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Quarterly Activities Report

For the Quarter Ended 31 December 2016



Carbine Tungsten Limited

ACN 115 009 106

Registered Office:

Level 2, 420 Collins Street, Melbourne VIC 3000; Tel +61 3 8687 2176

Principal Place of Business:

6888 Mulligan Highway, Mt Carbine QLD 4872; Tel: +61 7 4094 3072; Fax: +61 7 4094 3036
(ASX: CNQ)

HIGHLIGHTS

- **Carbine Tungsten Limited (“Carbine” or “the Company”) progressing diversification and restructuring plan.**
- **All resolutions successfully passed by the majority of the Company’s shareholders at Carbine’s Annual General Meeting held on 24 November 2016.**
- **Applications for 10 lithium brine exploration concessions have been lodged on behalf of Carbine in Chile.**
- **Carbine engages German Mining Networks as investment advisory.**
- **Carbine agrees potential quarry buyout process.**
- **Tungsten market activity and strategic demand prospects improving.**

EXECUTIVE SUMMARY

The Company has been actively progressing its diversification plans as outlined to the market in the Chairman’s Report within the Company’s 2016 Annual Report.

The Company was pleased to receive the successful support of its shareholders, in passing all of the resolutions, at the Company’s Annual General Meeting held in Melbourne on 24 November 2016. The Company wishes to thank its shareholders for their ongoing support as it transitions with its exciting diversification plans, whilst still retaining its core tungsten asset in a shovel-ready project status awaiting tungsten market prospects to improve. The most recent of these transitional strategies, being the development of lithium brine exploration prospects in the mining friendly country of Chile, has seen exciting initial results which has prompted a key focus point for the Company’s activities.

The Company has also appointed German Mining Networks as a marketing advisory company to promote its activities within the European marketplace and potentially support financing activities.

The conciliation process undertaken with Mt Carbine Quarries Pty Ltd has led to an agreement by which the parties intend to appoint their respective lawyers to oversee the potential buyout arrangements for Mt Carbine Quarries Pty Ltd who are conducting quarry activities at the Mt Carbine mine site. The Company has also commenced its annual wet season pumping and management activities at the Mt Carbine mine site in Far North Queensland.

Carbine is continuing its R&D activities with respect to the Mt Carbine Tungsten Project and has sent samples to South Africa for scheelite recovery testing from the Atom Exchange Technology (“AXT”) process. The results of the test work have been delayed, predominantly due to the testing laboratory facilities being relocated to much larger premises. The Company’s interest and potential agency options for the AXT mineral processing technology remain open. Carbine is actively preparing its application for its 2016 R&D tax refund.

The tungsten market prospects are undergoing a potential realignment. This is due mainly to the global shifts and geopolitical actions being actioned and foreshadowed by the new government administration in the USA. The military and industrial uses of tungsten combined with the prospect of the western world’s potential decreased reliance on manufactured items and steel products from China hold out the prospect of a renewed appetite and imperative for non-Chinese sourced tungsten supply. Some market analysts have speculated that China has been heavily subsidising the tungsten price for quite some time in order to support their price advantages in selling finished manufactured goods and particularly steel products. As the global changes in both military alliances and strategic dependences take hold, the need for independent tungsten supply is highly likely to change and any current price distortions may disappear resulting in tungsten price increases. Recent reports that President Putin of Russia has specifically ordered the production funding and development of new tungsten mining facilities in Russia indicate there are changing strategic and positive value movements within the global tungsten market.

Carbine continues its ongoing long-term relationship with Mitsubishi Corporation RtM Japan Ltd.

EXPLORATION, DEVELOPMENT AND CORPORATE ACTIVITIES
QUARTER ENDED 31 DECEMBER 2016

EXPLORATION

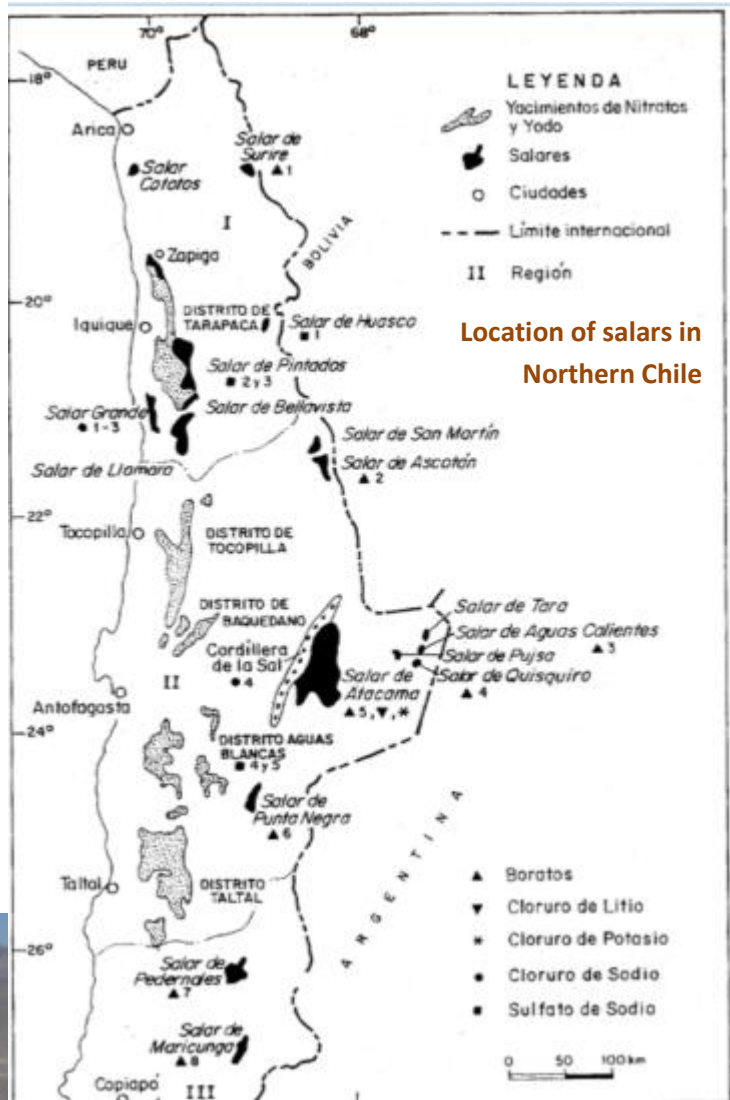
LITHIUM ACTIVITIES

APPLICATION FOR CONCESSIONS OVER LITHIUM-PROSPECTIVE SALARS IN CHILE

Carbine has previously announced a diversification program that is aimed at reducing the risk of its exposure to one metal commodity (tungsten). The main focus of this diversification program will be gold and lithium.

Carbine is pleased to announce that as part of its diversification program it has applied for 10 exploration concessions for lithium over two salars (internal drainage basins) in the Atacama Desert in northern Chile. These applications follow a successful reconnaissance sampling of various salars that highlighted the prospectivity of these salars for lithium brine. The concessions are well situated to existing infrastructure being close to the Pan American highway and lithium processing infrastructure at the port of Antofagasta. A drilling campaign is planned to sample brines within these salars.

The Company is focused on lithium brines as a source of lithium since it is also pursuing a new technology (the AXT process) that holds promise of producing lithium metal directly from lithium-bearing solutions at low operating cost.



Example of salar (basin with internal drainage)

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WHY CHILE?

Chile contains 27% of the global reserves of lithium and contributes to more than 50% of global production.

All major international miners are active in Chile:

- BHP Billiton, Anglo American, Rio Tinto, Xstrata, Teck Cominco, Kinross, Phelps Dodge, Barrick Gold and Newmont.

Clear legislation and well-established procedures with favourable mining royalty regime. Chilean mining law permits:

- 100% foreign ownership.
- Legal protection of mining concessions.
- Concessions granted on a first come first served basis.
- Independent judicial system.
- Clear foreign investment framework.

One of South America's most stable and prosperous nations:

- Over 150 years of mining history with well-defined mining and environmental regulations.
- Consistently one of Latin America's fastest growing economies.
- Open market economy, high level of foreign trade and macro-economic stability.

2017 EXPLORATION STRATEGY

- Test existing applications for lithium brines by shallow drilling.
- Continue prospecting reconnaissance to sample salars not already sampled.
- Anticipate applications for more ground.

- Expand drill testing and sampling with the intention to outline potentially commercial lithium brines within 12-18 months depending on continued success as foreshadowed by the initial reconnaissance.

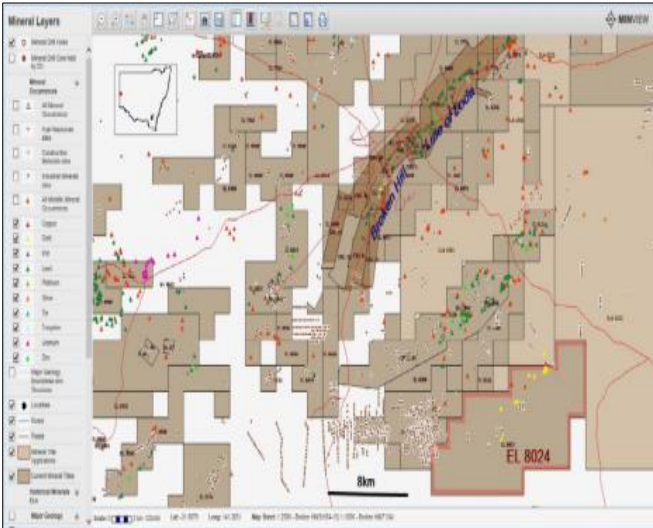
OUTCOME – Delineation and substantial concession position on one or more lithium brine targets for sampling by deeper drilling (500m) in 2018. Flow of significant announcements during 2017.

GOLD ACTIVITIES

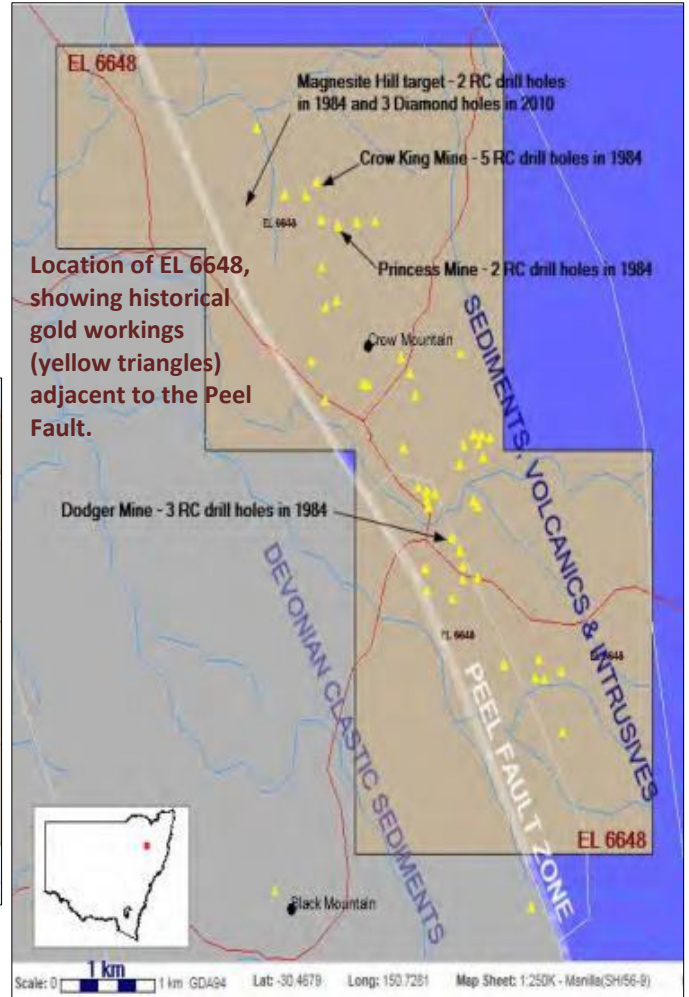
Carbine holds two tenements:

- Panama Hat 20km from Broken Hill; and
- Crow Mt 20km from Barraba, north western NSW.

Both logistically well situated and subjected to substantial prior investigation by Dr Andrew White and Mr Jacob Rebek along with comparison to other gold prospects, resulting in their selection as premier prospects.



Above map shows maximum gold values obtained by rock chip or mineralised rocks by previous explorers on EL 8024.



EXPLORATION TARGET

>500,000 ounce open pit oxide gold at grades of 2-3 g/t.

STATUS

- Previous drilling and sampling vindicates their selection.
- Fresh geological interpretations ready to be tested.

2017 EXPLORATION STRATEGY

Confirmation of new geological interpretations by shallow (20m) drilling and rapid confirmation of resource potential. Assuming confirmation, expanded drilling will be undertaken to develop open pit resources in each tenement.

OUTCOME

- Continuous reporting stream of gold analyses through 2017.
- Robust statement of exploration target by end of 2017.

TUNGSTEN ACTIVITIES

MT CARBINE TUNGSTEN MINE

The Company continues to maintain the project in a project ready status awaiting improved tungsten market conditions. In the interim R&D activities with respect to AXT scheelite test work have been initiated.

Wet season preparations have also been implemented at the site.

The conciliation process undertaken with Mt Carbine Quarries Pty Ltd has led to an agreement by which the parties intend to appoint their respective lawyers to oversee the potential buyout arrangements for Mt Carbine Quarries Pty Ltd who are conducting quarry activities at the Mt Carbine mine site.

TENEMENT INFORMATION REQUIRED UNDER LISTING RULE 5.3.3

In accordance with Listing Rule 5.3.3 the following information is submitted with respect to the tenements held by Carbine and its wholly owned subsidiaries:-

Tenement Number	Tenement Location
Queensland	
EPM 14871	Mt Carbine
EPM 14872	Mt Carbine
ML 4867	Mt Carbine (Sub-lease)
ML 4919	Mt Carbine (Sub-lease)
New South Wales	
EL 6648	Crow Mountain
EL 8024	Broken Hill

During the period no farm-in or farm-out agreements were entered into nor were any mining tenements acquired.

JIM MORGAN
CEO & MANAGING DIRECTOR

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources and Ore Reserves is based on information compiled by Dr Andrew White, who is a Fellow of the Australian Institute of Geoscientists and a consultant to Carbine. Dr White has sufficient experience relevant to the style of mineralisation, mining and processing the type of deposit under consideration 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". Dr White consents to the inclusion of the matters based on his information in the form and context in which it appears.



CARBINE TUNGSTEN LIMITED AT A GLANCE

Directors

Mr R.H. (Russell) Krause, Non-Executive Chairman
Mr A.J. (Jim) Morgan, Managing Director
Mr R.W. (Rolly) Nice, Non-Executive Director

Company Secretary

Mr David Clark

Registered Office

Level 2, 420 Collins Street, Melbourne VIC 3000
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Website and Emails

Please visit Carbine's website for the latest announcements and news: www.carbinetungsten.com.au. To receive Carbine's announcements by email, email to: info@carbinetungsten.com.au

General Enquiries

Contact Mr Jim Morgan on (03) 8687 2176

Issued Capital and Market Capitalisation

At 20 January 2017 Carbine's issued capital was 418,876,418 ordinary shares and 8,000,000 unlisted options exercisable at 20 cents. At a share price of \$0.019 on 20 January 2017 the market capitalisation was \$7.96 million.

Number of Shareholders and Major Shareholders

At 20 January 2017 Carbine had 1,154 shareholders. The share register records the following as major shareholders at 20 January 2017 accounting for 46.8% of the issued shares:

Shareholder	%
BNP Paribas Nominees Pty Ltd <Global Prime Omni DRP A/c>	17.91
Dr Leon Eugene Pretorius	8.59
Mota Engil Minerals & Mining Investments BV	3.82
Baglora Pty Ltd <Mott Family Super Fund A/c>	3.78
TBB NSW Pty Ltd <The Watson No 1 A/C>	3.27
Andrew Hewlett White and Associates	1.32
Alan Scott Nominees Pty Ltd <Superannuation Fund>	1.31
Max Mobile Auto Clinic Pty Ltd	1.25
Silva Pty Ltd	1.22
JA Johnstone Pty Ltd <Waterhouse Super Fund A/C>	1.18
Mr Raymond Thomas Page	1.12
Mr Paul Machetti	1.03
Andrew James Morgan	1.00

Cash Balance

At 31 December 2016 Carbine's cash balance was approximately \$294,000.

Shareholder Enquiries

Matters relating to shares held and changes of address should be directed to the share registry:

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
Telephone (within Australia): 1300 850 505
Telephone (international): +61 3 9415 4000

ASX Listing Code

The Company's ASX listing code is CNQ (Carbine North Queensland)