

Quarterly Activities Report

For the Quarter Ended 30 September 2017



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”) was pleased to announce on 19 July 2017 that five exploration concessions had been granted over a key area of Salar de Miraje in northern Chile whilst substantive progress had been confirmed in the granting of the outstanding applications in Salar de Bella Vista, also in northern Chile. The Company is undertaking exploration in these salars for resources contained within subsurface brines that may include potassium, iodine, boron, lithium and other valuable minerals.**
- **Carbine’s 2017 Annual General Meeting (“AGM”) will be held on Wednesday 29 November 2017 at Baker McKenzie, Level 19, 181 William Street, Melbourne commencing at 9.00 am AEST.**
- **The Company is seeking approval at the AGM to change its name to Specialty Metals International Limited to better reflect the diversified nature of its activities and project portfolio.**

EXECUTIVE SUMMARY

The Company has experienced significant trading activity since the middle of September 2017 with over 60% of its total shareholding being traded during this period. As a result, the Company has acquired approximately ~85 new shareholders along with a new substantial shareholder, Bodie Investments Pty Ltd, who now holds 5.18% of the Company’s shares. This virtual change of control of the Company’s share register has taken place to a backdrop of rapidly increasing tungsten pricing and further developments with the Company’s planned activities in Chile and its gold assets in NSW. As notified in the Company’s 2016 and 2017 Annual Reports the Company is progressing through its diversification process and is proposing to undergo a name change to Specialty Metals International Limited to better reflect the diversified nature of its business activities.

The tungsten APT (Ammonia Para Tungstate) price over the past few months has risen rapidly to a high of US\$335 (per 10kg MTU) in mid-September 2017 however it has returned to US\$285 at the end of October 2017 (see graph below). The primary reasons gathered from various market opinions for this price rise appears to be that China, being the dominant supplier of the world’s APT, is undergoing a restriction of supply which has resulted in increased production costs for tungsten concentrates and APT product due to increased environmental regulation being implemented throughout their mining and manufacturing sectors.

The second significant factor is the speculation surrounding the intensifying geopolitical situation unfolding in Asia and North Korea which is both accelerating military expenditures and the prospect of trade or strategic restrictions emerging between certain Asian countries for tungsten and indeed globally.

Tungsten is known to be a strategic military metal and historically increases in value during times of increased military production or war. The fact that China is in the cross hairs of the current geopolitical tensions and is the de facto monopoly supplier of most of the world’s tungsten means that tungsten is also in the same cross hairs of this geopolitical and supply situation.

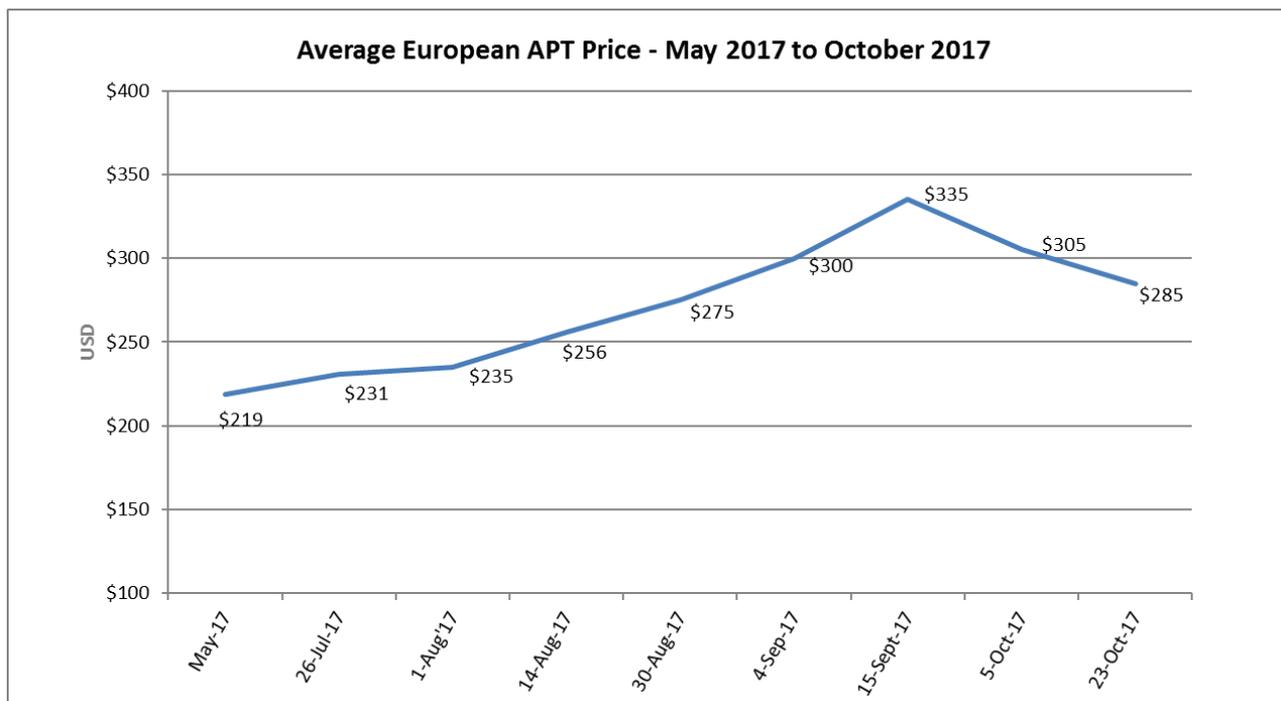
Whether the current spike in APT price will be sustained under the above conditions is a matter of some speculation. However, the impetus for any renewed project investment or funding interest will likely depend more so on an evaluation of strategic supply risks and a demonstration of longer term sustained trending in the higher price of tungsten.

Nevertheless, the current APT price rises are very encouraging, and the Company has had preliminary discussions with several interested globally represented potential offtake parties. The Company has also been investigating the viability of recommissioning and recommencing production at its Tailings Retreatment Plant at Mt Carbine. One option it has been investigating is the possibility of partnering or joint venturing a return to production from the Tailings Retreatment Plant with an interested party that also has some nearby battery metal prospects of potential interest to the Company. Carbine has entered a Confidentiality Agreement to explore these opportunities.

With sufficient funding, the Mt Carbine Tungsten Project is a low cost, near-term tungsten concentrate supply source. However, there are currently several unresolved Sublease issues that still remain outstanding with the Mining Lease and quarry owner, Mt Carbine Quarries Pty Ltd, that require resolution prior to the recommencement of any tungsten concentrate production at the Mt Carbine site. These matters are under ongoing negotiation between the parties and the Company has recently appointed a registered valuer to carry out a valuation of the Mt Carbine Quarry and Mining Leases for potential acquisition purposes.

The progress on the Company's drilling and geological programs at Panama Hat in NSW have been advanced and the required drilling permits have now been secured. The Company has also obtained quotes for its Chilean drilling program however it is still awaiting confirmation that the Bellavista 1-5 concession applications have been awarded, so they may be incorporated into the Company's intended drilling program. Despite these lengthy delays with the processing of the Bellavista concession applications approval progress has occurred and is well advanced.

These projects have also experienced unexpected management delays due to the longer than expected recovery time from ill health of the Company's long-standing Chief Consulting Geologist, Dr Andrew White, over the last two quarters. The Company wishes Andrew a speedy recovery. The Company is also undertaking management restructuring measures to remedy these issues.



EXPLORATION AND DEVELOPMENT ACTIVITIES

QUARTER ENDED 30 SEPTEMBER 2017

CARBINE CONFIRMS GRANT OF EXPLORATION CONCESSIONS IN NORTHERN CHILE

Carbine announced on 19 July 2017 that it had received official confirmation of the grant of 5 exploration concessions in northern Chile. The concessions are valid till 10th May 2019 and cover part of the Salar de Miraje, an enclosed rift basin in the Atacama Desert. On present evidence, Salar de Miraje is geologically analogous to the Salar de Atacama rift basin 150km to the south east, that produces a third of the world's lithium from brines within the sediments deposited in the basin.

Analyses of surface samples taken by Carbine of evaporative saline crusts in Salar de Miraje indicate that the crusts contain anomalous lithium, boron and potassium (Table 1). In reconnaissance sampling Carbine has determined that lithium values in saline crust samples that exceed 50ppm lithium appear to be anomalous. The significance of these anomalous values will be tested by drilling proposed for later this year. The drilling will be aimed at sampling brines anticipated to be contained in early rift fill sediments within the Salar.

Salar de Miraje has been a significant historical producer of nitrates from the margin of the Salar, and iodine is currently being produced from mine dumps left by nitrate mining just west of the concessions granted to Carbine.

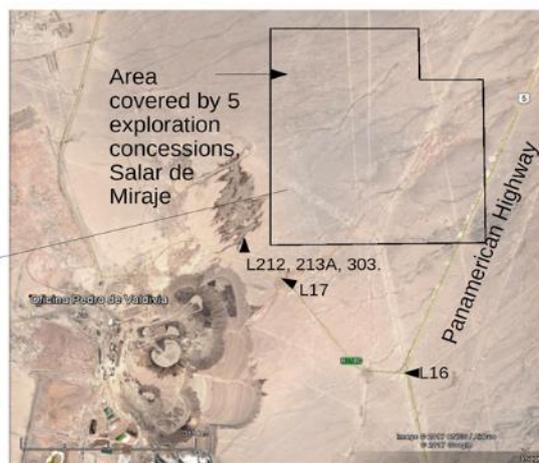
Table 1. Salar de Miraje Surface Reconnaissance Samples.

SAMPLE	Li	Mg	K	Na	B	Ca	S	As	Sb	Mo	Cu	Zn	Pb	Ag	Fe	P	Mn	Al
DESCR	ppm	%	%	%	ppm	%	%	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%	ppm	ppm	%
L16	90	0.39	0.18	0.22	110	9.69	8.33	46	0.79	1.9	22	30	8	0.02	2.15	490	421	0.65
L17	51	1.02	0.73	9.96	1240	3.9	3.95	33	0.66	2.9	21	29	6	0.18	1.47	280	293	1.27
L212	17.3	0.46	0.31	>10.0	1120	0.45	0.77	5	0.1	0.79	13.8	45	1.9	0.94	0.09	40	26	0.04
L213A	93.5	1.15	0.72	3.97	840	7.65	8.06	50.1	0.76	3.6	19.6	27	7.1	0.02	2.2	490	409	0.63
DESCR	ppm	ppm	ppm	Ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm
L303	50	>10000	12000	122500	2040	320		<10	<5	2	<1	<100	<5	<1	<100	<100	<1	<100

All samples except L303 are surface halite crust samples, L303 is a brine sample from iodine recovery ponds.



Google image showing location of Salar de Miraje concessions in relation to cities of Antofagasta and Iquique, northern Chile



Google image showing area covered by 5 exploration concessions, Salar de Miraje, Atacama Desert, Northern Chile, and location of reconnaissance surface samples. Historical nitrate dumps in south west corner are being reworked to recover iodine.

CORPORATE

SUBSEQUENT TO QUARTER ENDED 30 SEPTEMBER 2017

ANNUAL GENERAL MEETING

On 13 October 2017 Carbine distributed its Notice of Annual General Meeting and Proxy Form to shareholders advising that this year’s AGM would be held on Wednesday 29 November 2017 at Baker McKenzie, Level 19m 181 William Street, Melbourne commencing at 9.00 am Melbourne time.

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, Australia	
EPM 14871	Mt Carbine
EPM 14872	Mt Carbine
ML 4867	Mt Carbine (Sub-lease)
ML 4919	Mt Carbine (Sub-lease)
New South Wales, Australia	
EL 6648	Crow Mountain
EL 8024	Broken Hill
Chile	
Concessions 1 – 5	Salar de Miraje

No farm-in or farm-out agreements were entered into during the period.

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
Telephone: +61 3 8687 2176

Principal Place of Business

6888 Mulligan Highway, Mt Carbine QLD 4871
Telephone: +61 7 4094 3072 | Fax: +61 7 4094 3036

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 October 2017 Carbine's issued capital was 482,876,418 ordinary shares and 8,000,000 unlisted options exercisable at 20 cents. At a share price of \$0.010 on 20 October 2017 the market capitalisation was \$4.83 million.

Number of Shareholders and Major Shareholders

At 20 October 2017 Carbine had 1,295 shareholders. The share register records the following as major shareholders at 20 October 2017 accounting for 41.41% of the issued shares:

Shareholder	%
Dr Leon Eugene Pretorius	7.46
Bodie Investments Pty Ltd	5.18
New Medical Enterprises Pty Ltd	4.36
Mota Engil Minerals & Mining Investments BV	3.31
Baglora Pty Ltd <Mott Family Super Fund A/c>	3.28
TBB NSW Pty Ltd <The Watson No 1 A/C>	2.84
Mr Raymond Thomas Page	1.53
Queensland MM Pty Ltd <Queensland MM Super Fund A/c>	1.30
WGS Pty Ltd	1.22
Andrew Hewlett White and Associates	1.15
Alan Scott Nominees Pty Ltd <Superannuation Fund>	1.14
Max Mobile Auto Clinic Pty Ltd	1.08
Silva Pty Ltd	1.06
Mr Paul Machetti	1.04
JFSF Holdings Pty Ltd <The Jane Family S/F A/C>	1.04
JA Johnstone Pty Ltd <Waterhouse Super Fund A/C>	1.02
Andrew James Morgan	0.87
Mr Dio Pratama Sidharta	0.87
MGL Corp Pty Ltd	0.83
Mr Robert William Proe	0.83

Cash Balance

At 30 September 2017 Carbine's cash balance was approximately \$729,000.

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)