



Quarterly Activities Report

For the Period Ended 30 September 2012



Carbine Tungsten Limited

ACN 115 009 106

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EXECUTIVE SUMMARY

This quarter has marked a highly active period for the Company with the achievement of a number of key milestones and improvements that have positively affected the Company's future performance, value and productivity.

The completion of the Hard Rock Feasibility Study has put a clear value on that asset and has determined the project as being very viable with a very short production delivery period and the (lowest) CAPEX in comparison to other published tungsten projects being considered globally. The placement investment by a large multi-national company, Mota-Engil, also represents a key strategic investment by an experienced construction and mining company with specialist tungsten knowledge and interest. The upgrading of the Tailings Retreatment Plant has been executed well with a very low cost overhead and minimum production disruption. Future product shipments from the Tailings Retreatment Plant will speak for themselves in terms of the success of these recent improvements in the coming quarters.

SUMMARY OF ACTIVITIES AND EVENTS

QUARTER ENDED 30 SEPTEMBER 2012

- Partial payment was received during July 2012 for the first shipment of bulk tungsten concentrate dispatched to Mitsubishi Corporation Unimetals Ltd (MCU) after meeting their FOB shipping and contractual requirements. The balance of payment was received on 3 September 2012, following the customer's quality and assay acceptance, bringing the total payment for this shipment to USD\$288,845.60.
- During the month of August 2012 a collaborative Memorandum of Understanding (MOU) was entered into between Carbine Tungsten Limited (CNQ) and Mota-Engil, Minerals & Mining Investments BV (Mota-Engil), a Portuguese based, multi-national mining, construction and engineering conglomerate that operates in over 19 countries. This collaborative relationship resulted in Mota-Engil subscribing for 16 million CNQ shares at 12.5 cents per share for a total investment of A\$2 million. These funds will predominately be utilised for the initiation of purchase contracts for long lead items of equipment.
- The "Hard Rock" Feasibility Study revealed highly favourable project economics for the re-establishment of the Mt Carbine Tungsten Mine as an open-pit mining and processing operation. The key findings of this Study were:-
 - Project Life: 15 Years
 - Capital expenditure, including working capital, estimated at \$53.8 million
 - Pre-Tax internal rate of return (IRR) = 60% Net Present Value (NPV) = A\$161 million at a discount rate of 8%
 - Payback Period = 1.5 years
- The Mt Carbine tungsten deposit JORC Code resource estimate was upgraded during the month August 2012, using a cut-off grade of 0.05% WO₃:

Indicated Mineral Resource	Inferred Resource
18.1 million tonnes at 0.14% WO ₃ , in situ hard rock.	29.3 million tonnes at 0.12 % WO ₃
12 million tonnes at 0.07% WO ₃ in low grade stockpile (mineralised rock stockpiled from previous mining operation)	



- A further Off-take Agreement was entered into with MCU for CNQ's high grade tungsten concentrate from its Tailing Retreatment Plant at Mt Carbine during September 2012. This contract contains an advanced payment facility to assist CNQ in completing its production upgrade and ramp-up of the Tailings Re-treatment Plant.
- The Tailings Retreatment Plant has continued to produce concentrate whilst new equipment was installed to overcome the underperformance issues associated with its front-end (rotary and vibrating screens). After a brief plant shut-down the upgrade work was completed at the end of September 2012 with testing and production ramp-up commencing on 1 October 2012.
- Fruitful discussions are also continuing with a number of potential off-take and investment partners for CNQ's Hard Rock Project that is projected to have an average annual production of 260,000 metric tonne units (mtu) of 100% WO₃ commencing in early 2014.

SUMMARY OF ACTIVITIES AND EVENTS

SINCE 30 SEPTEMBER 2012

- The Annual General Meeting of CNQ will be held at the Citigate Melbourne Hotel, 270 Flinders Street, Melbourne on Thursday 8 November 2012 commencing at 11.00 am. A copy of the Notice of Meeting and Proxy Form can be obtained by visiting:

<http://www.asx.com.au/asx/research/companyInfo.do?by=asxCode&asxCode=CNQ>
- The second 15 tonne consignment of high grade tungsten concentrate was despatched to MCU from the Mt Carbine Tailings Retreatment Plant on 12 October 2012.
- **Record production rates approaching designed throughput capacity** were announced on 22 October 2012 following the successful installation of new direct feed and scrubbing equipment at the front-end materials handling section of the Tailings Retreatment Plant.

EXPLORATION, PRODUCT MARKETING AND DEVELOPMENT ACTIVITIES

QUARTER ENDED 30 SEPTEMBER 2012

EXPLORATION

RESOURCE ESTIMATE UPGRADE

In addition to the findings of the "Hard Rock" Feasibility Study, CNQ announced a major upgrade to its resource estimate for the Mt Carbine tungsten deposit. The JORC Code resource estimate that was previously announced as an **Inferred Resource** of 47 million tonnes at an average grade of 0.13% WO₃, using a cut off of 0.05% WO₃, was upgraded to the **Status** of the resource shown in Table 1 below.

Table 1. JORC Code resource estimate for the Mt Carbine Tungsten deposit, using cut-off grade of 0.05% WO₃.

Indicated Mineral Resource	Inferred Resource
*18.1 million Tonnes at 0.14% WO ₃ . 12 million Tonnes at 0.07% WO ₃ in low grade stockpile (mineralised rock stockpiled from previous mining operation)	29.3 million tonnes at 0.12 % WO ₃

*Within this resource estimate and due to the completion of a number of studies for the purpose of the “Hard Rock” Feasibility Study, CNQ also considers that at a mining production rate of 3Mtpa, a cut-off of 0.05% WO₃ and a price of US\$290 per mtu, the Indicated Mineral Resource is also a **Probable Ore Reserve** (18 million tonnes at 0.14% WO₃).

The resource estimate upgrade is based on the following key components:

- Historical records from the mine operation between 1974 and 1987, including recent sampling, logging and assaying of the complete set of historical drill core from 49 drill holes that formed the basis for that mining operation.
- Previous successful open pit extraction of ore that was only terminated following a global collapse in tungsten price.
- Previous ore sorting and milling records.
- An independent geostatistical study of the historic mine geological data in 1993-1994.
- Independent geostatistical analysis and resource estimates already announced (CNQ ASX announcement June 2012).
- Reviews of milling and concentrate production carried out at the end of the previous mining operation.
- The drilling and assaying of an additional 14 cored holes in the immediate environs of the open pit.
- Geometallurgical investigations carried out by CNQ including the results from the Tailings Re-treatment Project. The latter played an important part in the geometallurgical assessment of the economic potential of the Mt Carbine tungsten deposit and low grade stockpiles, as it has established that overall mill recovery of WO₃ can be increased by 37% from the historical 60% average recovery to be approximately 82% average recovery by the additional recovery of tungsten that previously was lost to fines/slimes.
- Sampling, assaying and X-ray ore sorter trials of the low grade stockpile, optical ore sorter reject stockpile and Run of Mine stockpile (CNQ ASX announcement March 2011).
- Pit optimisation studies of the current resource as part of the Feasibility Study. Critically, confidence in the grade estimate and amenability to open pit mining is strongly reinforced by the fact that the previous mine extracted 13.5 million tonnes of ore from the open pit to produce 14,800 tonnes of high grade wolframite (72% WO₃) and scheelite (68% WO₃) products (in essence a 13.5 million tonne bulk sample).

The “bulk” sample demonstrated beyond doubt that the deposit on a very large scale is reasonably homogeneous although with higher grade zones, and given the approach to processing (ore sorting and gravity separation) reliably and predictably is able to produce a saleable product on a consistent basis over the proposed project life.



PRODUCT MARKETING

MITSUBISHI CORPORATION UNIMETALS LTD

Following the successful shipment of CNQ's first consignment of tungsten concentrate to MCU in June 2012 the Board of Directors of CNQ recently signed a further Off-take Agreement with MCU for its high grade tungsten concentrate from its Tailings Re-treatment Plant. This Contract contains an advanced payment facility clause which will assist CNQ in completing its production upgrade and ramp-up of the Tailings Re-treatment Plant.

DEVELOPMENT

STRATEGIC INVESTMENT – MOTA-ENGIL

The Board of Directors of CNQ were pleased to announce the signing of a collaborative Memorandum of Understanding (MOU) with Mota-Engil, Minerals & Mining Investments BV (Mota-Engil), the goal of which is to pursue mining and concession opportunities, specifically at the Company's Mt Carbine mine.

The Mota-Engil Group is a Portuguese-based, multinational mining, construction and engineering conglomerate operating in over 19 countries and employing approximately 19,000 staff worldwide.

As part of the collaboration between CNQ and Mota-Engil, it was agreed that Mota-Engil would subscribe for 16 million CNQ shares at 12.5 cents per share for a total investment of A\$2 million. This represents approximately 5.86% of the Company's expanded share capital, with the funds being applied to assist CNQ with the rapid development of the "Hard Rock" portion of its operating tungsten mine at Mt Carbine. The funds will predominantly be utilised for feasibility studies and deposits for long lead items of equipment.

Mota-Engil and CNQ consider this collaborative relationship to offer mutually-beneficial key strategic growth and expansion opportunities in the tungsten mining industry, a business that Mota-Engil staff have considerable past expertise in.

The Board of Directors of CNQ welcomes Mota-Engil to its share register, and looks forward to a mutually beneficial relationship that should expedite and strengthen the development of the Mt Carbine Hard Rock Project.

HARD ROCK PROJECT ECONOMICS

The Feasibility Study to evaluate the viability of re-establishing the Mt Carbine tungsten mine as an open-pit mining and processing operation was completed in August 2012. The Study, which was solely limited to the existing in-pit and stockpiled resources, displayed highly-favourable project economics.

The Board of CNQ believes that this Study represents only a part of the significant tungsten resource potential that exists at Mt Carbine, and serves to underpin the viability of re-establishing the open-pit mine operation based on existing drill and exploration data. The study considered the low-grade stockpiles (Figure 1) and ore available for open-pit mining at a cut-off of 0.05% WO₃. Together these provide a project life of more than 15 years.

The key findings of the study confirmed that the project is economically and practically viable. **Capital expenditure, including working capital, is estimated to be A\$53.8 million, returning a pre-tax Internal Rate of Return (IRR) of 60% and Net Present Value (NPV) of A\$161 million at a discount rate of 8%.** This is based on a product concentrate sales price averaging US\$290 per metric tonne unit (mtu) over the ten-year period under consideration in the Study. The production of 260,000 mtu per annum will commence in 2014.

An environmental assessment and permitting scoping study has been incorporated in the Study. The Project has a payback period of 1.5 years. These project parameters are considered economically conservative and very robust.

The Feasibility Study has clearly demonstrated the viability of the project based on the currently inferred resources that are shown to exist at the mine within the existing mine lease area. This Study also includes the previously stockpiled material that is readily available at the surface without requiring any additional mining activity before being processed. The stockpiled resource offers a four-to-five-year operational capability that is immediately accessible for processing and sale of concentrate product to the market. The open-pit resource has been evaluated over a ten-year operational period.

It is envisaged that further exploration is likely to increase that resource and operational duration since the currently defined resource is open at depth in three directions (Figure 2).

As the open-pit and processing operation was previously a successful large-scale operation for a period of over 13 years (Figure 3) prior to its closure in 1987, the Feasibility Study has the advantage of a known proven similar operation as a reference point. A wealth of practical historical data exists for much of the evaluations and conclusions in the Study. The Feasibility Study has therefore been specifically tailored to concentrate on the key areas of difference or unknowns between the past and future operations and processing options in order to focus on evaluating and mitigating the areas of critical risk in assessing the viability of the Hard Rock Project. The Study has been founded on a number of composite study components conducted by recognised, independent, specialist consulting groups in order to provide professional and objective opinions in the most critical areas of the Study.

The Board of CNQ has been able to conclude from this Study that the project is viable as it offers a low capital cost and short payback period. The project provides a realistically short lead-time to product supply in an undersupplied tungsten concentrate market and compares very favourably with the limited tungsten mine supply alternatives announced globally to-date.

The previous mining operation was focused on production from the wolframite-dominated zone of the ore body. Recent drilling indicates that the mineralisation is zoned and wolframite-scheelite and scheelite-dominated mineralised zones (Figure 4) not previously considered for mining are potential sources of ore. The Tailings Project now in production has a very important additional benefit in that it confirms the planned process will recover scheelite efficiently and overall mill recovery is anticipated to be over 80%, with the inclusion of the present tailings plant in the overall mill design.

The low-grade stockpile (~12 million tonnes at 0.075% WO_3) will be processed for a project life of four-to-five years. At the same time the open-pit will be de-watered and pushed back to provide ore for the proposed mill taking the total life of the second stage of development to over 15 years.

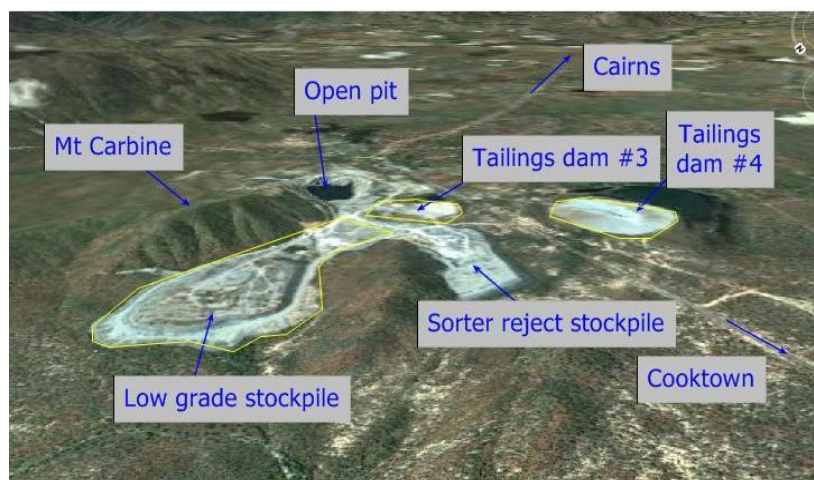


Figure 1. Google image showing the Mt Carbine tungsten mine layout.

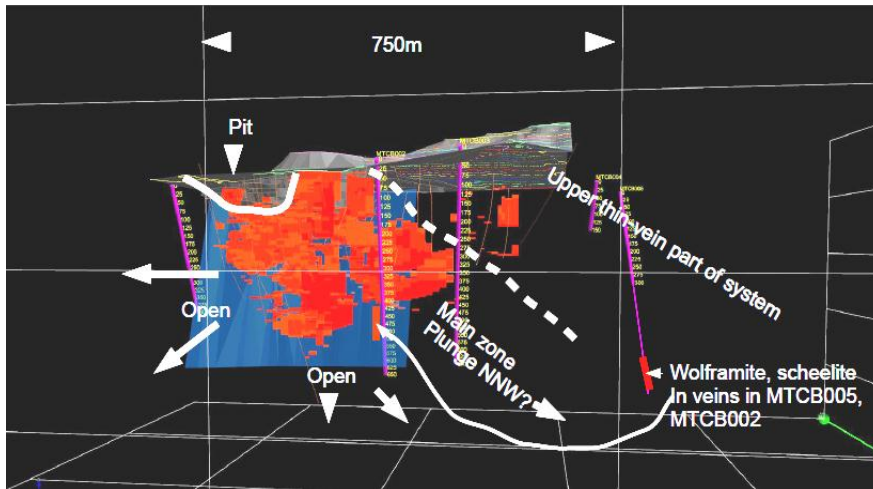


Figure 2. Cross section of the ore body at Mt Carbine looking west, showing mineralisation >0.22% tungsten and areas where the ore body is open to further exploration.



Figure 3. The open-pit at Mt Carbine in 1986. The pit will be pushed back to provide ore for the proposed second stage of development at Mt Carbine.

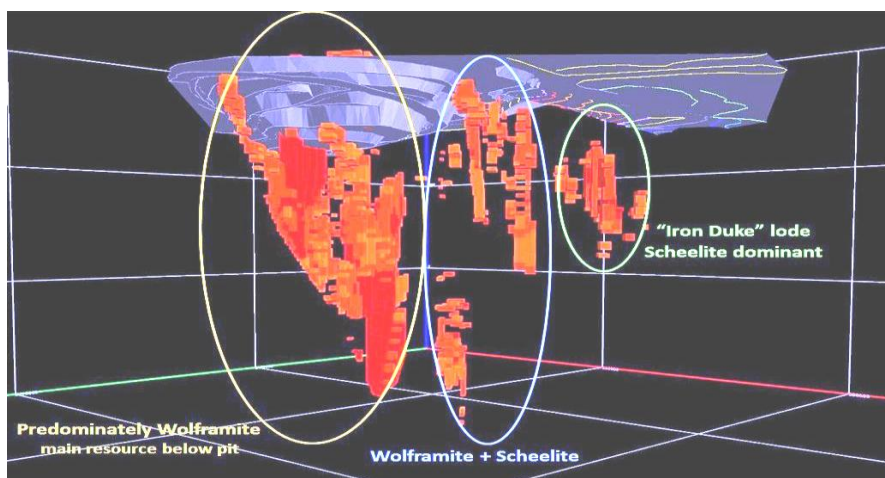


Figure 4. A 3-D representation of mineralisation >0.22% tungsten indicating zonation of wolframite-dominated, mixed wolframite/scheelite and scheelite-dominated mineralisation in relation to the present open-pit outline.

TAILINGS RE-TREATMENT PROJECT, MT CARBINE

The Tailings Re-treatment Plant continued to produce concentrate whilst new equipment was installed during the month of September 2012, to overcome the under-performance issues associated with its front-end. After a brief plant shutdown at the end of September 2012 the upgrade was completed and testing and production ramp-up commenced on 1 October 2012.

EXPLORATION, PRODUCT MARKETING AND DEVELOPMENT ACTIVITIES

SINCE 30 SEPTEMBER 2012

PRODUCT MARKETING

MINERAL CORPORATION UNIMETALS LTD

A 15 tonne consignment of high grade tungsten product was shipped under CNQ's recently signed contract with MCU. Despatch took place on 12 October 2012 from its Mt Carbine Tailings Re-treatment Plant.

DEVELOPMENT

TAILINGS RE-TREATMENT PROJECT, MT CARBINE

Record production rates approaching designed throughput capacity were now being achieved by its Tailings Re-treatment Plant, following the successful installation of new direct feed and scrubbing equipment at the front-end materials handling section.

Further improvement is expected to both the plant's availability and recovery rates when the currently bypassed trommel modifications are completed as it will provide additional screening capacity.

The reconfigured trommel is expected to be reconnected back into the process circuit without interruption to existing production by the end of this October 2012.

JIM MORGAN

CEO & MANAGING DIRECTOR

ENQUIRIES: 0487 144 834

COMPETENT PERSONS STATEMENT

This document contains certain forward-looking statements which have not been based solely on historical facts but, rather, on CNQ current expectations about future events and on a number of assumptions which are subject to significant uncertainties and contingencies many of which are outside the control of CNQ and its directors, officers and advisers.

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 and a Director of CNQ. 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 LIMITED AT A GLANCE

Directors

Dr Leon Pretorius, Chairman
Mr A J (Jim) Morgan, Managing Director
Dr Andrew White, Non-Executive Director

Company Secretary

Mr Robert Waring

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Website and Emails

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

General Enquiries

Contact Mr Jim Morgan on 0487 144 834

Issued Capital and Market Capitalisation

At 19 October 2012 Carbine Tungsten's issued capital was 272,982,719 ordinary shares, and 4,560,870 unlisted options exercisable between 14 and 44 cents. At a share price of \$0.085 (22 October 2012) the market capitalisation was \$23.2 million.

Number of Shareholders and Major Shareholders

At 19 October 2012 Carbine Tungsten had 1,198 shareholders. The share register records the following as major shareholders at 19 October 2012 accounting for 35.65% of the issued shares:

Shareholder	%
Leon Eugene Pretorius	11.55
Mota Engil Minerals & Mining Investments BV	5.86
Baglora Pty Ltd <Mott Family Super Fund A/C>	4.16
Neil Kenneth Watson and Margaret Helen Moroney <Rossdale Super Fund A/C>	3.22
Silva Pty Ltd	2.72
David John Hanks	2.20
Andrew Hewlett White and Associates	1.79
Bullock Point Pty Ltd <Bishop Family Super Fund A/C>	1.50
JP Morgan Nominees Australia Limited <Cash Income Account>	1.33
Alan Scott Nominees Pty Ltd <Superannuation Fund A/C>	1.32

Cash Balance

At 30 September 2012 Carbine Tungsten's cash balance was approximately \$1,604,000.

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)