
 - (iii) Capital Raising Shares to be issued to Directors pursuant to their participation in the Capital Raising (if any) will be issued no later than 6 months after the date of the meeting.

The waivers referred to above are required in order for the Transaction to proceed.

BOARD INTENTION IF THE TRANSACTION DOES NOT PROCEED

If the Shareholder approvals referred to above are not obtained or if the Transaction is otherwise not completed, the Company will continue to seek potential acquisitions across all industries.

This announcement is approved for release by the Board of Carbine Resources Limited.

For further information, please contact:

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Schedule 1 - Pro Forma Balance Sheet - Unaudited as at 30 November 2019

	Carbine Resources A\$	Cockatoo Iron A\$	Adj 1 A\$	Adj 2 A\$	Adj 3 A\$	Pro forma A\$
CURRENT ASSETS						
Cash assets	2,248,699	122,100	-	-	2,650,634	5,021,433
Trade debtors and prepayments	15,799	129,182	-	-	-	144,981
Other	530,000	-	-	-	-	530,000
TOTAL CURRENT ASSETS	2,794,498	251,282	-	-	2,650,634	5,696,414
NON CURRENT ASSETS						
Property, Plant & Equipment	22,852	8,589	-	-	-	31,441
Financial assets	50,000	-	-	-	-	50,000
Exploration & Evaluation asset	-	2,637,040	-	-	-	2,637,040
TOTAL NON CURRENT ASSETS	72,852	2,645,629	-	-	-	2,718,481
TOTAL ASSETS	2,867,350	2,896,911	-	-	2,650,634	8,414,895
CURRENT LIABILITIES						
Trade creditors and accruals	3,111	250,004	-	-	-	253,115
Provisions	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	3,111	250,004	-	-	-	253,115
NON CURRENT LIABILITIES						
Convertible loans	-	-	-	-	-	-
TOTAL NON CURRENT LIABILITIES	-	-	-	-	-	-
TOTAL LIABILITIES	3,111	250,004	-	-	-	253,115
NET ASSETS	2,864,239	2,646,907	-	-	2,650,634	8,161,780
EQUITY						
Contributed Equity	31,121,483	3,554,318	(31,121,483)	5,992,402	2,650,634	12,197,354
Reserves	2,948,558	1,179,309	(2,948,558)	-	-	1,179,309
Accumulated Losses	(31,205,802)	(2,086,720)	31,205,802	(3,128,163)	-	(5,214,883)
TOTAL EQUITY	2,864,239	2,646,907	(2,864,239)	2,864,239	2,650,634	8,161,780

Notes:

Adjustments 1 and 2: These details have been determined for the purpose of the pro-forma adjustments as at 30 November 2019, and will require re-determination based on the identifiable assets and liabilities as at the successful acquisition date, which may result in changes to the value as disclosed below. Under the Transaction, the Company acquires all the shares in Cockatoo Iron by issuing a maximum of 291,479,451 Ordinary Shares in the Company to Cockatoo Iron shareholders and noteholders (**Vendors**), giving the Vendors a controlling interest in the Company and equating to a controlling interest in the combined entity following the Transaction. Cockatoo Iron has thus been deemed the acquirer for accounting purposes as it will own approximately 55.94% of the consolidated entity. The acquisition of Cockatoo Iron by the Company is not deemed to be a business combination, as the Company is not considered to be a business under AASB 3 Business Combinations. As such the consolidation of these two companies is on the basis of the continuation of Cockatoo Iron with no fair value adjustments, whereby Cockatoo Iron is deemed to be the accounting parent. Therefore the most appropriate treatment for the transaction is to account for it under AASB 2 Share Based Payments, whereby Cockatoo Iron is deemed to have issued shares to the Company shareholders in exchange for the net assets held by the Company. In this instance, the value of the the Company shares provided has been determined as the notional number of equity instruments that the shareholders of Cockatoo Iron would have had to issue to the Company to give the owners of the Company the same percentage ownership in the combined entity. We have deemed this to be \$5,992,402. The pre-acquisition equity balances of the Company are eliminated against this increase in Share Capital upon consolidation and the balance is deemed to be the amount paid for the ASX listing status of the Company, being \$3,128,163.

Adjustment 3: Capital raise of \$3.2 million via issue of 106,666,667 shares at \$0.03 each (less \$549k being costs of the Offer and Advisor fees).