

29 June 2023

Director Appointments, Lifting of Voluntary Suspension and Royalty Dispute

Director Appointments

Carbine Resources Limited (ASX:CRB) (**Company**) is pleased to advise that Glenn Whiddon and James Pearce have been appointed as Non-Executive Directors of the Company with immediate effect.

Mr Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with a specific focus on natural resources. Mr Whiddon holds a degree in Economics and has extensive corporate and management experience. Mr Whiddon is currently non-executive chairman of Calima Energy Ltd and a non-executive director of MinRex Resources Ltd.

Mr Pearce is an experienced corporate lawyer with over 10 years' experience working for national, international and boutique law firms advising Australian businesses mainly in the mining, oil & gas and technology sectors. He holds Bachelor degrees in both Law and Commerce, majoring in finance.

The Company has agreed to issue each of the incoming directors the following securities, subject to shareholder approval to be sought at the next annual general meeting:

Class and Number	Issue Price	Vesting condition and exercise price
5,000,000 performance rights	Nil	Vesting on appointment as a Non-Executive Director
5,000,000 performance rights	Nil	Vesting on 12 months service as a Non-Executive Director
7,500,000 options expiring 14 July 2026	\$0.001	No vesting conditions and an exercise price of \$0.02 each
7,500,000 options expiring 14 July 2026	\$0.001	No vesting conditions and an exercise price of \$0.04 each

If the above equity securities are not approved, the Company will make a cash payment equal to the greater of the value of the equity securities (using standard valuation techniques) at the time of the preparation of the notice of meeting for the annual general meeting; or the average cash salary of the managing director / chief executive officer for the last two years, or in the event that there is no managing director / chief executive officer appointed at the time of shareholder approval, then the industry average for a full time managing director / chief executive officer of a similar peer group of ASX-listed companies as determined by an executive recruitment firm. For illustrative purposes, the current value of the above equity securities is approximately \$180,395 (see Appendix 1) and the average annual cash salary of the current Managing Director over the previous two years of the Company is approximately \$220,000pa.

All other terms of engagement are standard for appointments of this nature.

Lifting of Voluntary Suspension and Royalty Dispute

The Company refers to its request for voluntary suspension dated 25 May 2023 to consider a potential legal claim from a major shareholder and the royalty holders with respect to the Muchea West Silica Sand Project. Dispute notices were received by Carbine from each of Australian Mining and Exploration Group Pty Ltd

(controlled by Matthew Hogan) and Brenton Parry (a shareholder with 3.9% of Carbine's issued shares) (together, **Royalty Holders**) on 24 May 2023 (**Notices**).

The Notices refer to royalty deeds between each of the Royalty Holders and Australian United Silica Corporation Pty Ltd (Ausco), a 100% subsidiary of the Company, which provide for a royalty over silica sand, other sand or minerals mined from E70/4905 (**the Tenement**) and any other mining tenement or tenements which may be granted in lieu of or relate to the same ground as E70/4905 (**Royalty Deeds**).

Under the Notices, the Royalty Holders assert that Ausco has breached the Royalty Deeds by failing to give at least 30 days prior notice prior to any relinquishment or surrender of any part of the Tenement. The Royalty Holders also assert that the purpose of the notice requirement is to give the Royalty Holders the option to each acquire a 50% interest (100% in total) in the Tenement for \$1 (\$2 in total).

On 20 April 2023, Ausco surrendered 14 graticular blocks contained in the Tenement for the following reasons:

- (a) On 12 April 2022, Ausco applied for a renewal and extension of E70/4905;
- (b) On 7 September 2022, the term was extended to 23 April 2027;
- (c) On or about 19 December 2022, Ausco applied for a mining lease over an area covered by the Tenement (being MLA70/1422 which has since been recommended for grant by DMIRS on 18 April 2023); and
- (d) It was a necessary consequence of the renewal and extension of the Tenement that Ausco was obliged under s 65(3) of the *Mining Act 1978* (WA) to surrender 14 blocks within the Tenement on or by 23 April 2023.

The Company's position is that the requirement to give the Royalty Holders prior notice of a relinquishment or surrender under the Royalty Agreements will not apply where a surrender of blocks is a necessary consequence of the operation of compliance with s 65(3) of the *Mining Act 1978* (WA). There are various reasons for this conclusion, including:

- (a) the purpose of the notice requirement should only be read to operate in relation to the tenure that is to be surrendered or relinquished (not a first right of refusal to acquire the whole Tenement as the Royalty Holders' allege);
- (b) Ausco must have the flexibility to make surrenders that are a necessary consequence of a renewal and extension of the Tenement or are otherwise required for Ausco to comply with its obligations under the *Mining Act 1978* (WA); and
- (c) the correct approach to interpretation of the Royalty Deeds and the purpose and intent of the requirement to provide prior notice to Ausco supports the Company's position.

Even if the Royalty Holders' position is correct that Ausco has breached the Royalty Agreements (which is denied), the Company advises that the Notices do not include a claim for damages. The Company's view is that there is no material financial impact on the Company with respect to the issues raised in the Notices (other than incurring legal and other costs in defending such claims).

To summarise, the Company does not accept that the purpose of the Royalty Deeds is to enable the Royalty Holders to purchase the entire Tenement for \$2 on the Company complying with its compulsory relinquishment obligations to surrender blocks under the *Mining Act 1978* (WA).

The Company has provided a response to the Royalty Holders and will inform the market in the event there are any further developments. In any event, the Company intends to defend any further claims made by the Royalty Holders in relation to the matters raised in the Notices.

Carbine looks forward to the pending grant of the mining lease over the area captured by the Royalty Deeds, which was recommended for grant by DMIRS to the Minister on 18 April 2023.

The Company is not aware of any reason why the ASX would not allow trading in the Company's securities to commence immediately.

This announcement is approved for release and authorised by the Managing Director of Carbine Resources Limited, Peter Batten.

For further information, please contact:

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Appendix 1 – Valuation of Equity Securities for Illustration Purposes

Tranche	Exercise price	Expiry date	Value per option/right	Value of options/rights
5,000,000 performance rights vesting on appointment as a Non-Executive Director	Nil	14/07/2026	\$0.0110	\$55,000
5,000,000 performance rights vesting on 12 months service as a Non-Executive Director	Nil	14/07/2026	\$0.0110	\$55,000
7,500,000 options expiring 14 July 2026 - No vesting conditions and an exercise price of \$0.02 each	\$0.02	14/07/2026	\$0.0055	\$41,145
7,500,000 options expiring 14 July 2026 - No vesting conditions and an exercise price of \$0.04 each	\$0.04	14/07/2026	\$0.0039	\$29,250

Valuation judgements:

- Interest rate is per yield curve interpolated from Australian government bond rates.
- Volatility is calculated to last day of trading on 23 May 2023 to avoid historical volatilities being confounded by trading being suspended. Log-based historical volatilities to 23 May 2023 are 95% for 3 months, 103% for 6 months, 98% for 9 months, 99% for 12 months, 96% for 18 months, and 93% for the 22 months since relisting on 22 July 2021. Based on the initial high stability, the 18 month historical volatility is now considered more representative, with volatility used of 96%.
- Although the 5,000,000 performance rights vesting on 12 months service as a Non-Executive Director would be recognised over the vesting period for financial accounting purposes, with the total amount recognised dependent on whether service is for at least 12 months, the initial valuation ignores this possibility of not vesting, in accordance with accounting standards.
- Assumed an issue date of 27 June 2023.