



CARBINE RESOURCES LIMITED

ASX / MEDIA ANNOUNCEMENT

26 October 2015

CARBINE SECURES MAJOR BINDING OFFTAKE AGREEMENT FOR MOUNT MORGAN PYRITE

Highlights

- ◆ **A\$25 Million per annum binding pyrite offtake contract**
- ◆ **225,000t per annum pyrite offtake at US\$80/t FOB Port of Gladstone**
- ◆ **62% reduction in C1 Cash Costs (US\$680/oz to US\$260/oz) via pyrite offtake alone**
- ◆ **Pyrite production now fully committed under binding offtake**
- ◆ **US\$234/oz All-in Sustaining Costs for life-of-mine**

Carbine Resources Limited (ASX: CRB) is pleased to announce the execution of a binding Principal Offtake Agreement with global industrial mineral distributor, Talana Limited, for the sales of pyrite produced at the Mount Morgan Gold & Copper Project.

Annual revenue from the agreement is projected at over A\$25 Million per annum at a US exchange rate of \$0.70. In addition, the net earnings (including allowances for FOB logistics costs) from this contract are anticipated to reduce the C1 Cash Costs for the operations by 62% from US\$680/oz to US\$260/oz. The projected All-in Sustaining Costs for the Project remain at US\$234/oz.

The offtake contract therefore provides a significant by-product revenue stream for the proposed operations, which is in addition to the Project's major revenue source from gold sales.

The agreement also has significant environmental benefits with the removal of pyrite from the mine site eliminating the source of the State-owned environmental legacy issues. This process will greatly assist in the progressive rehabilitation of the mine site and Dee River which runs alongside.

While the Queensland Government maintains all liability for the historical environmental legacies of the mine site via a State agreement, Carbine is pleased to be actively assisting in remediation and rehabilitation through its proposed operations.

The agreement follows on from over 12 months of due diligence, logistics analysis, end user testing and pricing negotiations. Under the terms of the contract, Carbine and Talana have agreed:

- A four year exclusivity for the sales of up to 225,000tpa (+/- 10%) of Mount Morgan pyrite;
- Initial sales price of US\$80/t FOB, with annual price negotiations based on product demand;
- Payment of 90% of each shipment at the mine gate and the remaining 10% FOB; and
- Letter of credit payment terms.



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Carbine's process effectively replicates historical activities at Mount Morgan, with significant pyrite exports occurring from the mine during operations in the 1970s.

The cost of domestic pyrite logistics (trucking and port handling) have been projected at US\$20/t based on due diligence and service contractor quotations. These costs may be improved upon once the logistics chain is optimised when operations begin.

Given the significant demand for Mount Morgan pyrite experienced during marketing activities, Carbine and Talana are now actively exploring the potential for future increases in pyrite production and export from Mount Morgan of up to 1.0 million tonne per annum.

Carbine also continues to progress finalisation of an offtake agreement for copper sulphate sales from the future operations at Mount Morgan.

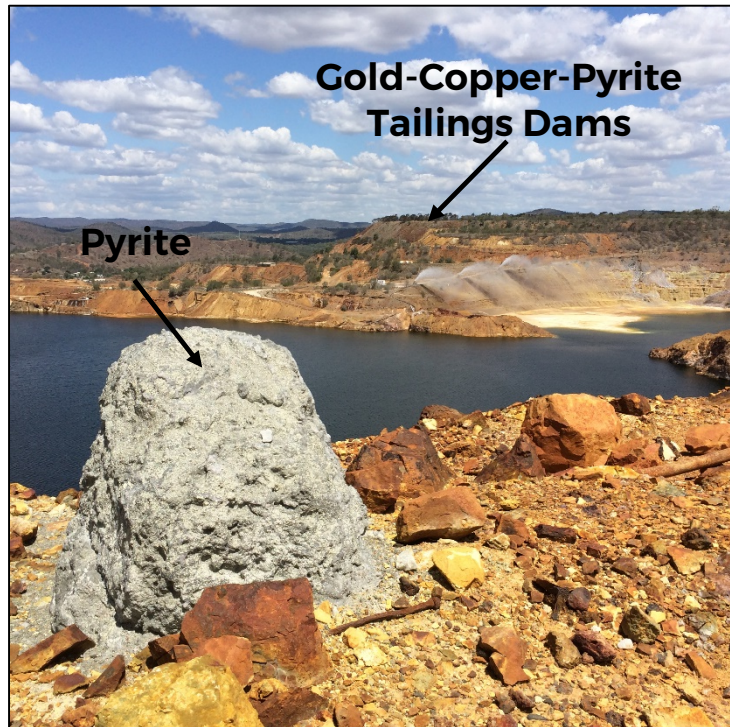


Figure 1: Outcropping pyrite at the Mount Morgan mine

The Company see no reason why the ASX should not allow trading to recommence immediately.

For further information, please contact:

Patrick Walta – Executive Director (08) 6142 0986

Talana Limited Overview

Talana Limited is a diversified global distributor, marketer and stockist of bulk industrial minerals, chemicals and raw materials. The company physically sources, finances, transports, stocks and distributes essential commodities to a range of industrial consumers globally.

Talana focus on securing long term off-take agreements with producers and encourages technical interaction between all parties. The company also targets establishment and on-going improvement of supply lines to customers in order to maintain long term cost competitive operations.

Talana has close relationships with existing pyrite end users in Europe and Asia, as well as strong contacts into Africa. Talana also actively invest in the projects which produce the products it trades.



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Key materials of import and export by Talana are:

Industrial Chemicals:	Industrial Minerals:	Raw Materials:
Sodium Cyanide (NaCN)	Pyrite	Coal
Sulphuric Acid (H ₂ SO ₄)	Quicklime	Limestone
Copper Sulphate (CuSO ₄)	Hydrated Lime	
Sodium Metabisulphite (SMBS)	Magnesium Oxide (MgO)	

Pyrite Overview

Pyrite is used as a source of sulphur in the manufacture of sulphuric acid. Demand for pyrite/sulphuric acid is principally a function of fertilizer production, where the acid is used to digest and process rock phosphate into a form where it can be applied as a fertilizer.

Production & Consumption:

In 2013, pyrite consumption in China alone was over 20 Million tonnes. China sources pyrite from both low grade domestic supply balanced with typically higher grade imports.

The grade of domestic Chinese pyrite ore is typically low and is reported as a standardised 35% sulphur product. The pyrite produced at Mount Morgan (>50% sulphur) is considered a premium high grade product, attracting strong demand for blending to improve domestic ore grades.

Comparative high grade pyrite products already in the market include that from the First Quantum Minerals Pyhäsalmi mine in Finland. In 2014, this mine produced 825,000tpa of 50% sulphur pyrite, which was exported to acid manufacturers in both China and Europe.

The Pyhäsalmi operation has a projected mine life of 2019, implying a significant shortfall in the global supply of premium grade pyrite in the near future. This bodes well future demand and price growth for Mount Morgan pyrite (with Carbine's initial planned production only 225,000tpa).

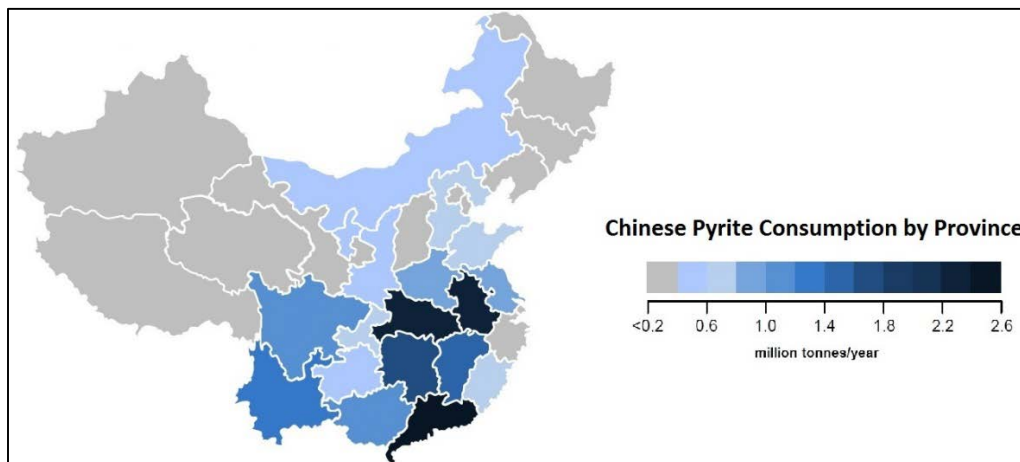


Figure 2: Chinese pyrite consumption in 2013 (Source: CRU Group)



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Pricing:

Pyrite pricing is dependent on sulphur price, which in turn is a function of fertilizer demand for agriculture and food production. In addition, further value is placed on pyrite as a source of iron (40 - 45% Fe), with pyrite residue typically on-sold to steel manufacturers following the removal of sulphur for sulphuric acid production.

Logistics:

Mount Morgan pyrite will be shipped in bulk to end users in Asia and Europe. Domestic supply opportunities are also under assessment.

The product will be delivered to the Port of Gladstone by truck or truck/rail. At the Port the pyrite will be housed in covered storage prior to ship loading through the Barney Point Terminal.

Carbine has an existing Letter of Intent with the Port of Gladstone for the storage, ship loading and export of pyrite.

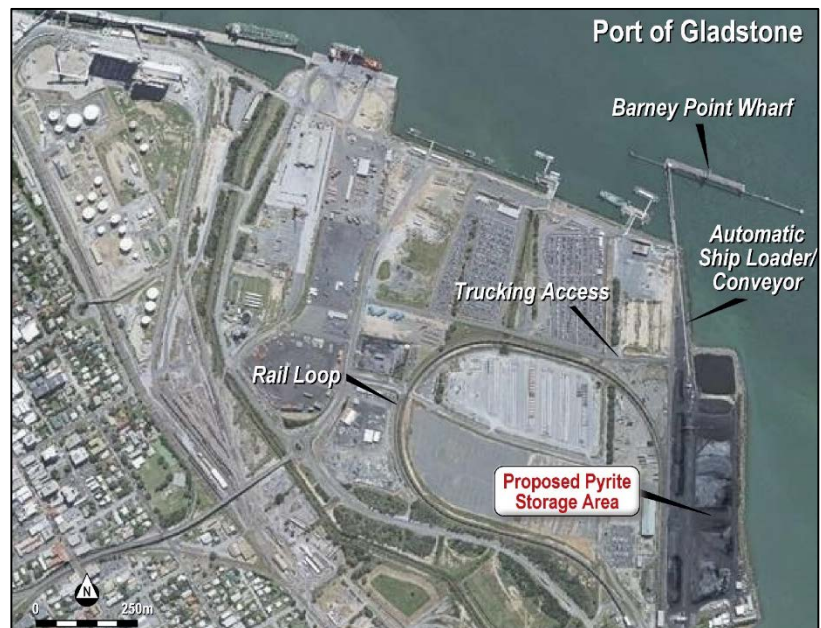


Figure 3: Proposed storage and loading facilities at Gladstone Port

Environmental Benefits

The historical environmental legacy of Mount Morgan is 100% owned by the Queensland Government through a State agreement between the mining lease holder and the Department of Natural Resources & Mines (DNRM). The mining lease holder is not responsible for existing environmental problems or the impact of past mining activities.

Despite this, Carbine has been active in assisting the DNRM with the development of mechanisms for remediation of the site during proposed future mining operations.

The ability to concentrate and sell pyrite from Mount Morgan provides a significant benefit to overall site remediation activities. The pyrites themselves are the source material for acid mine drainage at the historic mine and have been largely responsible for the current legacy issues.

This offtake agreement allows for removal of these acid forming pyrites, which will ultimately result in a substantial improvement to environmental conditions at the mine.