



**Historic Photo - Bottom of the Open-Pit Mine**

# Quarterly Activities Report

For the Period Ended 30 June 2013



**Carbine Tungsten Limited**

ACN 115 009 106

Registered Office & Principal Place of Business:

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## HIGHLIGHTS

- Environmental approvals required to commence development activity at the Hard Rock stockpiles progressing well and remain on track for award during Q4 2013.
- High grade tungsten concentrate shipments continue to be despatched from the Tailings Retreatment Plant with the latest shipment being despatched on 19 July 2013.
- Mitsubishi Corporation RtM Japan Ltd (“Mitsubishi”) provides an advance production payment of US\$400,000 to support further production improvement and optimisation work on the Tailings Retreatment Plant.
- Mitsubishi Corporation RtM Japan Ltd President & CEO, Mr Kenji Tani and senior management team from Japan scheduled visit to Mt Carbine occurred subsequent to this quarter, in July 2013. Site visit conducted to undertake investment inspection, in accordance with the existing Memorandum of Understanding (MOU) between Carbine and Mitsubishi.
- Carbine received research and development (R&D) tax reimbursement of \$1.32 million as part of its ongoing R&D activities at its Tailings Retreatment Plant.
- Carbine undertakes Board restructure – significantly strengthened technical and corporate expertise with key appointments.
- Tungsten concentrates and APT prices continue to increase with strong demand from international markets and lower Australian dollar support improvement in the tailings production and future Hard Rock Project economics.
- Discussions with additional major investment partners are progressing well with due diligence processes in final stages.
- Extensive exploration (pit extension targets) identified within the current mining lease and within a 2 kilometre radius of current pit within the surrounding exploration lease area.

Multiple environmental and process samples of the stockpiles indicate potentially improved global grade.

Valuable experience and ongoing development of intellectual property gained by the company, particularly in the processing and recovery of fine tungsten concentrates.

## OUTLOOK

- Permitting and approvals for processing of the Hard Rock stockpiles expected to be received during the September quarter of 2013.
- Advance discussions with potential Project funding partners.
- Commence development work for Hard Rock stockpiles following permitting secured.
- Continuing optimisation work to be undertaken at the Tailings Retreatment Plant.
- Mt Carbine selected for a site visit from approximately 80 international and local delegates from the International Tungsten Industry Association’s (“ITIA”) AGM to be held in September 2013.

## EXECUTIVE SUMMARY

Carbine Tungsten Limited (“Carbine” or “the Company”) (ASX:CNQ) is pleased to report on activities undertaken at the Company’s Mt Carbine Tungsten Project in Far North Queensland during the quarter ended 30 June 2013. During the quarter, Carbine was focused on a number of corporate and operational activities to support the near term commencement of development activity at the Hard Rock Project. The Company saw exciting and significant progress towards the development and production objectives remaining on track to secure the required permitting and approvals to commence development activity in the current quarter.

To strengthen the Board and position the Company for the development phase of the Hard Rock Project, a restructure was completed during the quarter. Mr Russell Krause was appointed as Non-Executive Chairman, replacing Dr Leon Pretorius. Mr Krause has substantial corporate experience in the junior resources sector having held executive and senior management level positions in stockbroking, investment banking and corporate advisory firms. Carbine also appointed Mr Roland Nice as Non-Executive Director, strengthening the technical expertise on the Board. Mr Nice has extensive experience in mineral processing and metallurgy having worked on some of the world’s most prominent projects.

A program to improve the production of the current tailings retreatment operation is underway with progress being made with the further recovery of the higher grade ultra-fines material. In addition trials of heavy media separation jigging to improve the recovery of larger sized material is also being conducted. This program is being funded by a US\$400,000 dollar advanced product payment facility provided by Mitsubishi in May 2013. The expected advances in production and recovery will be directly applicable to the stockpile and open pit Hard Rock Project material once these are brought into production.

Carbine continued to despatch concentrate shipments from the Tailings Retreatment Plant to Mitsubishi, with the most recent shipment despatched on 19 July 2013.

Similar progress has been achieved with Mitsubishi in terms of progressing the conditions of the Memorandum of Understanding (“MOU”) between the two companies that outlined Mitsubishi’s intentions to make a \$15 million dollar investment to commence processing of the 12 million tonnes of previously mined stockpiled material that is readily available at surface for processing. Mitsubishi’s investment is predominately subject to the permitting approvals process mentioned above. Subsequent to the quarter, a site visit was undertaken in July 2013 by a delegation of senior Mitsubishi executives, further demonstrating Mitsubishi’s interest in the Mt Carbine Project.

Economic assessment of the next stage of the Mt Carbine re-development, namely processing the low grade stockpile, is based on the average grade (0.075%  $WO_3$ ) of the bulk sample taken for the extensive X-ray ore sorter trials carried out in 2010-11. However, all subsequent samples of the low grade stockpile taken for environmental and ongoing metallurgical test work (a total of more than 90 representative 10kg samples) have assayed from 0.11%  $WO_3$  to 0.22%  $WO_3$ . If these significantly higher grades remain consistently representative of the stockpile, a dramatic reduction of operating costs per mtu of production will result.

During the quarter, Carbine received a \$1.32 million research & development tax refund strengthening the cash position of the Company. The Company remains well funded to commence development activities at the Project once the permitting and approvals process is completed.

The Company continues to generate increased credibility and interest in its operations from the tungsten industry and tungsten investment community and preparations for the Mt Carbine site visit by ITIA international delegates during September 2013 are expected to increase and expand that interest.

Over the last quarter, Carbine's consistent and steady progress towards the realisation of its world class tungsten project has been greatly enhanced by the activity undertaken on the Company's production and exploration plans. Given the outlook for the current quarter, strength and experience of its Board, management team and partners, we look forward to an even more exciting and productive September 2013 quarter.

## **SUMMARY OF ACTIVITIES AND EVENTS**

### **QUARTER ENDED 30 JUNE 2013**

#### **DEVELOPMENT, EXPLORATION AND PRODUCT MARKETING HIGHLIGHTS**

- On the 27 May 2013, the Directors of Carbine were pleased to announce that Mitsubishi had agreed to an advance production payment of US\$400,000 to enable further optimisation work to be carried out on the Tailings Retreatment Plant.
- The Tailings Retreatment Plant continues to despatch high grade tungsten concentrate shipments to Mitsubishi with the latest shipment being despatched from its Mt Carbine operations on 19 July 2013.

## **DEVELOPMENT, EXPLORATION AND PRODUCT MARKETING ACTIVITIES**

### **QUARTER ENDED 30 JUNE 2013**

#### **DEVELOPMENT ACTIVITIES**

##### **ADVANCE PRODUCTION PAYMENT – MITSUBISHI CORPORATION RTM JAPAN LTD**

Following the recently signed MOU (see ASX announcement on 25 February 2013), confirmation was received in May 2013 from Mitsubishi, agreeing to provide an advance production payment of US\$400,000 to undertake further optimisation work to increase and improve the potential production output of the Tailings Retreatment Plant.

The advance payment, which was received at the end of May 2013, would be secured against future shipments of concentrate from the Tailings Retreatment Plant.

The Board believed that this commitment further demonstrated Mitsubishi's ongoing confidence in the Project's fundamentals and management team.

##### **PERMITTING & APPROVALS – HARD ROCK PROJECT**

Following the submission of an Environmental Management Plan to the Queensland Government's Department of Environment and Heritage Protection ("DEHP") (see ASX announcement from 18 March 2013). Carbine remains on track to complete the permitting and approvals for the Hard Rock stockpiles during the September quarter of 2013.

## PRODUCT MARKETING

### **TAILINGS RE-TREATMENT PROJECT, MT CARBINE**

Consignments of high grade tungsten concentrate continue to be shipped to Mitsubishi from the Company's Tailings Retreatment Plant, with the latest shipment being despatched on 19 July 2013.

It was also encouraging to note that the global tungsten price remained buoyant and this trend was expected to continue due to a number of other prospective tungsten projects experiencing significant viability hurdles in an increasing supply constrained market.

## EXPLORATION

The Iron Duke prospect lies within the planned open pit envelope, although the present resource estimate does not include any Iron Duke mineralisation. The average true width of the prospect is 8m from 6 drill holes and the weighted average grade is 0.33% WO<sub>3</sub>. Drilling is planned to establish the resource within the Iron Duke prior to commencement of open pit mining. Mapping indicates that the Iron Duke has a strike length of at least 450m. The shallowest drill intercept is 100m below surface and the future planned drilling will be aimed at establishing continuity of mineralisation to surface.

Examination of the Petersen's Lode within EPM 14872 confirms a sub-vertical 10m wide zone of scheelite mineralisation hosted by sheared and altered metasediments that has been traced over 100m so far via historical workings and exposures. This prospect is approximately 2km south east of Mt Carbine and detailed exploration is planned. The only record of production from Petersen's Lode is 950t of scheelite concentrate from ore with a grade of 0.6%WO<sub>3</sub>.

## CORPORATE

### **\$1.32 MILLION RESEARCH & DEVELOPMENT TAX REIMBURSEMENT**

On 28 May 2013, the Board was pleased to announce that the Company had received a \$1.32 million research and development tax reimbursement from the Australian Taxation Office. This payment combined with the recent US\$400,000 advance production payment from Mitsubishi significantly strengthened Carbine's cash position.

The increased cash position, and ongoing revenue generated from the Tailings Retreatment Plant, is expected to underpin the near term development of the existing tungsten stockpiles and open pit mine ("The Hard Rock Project").

At the conclusion of the quarter, the Company's cash position was \$1,464,000.

### **RESIGNATION – NON-EXECUTIVE DIRECTOR**

Mr Peter Donkin resigned from his position as a Non-Executive Director on 26 April 2013 due to external commitments. The Directors thanked Mr Donkin for his contribution to the Company and wished him well for the future.

### **BOARD RESTRUCTURE**

Carbine was pleased to announce the appointment of Mr Russell Krause as Non-executive Chairman and Mr Roland Nice as Non-Executive Director on 30 June 2013.

Mr Krause has over 25 years Executive Management and Director level experience in a range of corporate advisory, stockbroking, and investment banking roles with some of Australia's leading financial services firms. Mr Krause also has extensive experience in the resources sector providing equity capital markets, capital raising and corporate advisory services to a range of ASX listed mining and energy companies. Mr Krause is currently a Director of ASX-listed oil & gas producer, Austex Oil Limited (ASX:AOK), Singaporean registered AuzMinerals Resources Group Pte Ltd, and Novus Capital Limited.

Mr Krause replaces Dr Leon Pretorius who stepped down from his role as Chairman on 30 June 2013 to more fully pursue an opportunity in Africa and his other investments in Australia. The Board of Carbine Tungsten extended their thanks to Dr Pretorius for his dedication as Executive and Non-executive Chairman over the past 3 years and welcomed the opportunity to continue working with him on an as needs consulting basis to leverage his vast geological knowledge of the Mt Carbine Project.

Mr Roland Nice was also appointed to the role of Non-Executive Director on 30 June 2013. Mr Nice is a Metallurgical Engineer with over 45 years' experience in mineral processing and metallurgy, most recently as a consulting Metallurgical Engineer in the role of Senior Associate for Behre Dolbear Australia, where he was involved in due diligence activities and consulting on some of the world's largest poly-metallic, gold and uranium projects including Newcrest's Cadia, Ridgeway and Telfer gold projects, Barrick's Cowal gold project, LionOre's Thunderbox gold project and numerous other non-ferrous metal mining projects. Mr Nice's work as a consultant has included specific experience in tungsten processing.

Mr Nice was also intimately involved in the test work and feasibility studies that led to the development of the Paddington and Kundana gold mines (3.0 Mtpa), the Jabiluka uranium project, the Thalanga Cu-Pb-Zn mine, the QMAG magnesia operation and the Wodgina tantalum operation. Mr Nice holds a B.Sc (Metallurgical Engineering) from Queen's University, Canada, and is a member of the Australian Institute of Engineers and the Canadian Institute for Mining, Metallurgy and Petroleum, and a fellow of the Australian Institute of Mining and Metallurgy.

The Board strongly believes that its technical and corporate expertise has been significantly strengthened as a result of Mr Krause's longstanding experience within the investment banking and corporate advisory sector of the resources industry along with Mr Nice's exceptional technical expertise, which will also greatly assist the Company's senior technical personnel and consultants.

JIM MORGAN  
**CEO & MANAGING DIRECTOR**  
**ENQUIRIES: 0487 144 834**

#### **COMPETENT PERSON'S STATEMENT**

The information in this document relating to Exploration Results, Mineral Resources, Production Targets and Ore Reserves is based on information compiled by Dr Andrew White, who is a Fellow of the Australian Institute of Geoscientists. 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr White consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.



CARBINE TUNGSTEN



**TUNGSTEN CONCENTRATE PRODUCTION AT THE MT CARBINE TAILINGS RETREATMENT PLANT.**



## CARBINE TUNGSTEN LIMITED AT A GLANCE

### Directors

Dr L.E. (Leon) Pretorius, Chairman (Resigned 30 June 2013)  
 Mr R.H. (Russell) Krause, Non-Executive Chairman (Appointed 30 June 2013)  
 Mr A.J. (Jim) Morgan, Managing Director  
 Mr A.E. (Tony) Gordon, Non-Executive Director  
 Mr R.W. (Roland) Nice, Non-Executive Director (Appointed 30 June 2013)  
 Mr P. (Peter) Donkin, Non-Executive Director (Resigned 26 April 2013)

### Company Secretary

Mr Tom Bloomfield

### Registered Office & Principal Place of Business

50 Scott Street  
 Bungalow, Cairns QLD 4870 Australia  
 Telephone: +617 4052 2400 / Facsimile: +617 4052 2444

### Website and Emails

Please visit Carbine Tungsten's website for the latest announcements and news: [www.carbinetungsten.com.au](http://www.carbinetungsten.com.au). To receive Carbine Tungsten's announcements by email, email to: [info@carbinetungsten.com.au](mailto:info@carbinetungsten.com.au)

### General Enquiries

Contact Mr Jim Morgan on 0487 144 834

### Issued Capital and Market Capitalisation

At 18 July 2013 Carbine Tungsten's issued capital was 281,936,594 ordinary shares, and 1,400,000 Performance Rights and 2,900,000 unlisted options exercisable between 14 and 34 cents. At a share price of \$0.057 (18 July 2013) the market capitalisation was \$16.07 million.

### Number of Shareholders and Major Shareholders

At 18 July 2013 Carbine Tungsten had 1,150 shareholders. The share register records the following as major shareholders at 18 July 2013 accounting for 35.38% of the issued shares:

Shareholder	%
Leon Eugene Pretorius	11.94
Mota Engil Minerals & Mining Investments BV	5.68
Baglora Pty Ltd <Mott Family Super Fund A/C>	4.26
Silva Pty Ltd	2.64
Neil Kenneth Watson and Margaret Helen Moroney <Rossdale Super Fund A/C>	2.08
Andrew Hewlett White and Associates	1.89
Neil Watson and Margaret Moroney <Rossdale Super Fund A/C>	1.64
Alan Scott Nominees Pty Ltd <Superannuation Fund A/C>	1.42
Nicholson Super Pty Ltd <Nicholson Family S/F A/C>	1.29
Andrew James Morgan	1.27
Fallon Nominees Pty Ltd <Fallon Family A/C>	1.27

### Cash Balance

At 30 June 2013 Carbine Tungsten's cash balance was approximately \$1,464,000.

### 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)