



December 2015 Quarterly Report

HIGHLIGHTS

- ◆ Strategic partnership & placement with GR Engineering
- ◆ DFS underway & JORC drilling program approved
- ◆ Up to A\$25M/yr binding pyrite offtake secured
- ◆ Up to A\$8M/yr binding copper sulphate offtake secured
- ◆ Long term water treatment contract with QLD government
- ◆ Appointment of key mine development personnel

Mount Morgan Gold & Copper Project, Queensland

Strategic Partnership & Placement with GR Engineering

During the quarter Carbine announced the execution of a binding MOU with GR Engineering Services Limited (GRES) (ASX: GNG) in relation to engineering, design and construction activities at the Mount Morgan Gold & Copper Project.

The MOU, which includes a strategic placement of 12,500,000 Carbine shares to GRES at an issue price of \$0.06/share, represents a strong vote of confidence in Carbine's plans for near term construction and operations at Mount Morgan. The placement saw GRES become the largest shareholder in Carbine, owning 8.2% of the Company's shares on a post transaction basis.

Carbine and GRES have also agreed to a long term relationship to progress the Project through final feasibility and into engineering design, construction, commissioning and potentially operations. Under the terms of the binding MOU, GRES has an exclusive first right to provide certain services for the Project, including:

- engineering, procurement and construction (EPC) services; or
- build, own and operate (BOO) or build, own, operation and transfer (BOOT) services for construction and operation of the proposed processing plant.

Fast Facts

Ordinary Shares

Shares on Issue 152M

Market Cap. & Cash

Mkt Cap. (at \$0.073)
\$11.1 million

Cash at 12 Jan 2016
\$3.0 million

Unlisted Asset (BOE Opts)
\$0.3 million

Board of Directors

- Mr Patrick Walta
(Executive Director)
- Mr Evan Cranston
(Non-Executive Director)
- Mr Tom Bahen
(Non-Executive Director)
- Mr Stephen Dobson
(Non-Executive Director)

Company Highlights

- DFS underway
- PFS: US\$234/oz all in sustaining costs
- Binding A\$25M/yr pyrite offtake contract
- Binding A\$8M/yr copper sulphate offtake contract
- Reserve drilling to begin Q1 2016
- Innovation award winner
- Rights to the 1Mtpa Kundana CIP Plant

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The MOU is legally binding and confirms the intention of Carbine and GRES to enter into formal agreement(s) for the provisions of services associated with the development of the Project. The terms of any contract for project development will be established on completion of the Definitive Feasibility Study (DFS), once the capital requirements and the overall value proposition of the Project have been finalised.

DFS Kick off and JORC Drilling Program Approval

As part of the MOU, GRES has been awarded the DFS for the Mount Morgan Gold & Copper Project. The DFS will be completed to an accuracy of -5%/+10% and will focus on the final feasibility activities required for the Project prior to sourcing mine development financing and ultimately making the decision to mine.

GRES will leverage off the successful results of the recently completed Prefeasibility Study (PFS) for Mount Morgan to expedite delivery of the DFS within the H1 2016.

In addition to the DFS, the board of Carbine has also approved a 5,000m drilling program at the Project. This program will target the expansion of the existing resource base and improvement in quality of resource definition. The drilling will ultimately seek to maximise the conversion of JORC Indicated resources into JORC reserves.

Drilling is due to kick off in Q1 2016, following completion of essential detailed planning for the drilling, sampling and quality analysis procedures to ensure JORC 2012 compliance.

Binding Offtake Agreement for Mount Morgan Copper Sulphate

Subsequent to the quarter's end, the Company announced the execution of a binding Principal Offtake Agreement with chemical and mineral distributor, Swancorp Pty Ltd, for the sales of copper sulphate produced at the Mount Morgan Gold & Copper Project.

Annual revenue from the agreement is projected at up to A\$8 Million per annum, which is anticipated to reduce the C1 Cash Costs for the operations by 27% from US\$680/oz to US\$494/oz.

The agreement follows on from extensive due diligence, off site trial production, end-user testing and pricing negotiations. Under the terms of the contract, Carbine and Swancorp have agreed:

- A three year exclusivity for mine gate sales of up to 1,200tpa of Mount Morgan copper sulphate, providing a mechanism for near term sales of production from water treatment operations at Mount Morgan;





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- Potential extension of the contract to up to 5,000tpa by mutual agreement, providing a mechanism for future sales from tailings reprocessing; and
- Pricing at a fixed formula relative to the LME copper cathode price, representing a significant premium on the LME copper price.

The offtake agreement provides a pathway for Carbine to potentially develop near term cash flow via copper processing at Mount Morgan. Substantial dissolved copper exists in acidic water contained within the historical open pit, which can be extracted via ion exchange water treatment.

The development of a facility for copper extraction via pit water processing would also serve as a demonstration scale use of ion exchange technology for copper recovery from the larger tailings retreatment facility.

Binding Offtake Agreement for Mount Morgan Pyrite

During the quarter, the Company announced 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. Combining the expected earnings generated from both copper sulphate and pyrite offtake, the C1 Cash Costs for the operations are reduced by 89% from US\$680/oz to US\$75/oz.

The projected All-in Sustaining Costs for the Project are US\$234/oz.

The offtake contracts therefore provide a significant by-product revenue stream for the proposed operations, which is in addition 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.





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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.

The cost of domestic pyrite logistics (trucking and port handling) have been projected at US\$20/t based 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.

Significant Government Contract for Water Treatment at Mount Morgan

During the quarter, the Company announced the execution of a long term contract with the State of Queensland to manage the existing lime dosing water treatment plant at Mount Morgan.

The contract provides an immediate source of cashflow for the Company, with annual revenue from the agreement initially projected to be up to \$1.25 Million per annum before costs.

Under the terms of the contract, Carbine has agreed to:

- Take over management of the site's existing operational lime dosing water treatment plant;
- Remuneration of \$2,500/ML of treated water, up to a maximum 500ML per annum; and
- 10 year total contract length (1×3×3×3 years).

The initial contract for Carbine's services has been set at \$1.25 Million based on the discharge of 500ML per annum. However, the water treatment plant can produce over 1,500ML per annum of treated water with minor modifications. Therefore, additional scope exists to increase the contract size following initial satisfactory completion of the 500ML per annum milestone and the modifications.

Carbine's management of the water treatment activities on site at Mount Morgan targets improving both the volume and quality of treated water entering the Dee River, which runs alongside the mine.





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These activities have the potential to both reduce the level of water within the existing open pit and also provide an ongoing improvement to overall river health downstream.

The contract was executed after negotiations between Carbine and the Queensland Department of Natural Resources & Mines (DNRM), including water testing and plant operations assessments. It represents another key milestone in the redevelopment of the historic Mount Morgan Mine.

Other Carbine Projects

Many Peaks Copper Project, Queensland

The Many Peaks Copper deposit is located approximately 125km south of Gladstone. The deposit previously produced over 500,000t of copper ore grading ~2% Cu.

Carbine is currently assessing historical drilling information for this project for completion of a desktop study.

Corporate Activities

Key Personnel Appointments

During the quarter, Mr Terry Moylan was appointed to the role of Chief Operating Officer, to ensure successful progression of the Mount Morgan Gold & Copper Project through final feasibility and mine construction activities.

Terry is a mechanical engineer with 43 years' experience in mining and metals production. He was previously the General Manager of Projects & Business Development for Norton Gold Fields, where he was responsible for the continued development and operation of the 3.5Mtpa (180koz gold p.a.) Paddington Gold Mine.

Terry has also developed new gold mines in Australia, Mongolia and China and has been involved in the exploration and evaluation of gold and copper assets in Mongolia and Siberia. In addition, he has worked for Newmont Gold and Reynolds Metals on the expansion and reorganisation of mining operations in Australia.

For further information, please contact:

Patrick Walta (Executive Director): +61 8 6142 0986





Appendix 1: Carbine's Tenement Interest

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 31 December 2015:

Burkina Faso Permit	License Number	Interest
Nongodoum	11-213	100% Carbine
Magel	11-214	100% Carbine
Madougou	09-156	Option to Acquire 80%
Kandy	10-100	Option to Acquire 80%
Madougou 2	11-052	Option to Acquire 100%
Ingara	Application	100% Carbine
Siliga	Application	Option to Acquire 100%
Mount Morgan Tenements Queensland		
	ML5628	Option to Acquire 100%
	ML5613	Option to Acquire 100%
	ML5616	Option to Acquire 100%
	ML5660	Option to Acquire 100%
	ML5608	Option to Acquire 100%
	ML5617	Option to Acquire 100%
	ML5609	Option to Acquire 100%
	ML5619	Option to Acquire 100%
	ML5602	Option to Acquire 100%
	ML5618	Option to Acquire 100%
	ML5658	Option to Acquire 100%
	ML5635	Option to Acquire 100%
	ML5622	Option to Acquire 100%
	ML5620	Option to Acquire 100%
	ML5623	Option to Acquire 100%
	ML5627	Option to Acquire 100%
	ML5615	Option to Acquire 100%
	ML5589	Option to Acquire 100%
	ML5659	Option to Acquire 100%
	ML5634	Option to Acquire 100%
	ML5626	Option to Acquire 100%
	ML5633	Option to Acquire 100%
	ML5621	Option to Acquire 100%
	ML5624	Option to Acquire 100%
	ML5625	Option to Acquire 100%
	ML6692	Option to Acquire 100%
	ML5612	Option to Acquire 100%
	ML5649	Option to Acquire 100%
	ML5614	Option to Acquire 100%



ML5648	Option to Acquire 100%
Many Peaks Tenements Queensland	
ML3640	Option to Acquire 100%
ML3641	Option to Acquire 100%
MDL30	Option to Acquire 100%
EPM14918	Option to Acquire 100%

There were no mining tenements or interests in farm-in/farm-out agreements acquired or disposed of during the quarter.

The Company is currently relinquishing its assets in Burkina Faso.

Competent Person Statement – Exploration Target:

The information in this report that relates to the Exploration Target is based on information compiled by Lance Govey, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Lance Govey is an independent geological consultant and has no association with Carbine Resources Limited other than being engaged for services in relation to the preparation of parts of this report. Lance Govey has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Lance Govey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. This was initially release to the ASX on 13 November 2014 and has not materially changed since it was last reported.

Competent Person Statement – JORC Resources:

The information in this report that relates to the Mineral Resources of the Mount Morgan Mine project was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Troy Lowien, Resource Geologist, of consultants Coffey Mining Pty Ltd, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM") and has a minimum of five years of experience in the estimation, assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the JORC Code. Troy Lowien conducted the geological modelling, statistical analysis, variography, grade estimation, and report preparation. This report accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

