

# Quarterly Activities Report

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For the Period Ended 31 December 2015

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**Carbine Tungsten Limited**

ACN 115 009 106

Registered Office & Principal Place of Business:

50 Scott Street, Bungalow QLD 4870; Tel: +61 7 4052 2400; Fax: +61 7 4052 2444

(ASX: CNQ)



## HIGHLIGHTS

- **Carbine Tungsten Limited's ("the Company" or "Carbine") Senior Management attend the North Queensland Economic Summit hosted by the Queensland Premier's Department in Cairns from 4 - 6 November 2015 at which a presentation on the Mt Carbine Tungsten Project was delivered.**
- **Carbine announced on 18 December 2015 that it had completed a 1 for 4 Non-renounceable Entitlements Offer which raised \$403,700 through the issue of 16,147,969 new shares at \$0.025 per share.**
- **The Company was pleased to advise on 18 December 2015 that it had entered into a term sheet with Lanstead Capital LP ("Lanstead"), an international institutional investment fund, to invest \$2,000,000. Lanstead will subscribe for a total of 80,000,000 ordinary shares to be issued over two Tranches at a price of \$0.025 per share. Under Tranche A, the Company will receive \$1,000,000 through the subscription of 40,000,000 ordinary shares and under Tranche B the Company will receive a further \$1,000,000 through the subscription of an additional 40,000,000 ordinary shares.**
- **Carbine's Annual General Meeting was held on 24 November 2015 at which all proposed resolutions were successfully passed by the majority of the Company's shareholders.**

## EXECUTIVE SUMMARY

The past quarter has been another highly active period for the Company. The Company has successfully entered into a funding package with Lanstead Capital LP ("Lanstead"), an international institutional investment fund as well as separately raising \$407,000 in a partially completed Non-renounceable Entitlements Offer. This was achieved against a back drop of very poor and uncertain financial and commodity market conditions. The Company also held its Annual General Meeting in Melbourne on 24 November 2015 and was pleased that all proposed resolutions were passed by the majority of its shareholders. Carbine wishes to reiterate its thanks for the ongoing support of its shareholders during this difficult period in the market.

The Company has also been in detailed discussions with Mitsubishi Corporation RtM Japan Ltd ("Mitsubishi RtMJ") regarding the rescheduling of its outstanding loan repayments with them. The Company is optimistic that a positive and supportive outcome will result from these loan rescheduling discussions.

The tungsten market has suffered a similar (albeit much later) decline as experienced by the broad spectrum of metals and commodities in general. However, a positive increase in the Ammonia Para Tungstate ("APT") price during December 2015 has been a very encouraging market indicator. This recent price upturn likely indicates a bottoming of the APT price and further increases are likely once the FANYA metals exchange unbundling takes place and a more accurate APT stockpile situation is resolved in the near future.

The Company has been successful in its application with the Department of Natural Resources and Mines for a long term, 5 year renewal of one of its exploration permits, EPM 14872, which offers great prospects and opportunity to increase Carbine's already world class resource.

The Company has commenced the initial due diligence process for the potential purchase of the Mt Carbine and Mossman quarries and has held discussions with the relevant parties to ascertain the rehabilitation costs associated with this potential purchase.

Carbine is pleased to see what appears to be a bottoming of the APT price cycle. Tungsten remains a rare and essential industrial and strategically important military metal. Whilst tungsten was one of the last of the metals to experience major price declines the recent positive price movements may indicate that it will be one of the first metals to undergo a price recovery.



## EXPLORATION & CORPORATE ACTIVITIES

### QUARTER ENDED 31 DECEMBER 2015

#### EXPLORATION ACTIVITIES

A trial high-resolution ground magnetometer survey was carried out over part of the Iron Duke prospect, and detailed mapping and investigation of tin prospectivity in the western part of EPM 14872 was also undertaken. The magnetometer survey was carried out with the aim of determining its usefulness in delineation drill targets in the Iron Duke prospect with precision. The results of the magnetometer survey are still not well understood and further data processing is required before a decision is made to extend the survey in 2016. The provenance of tin and associated minor tungsten mineralisation was established in an area on the western watershed of Mt Alto (the outcrop of the Mt Alto Granite). There is a potential for modest elluvial and alluvial tin (cassiterite) mineralisation hosted by granite outwash in this latter area. The tin and tungsten is derived from vertical quartz veins that strike at 2300 and range up to 3m wide. Brecciation and multiple stages of quartz deposition is characteristic of the veins, which cut across and therefore postdate the Mt Alto Granite intrusion, and the economic significance of the veins which occur in EPM 14871 and EPM 14872 is now being investigated.

EPM 14872 (100% Carbine) was renewed for 5 years to 12 December 2020. EPM 14872 contains the extensions of the Iron Duke prospect that have been traced for 1.3 km north from the boundary of ML 4867, and the Petersens Lodes prospect south east of ML 4867 that has been traced southwards for 1.3km. Both prospects are scheelite dominated, strata bound and up to 20m wide at the surface as indicated by geological mapping, and both await drill testing. EPM 14871 contains the Mt Holmes tungsten-tin prospect and application for renewal of this EPM has been lodged.

#### CORPORATE ACTIVITIES

##### **NON-RENOUNCEABLE ENTITLEMENTS OFFER AND SHORTFALL**

Carbine was pleased to announce on 15 December 2015 that its pro-rata Non-renounceable Entitlements Offer of one (1) new ordinary share for every four (4) shares held at an issue price of \$0.025 per share, which closed on 11 December 2015, received strong support from many of the Company's shareholders in a difficult investment climate.

Applications were received under the Entitlements Offer for a total of 16,147,969 fully paid ordinary shares (New Shares) of the 88,242,006 shares provided under the Entitlements Offer for a total subscription amount received of \$403,700.

The 16,147,969 new shares were issued on 18 December 2015, in accordance with the timetable set out in the Offer Document.

As announced on 18 November 2015, Lanstead Capital LP had agreed to take up an additional 45,000,000 shares under the shortfall provisions of the entitlements offer. The Company will therefore seek to place the remaining shortfall of 27,094,037 new shares within three (3) months after the entitlements offer closed on 11 December 2015.

Pursuant to ASX Listing Rule 7.40 and Appendix 7A, the Company hereby gives notice of an all-inclusive total shortfall in subscriptions of 72,094,037 shares (Shortfall Shares).

In accordance with ASX Listing Rule 7.2 Exception 3 and as outlined in the Offer Document, the Company reserves the right to place the Shortfall shares in their sole discretion, within three (3) months after the Offer closes, to institutional, professional, sophisticated and other investors to whom disclosure under Part 6D.2 of the Corporations Act is not required.

The proceeds of the entitlements offer (including the placement of the Shortfall) will principally be applied to the due diligence process for the planned Mt Carbine and Mossman quarry purchases and for the advancement of the Company's Mt Carbine Stockpile Project and preparatory permitting works for the open pit development.



The Board of Directors would like to express its appreciation to all participating shareholders for their support of the Entitlements Offer.

## **SHARE PLACEMENT – LANSTEAD CAPITAL LP**

On 18 November 2015 the Company was pleased to announce that it had entered into a term sheet with Lanstead Capital LP (“Lanstead”), an international institutional investment fund, to invest \$2 million. These funds would be used to advance and support the Mt Carbine Stockpile and Open Pit Projects and provide working capital for the Company.

This was followed by a further announcement on 20 November 2015 in which the Company confirmed that it had concluded binding agreements with Lanstead and completed the Tranche A placement of 40,000,000 shares at the price of \$0.025 per share, to raise in aggregate \$1,000,000.

The shares were issued in accordance with its ASX Listing Rule 7.1 capacity. The associated Appendix 3B and Cleansing Statement with respect to this placement were announced separately to the ASX on 20 November 2015.

Lanstead has agreed to subscribe for a total of 80,000,000 ordinary shares to be issued over two Tranches at a price of \$0.025 per share. In Tranche A, the Company will receive \$1,000,000 through the subscription of 40,000,000 ordinary shares. In Tranche B the Company will receive a further \$1,000,000 through the subscription of a further 40,000,000 ordinary shares.

In addition, the Company has entered into a sharing agreement (Sharing Agreement) with Lanstead which enables the Company to secure much of the potential upside from share price appreciation over the next 18 months.

In Tranche A, the Company will retain \$150,000 of the aggregate \$1,000,000 subscription upfront and the remainder will be invested in the Sharing Agreement. The Sharing Agreement provides that the Company will receive 18 monthly cash settlements whereby the Company's economic interest will be determined by Carbine's share price performance as measured against a Benchmark Price of \$0.0333 per share.

In Tranche B, the Company will retain \$150,000 of the aggregate \$1,000,000 subscription upfront and the remainder will be invested in the Sharing Agreement. The Sharing Agreement provides that the Company will receive 18 monthly cash settlements whereby the Company's economic interest will be determined by Carbine's share price performance as measured against a Benchmark Price of \$0.0333 per share.

If the share price exceeds the Benchmark Price for that month the Company will receive more than 100% of the monthly settlement due on a pro rata basis. Importantly, there is no upper limit placed on the additional funds receivable by the Company as part of the monthly settlements. Should the share price be below the Benchmark Price for that month the Company will receive less than 100% of the expected monthly settlement on a pro rata basis.

In no event would a decline in the Company's share price result in an increase in the number of Ordinary Shares received by Lanstead or any other advantage accruing to Lanstead.

The Company has agreed to make a value payment to Lanstead of 8,000,000 Ordinary Shares in consideration for the Sharing Agreement. A value payment of 3,000,000 shares was issued to Lanstead as part consideration for the Sharing Agreement. The balance of the value payment of 5,000,000 shares will be issued to Lanstead when the Tranche B shares are issued.

Following completion of the Placement and Subscription Lanstead will own 88,000,000 Ordinary Shares representing approximately 19.9% of Carbine's enlarged issued share capital.

The Board of Carbine welcome Lanstead as a shareholder in the Company and are very pleased with the outcome of the placements. The fundraising and associated sharing agreements are designed to provide additional financing to progress the development of the Mt Carbine Stockpile and Open Pit projects whilst allowing the Company to secure much of the potential upside arising from an increase in its share price. As a result of these transactions, Carbine will benefit from additional working capital for immediate deployment with further amounts receivable over 18 months subject to the outcome of its investment in the sharing agreements.



### 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
<b>Queensland</b>	
EPM 14871	Mt Carbine
EPM 14872	Mt Carbine
ML 4867	Mt Carbine (Sub-lease)
ML 4919	Mt Carbine (Sub-lease)

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

### General Enquiries

Contact Mr Jim Morgan on (07) 4052 2400

### Issued Capital and Market Capitalisation

At 20 January 2016 Carbine's issued capital was 369,115,995 ordinary shares and 8,000,000 unlisted options exercisable at 20 cents. At a share price of \$0.023 on 20 January 2016 the market capitalisation was \$8.5 million.

### Number of Shareholders and Major Shareholders

At 20 January 2016 Carbine had 1,194 shareholders. The share register records the following as major shareholders at 20 January 2016 accounting for 41.98% of the issued shares:

Shareholder	%
BNP Pariba S Nominees Pty Ltd <Global Prime Omni DRP A/c>	11.65
Dr Leon Eugene Pretorius	9.75
Mota Engil Minerals & Mining Investments BV	4.33
Baglora Pty Ltd <Mott Family Super Fund A/C>	4.29
Mr Neil Watson	3.71
Andrew Hewlett White and Associates	1.50
Alan Scott Nominees Pty Ltd <Superannuation Fund>	1.49
Max Mobile Auto Clinic Pty Ltd	1.41
Silva Pty Ltd	1.38
JA Johnstone Pty Ltd <Waterhouse Super Fund A/C>	1.34
Andrew James Morgan	1.13

### Cash Balance

At 31 December 2015 Carbine's cash balance was approximately \$706,000.

### 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)