



## **December 2017 Quarterly Report**

### **KEY POINTS**

- ◆ **Continuation of work including final design criteria and front end engineering following Demonstration Plant test work completed in late 2017 (ASX: 25 October 2017)**
- ◆ **Timeframe established for Mount Morgan Environmental Authority (EA) amendment (ASX: 23 January 2018)**
  - ◆ **EA amendment process and timing has been established following the Assessment Level Decision (ALD) by the Department of Environment and Science (DES) and the revised EA is now expected to be completed in May 2018**
- ◆ **Response to submission for financial support from Queensland Government \$130 million Jobs and Regional Growth Fund delayed due to Queensland elections**
- ◆ **Continuation of discussions with potential project financiers**
- ◆ **Mount Morgan slag mining and transport completed in December for cement manufacturing trial (ASX: 28 August 2017)**

**Carbine Resources Limited's (ASX: CRB) Feasibility Study** on the Mount Morgan Gold-Copper Project in central Queensland demonstrated a strong base case for the development of a low cost, long-life project (ASX: 8 December 2016).

The Feasibility Study Base Case assumed a 1.1mtpa throughput rate over a 9.5 year mine life. The estimated Ore Reserve is associated with just four of the historical tailings dumps at Mount Morgan delivering gold, copper sulphate and premium unroasted iron pyrite concentrate to market. Additional to the Feasibility Study base case, the Company presented a 20 year expanded case using the same annualised production rate.

Following on from the Feasibility Study's strong technical and financial outcomes, Carbine continues to advance the required regulatory approvals, pyrite offtake agreement, front end engineering and design (FEED), and project funding.

Working with GR Engineering Services (GRES), the Company has successfully completed the demonstration plant test work associated with the FEED work and the results of this work will be used in progressing the project into the construction phase on completion of the final project approvals and financing.

The Company also continued its background work with the Queensland Government in respect to the submission to the Queensland Government for financial support from the Jobs and Regional Growth Fund for





**CARBINE RESOURCES**  
LIMITED

the development of the Mount Morgan Project. The \$130 million Jobs and Regional Growth Fund (Feb 2017) is part of the Government's broader \$200M Jobs and Regional Growth Package, targeted at growing regional economies and jobs for Queenslanders. The Company's application continues to be assessed for consideration and the progress of this application was delayed due to the "caretaker" phase associated with the timing of the Queensland State election. Further detail about the Jobs and Regional Growth Fund can be found on the website, [www.statedevelopment.qld.gov.au/industry/industry-support/jobs-and-regional-growth-fund](http://www.statedevelopment.qld.gov.au/industry/industry-support/jobs-and-regional-growth-fund)

## Regulatory Approvals

The three significant approvals required for the development of the Mount Morgan Project are the Development by the State Application under section 71 of the Queensland Heritage Act 1992 (Heritage), the Regional Interests Development Approval (RIDA) and the Environmental Authority (EA) amendment. The company has received approval of the Heritage and Regional Interests Development applications (ASX: 27 April 2017 & 28 July 2017). The EA amendment is still to be finalised.

Following extensive background work and communication with DES in 2017 the company submitted its final EA amendment application in December 2017. On the 19<sup>th</sup> January 2018, DES advised the company by formal Notice that the Assessment level Decision (ALD) for the application proposed is a major amendment. DES has determined that the amendment is a major amendment pursuant to EP Act (s 228) because it does not meet the criteria for a minor amendment as specified under EP Act (s 223). Following the ALD the timeframe for the finalisation of the amendment is established in line with the requirements of the EP Act. In summary following payment of the assessment fee (\$53,088) which occurred on 24<sup>th</sup> January, DES has 20 business days to "request further information" being 22<sup>nd</sup> February (EP Act s 144). Following that period the company has up to 20 business days to respond to the further information request. On receiving the information DES then have a further 25 business days to make a decision on the amendment and provide a revised EA draft. However it should also be noted that DES also have the capacity to extend information request period by 10 business days (s 145) and the decision period by 20 business days (s 168.2). The company has an expectation that the process will be completed by May 2018 based on the extent of the work and information provided in 2017.

DES provided the following reasons for a major amendment assessment in relation to the previous EA given in 2010:

1. There is potential for a significant increase to the level of environmental impact due to the inclusion of the Shepherds Gully tailings and the revision of the regulated structures.
2. There is a significant increase in the scale or intensity of the activities due to the inclusion of Shepherds and an increase in size of the Sandstone Gully Tailings Storage Facility (TSF).
3. Involves the addition of disturbed surface area greater than 10% when compared to the original EA.
4. That further information is to be provided in relation to site water management, management of tailings extraction, proposed monitoring of surface and ground waters and
5. Potential noise impacts.

The Company has closely considered the option to apply to DES for a review of the decision or appeal against the decision at the relevant court because it is of the view that these areas have been adequately addressed





**CARBINE RESOURCES**  
LIMITED

considering the current environmental status of the site. The Company decided not to follow this course of action as it does not see any time advantage in doing so. The process will now encourage the relevant parties to actively engage with the Company and other stakeholders to complete the amendment by understanding the long term environmental and community benefits associated with the project.

## **Demonstration Plant Results**

In the September Quarterly Activities report the Company reported on the successful results achieved with the completion of the Demonstration Plant test work (ASX: 25 October). In conjunction with GR Engineering Services (GRES), the Company is currently in the process of finalising the final design criteria, front end engineering and a revised economical model.

## **Slag Testing to Commence**

In August 2017, an agreement was reached between Carbine and Cement Australia Pty Ltd to conduct a trial on the suitability of Mount Morgan slag for the purposes of cement manufacturing. A 1,000t parcel was mined at Mount Morgan between 21<sup>st</sup> November and 3<sup>rd</sup> December and transported to Gladstone for the test work. Cement Australia will run tests and trial the sample in 2018. The site has over 6.5 million tonnes of slag of which 2.9 million tonnes will be mined as waste sitting above the Red Oxide tailings.





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## Corporate Activities

### Performance Rights

The Carbine Performance Rights plan was established in May 2016. Tranche 2 of the plan being 4,550,000 shares was for the successful completion of project funding arrangements for the Mount Morgan project. The Carbine Board decided in January 2018 that due to the Tranche 2 performance rights not being achieved by the due date, that those performance rights will lapse (ASX: 5 January 2018).

### Raging Bull Option Extension

In order to complete the work associated with FEED demonstration plant work and the EA amendment application prior to making a decision on the Raging Bull Mining option (ASX: 24 March 2017), the Company has agreed to extend the timeframe for the terms with Raging Bull Mining Pty Ltd for the acquisition of the remaining 25% of the Mount Morgan Project by 6 months to 23 March 2018. Payment for the extension was by the issue of \$200,000 worth of Carbine shares to Raging Bull nominees. The share issue is offset by a reduction in the value of the consideration payable on exercise of the option, with the original agreed payment of \$2.3 million now reduced to \$2.1 million. The option exercise payment remains payable in Carbine shares or cash (or a combination) at the election of Carbine.

Carbine is currently reviewing a further extension of the Raging Bull Option following the final establishment of the timing associated EA amendment application.

### Norton Goldfields and Carbine

The Company has continued discussions with Norton Goldfields in regards to the Mining Property Sale Agreement it has with Raging Bull Metals. Carbine will require title transfer to fund and develop the project. Senior management from Norton conducted a site visit to Mount Morgan in late 2017 to receive a project update from Carbine's management team.

### Mount Morgan Project Financing

Discussions have continued with financiers who have expressed interest in providing finance for the project development. A successful financing outcome is dependent amongst other things on obtaining all project approvals, and moving to 100% project ownership.

### For further information, please contact:

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## **Competent Person Statements**

### **Ore Reserves**

*The information in this report that relates to Mineral Reserves for Mount Morgan is based on, and fairly represents, information and supporting documentation prepared by Mr. A James, who is a Competent Person according to the JORC 2012 Code. Mr. A James is a fulltime employee of Carbine Resources as the Managing Director of the Company and he holds shares in the Company. He is a Fellow of the Australasian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. The information is extracted from the ASX report entitled 'Feasibility Study Delivers 2 Year Payback – AISC \$549/oz' created on 8<sup>th</sup> December 2016, and is available to view on the Carbine Resources website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

### **Exploration Targets, Exploration Results, Mineral Resources**

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

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



## Appendix 1: Carbine's Tenement Interest

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 31 December 2017:

<b>Mount Morgan, Queensland</b>	<b>Tenement Reference</b>	<b>Interest</b>
	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%
<b>Many Peaks, Queensland</b>		
	ML3640	Option to Acquire 100%
	ML3641	Option to Acquire 100%
	MDL30	Option to Acquire 100%

No interests were acquired or disposed of during the quarter.