

**We find it. We prove it.  
We make it possible.**

**ABN : 63 095 117 981  
ASX : CAP**

**25 JANUARY 2017**

**ABOUT CARPENTARIA:**

Carpentaria is an emerging producer of iron ore in eastern Australia. The company has a majority share in the Hawsons Iron project, in addition to other magnetite interests in the developing Braemar Iron Province.

**CARPENTARIA'S AIM:**

Build a long lasting, low cost premium iron business

**CAPITAL STRUCTURE:**

Ordinary Shares 164,596,892

**MAJOR SHAREHOLDERS:**

Silvergate Capital Group	13.7%
Conglin International Investment Group	8.6%
SG Hiscock	5.2%

**FINANCIAL**

Cash on hand as at 31/12/2016  
A\$2,199,710

Level 6, 345 Ann Street  
Brisbane Queensland 4000

PO Box 10919  
Adelaide Street, Brisbane  
Queensland 4000

e-mail: info@capex.net.au

For further information contact:  
Quentin Hill  
Managing Director  
Phone: 07 3220 2022



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CARPENTARIA EXPLORATION LIMITED

www.carpentariaex.net.au

# Quarterly Report

## For the Quarter ended 31 December 2016

### Highlights

- Completion during the quarter of a 5,963m reverse circulation drilling programme comprising 20 holes directed to a JORC\* mineral resource category upgrade of the existing resource to enable support of prefeasibility study due Q2 2017
- Good potential for a successful mineral resource upgrade as observed geology, preliminary assays meet expectations
- Analyses received from first 16 holes and showed 14 intersections between 102-200m thick and intersection of a proximal new mineralised zone in the north-east (inclusive of results subsequent to quarter end)
- Best intersection of 200m at 16.8% magnetite mass recovery at 69.9%Fe concentrate grade in RC16BRP062
- Confidence in mining and processing plans increased as characteristics so far consistent with expectations
- Product marketing attracts more interest from the direct reduction (DR) market
- Non-renounceable entitlements issue and placement of shortfall result during the quarter in the issue of 24,336,269 shares at \$0.049 per share, raising a total of approximately \$1.2 million (before costs), with funds used principally for drilling at Hawsons

\* Joint Ore Reserves Committee

### December Quarter

#### Hawsons Iron Project

Carpentaria Exploration Limited (ASX:CAP) in December 2016 announced positive results from the drilling programme at its Hawsons Iron Project. The programme, aided by the Company's successful capital raising, was designed to support a resource upgrade and planned new prefeasibility study for the Company's flagship project near Broken Hill.

Drilling comprising 5,963m in 20 reverse circulation (RC) holes and included additional drilling in the Fold prospect (Figure 1). The drilling targets are designed to upgrade

significant portions of the resource from JORC Inferred Resource to JORC Indicated Resource which, if achieved, will boost confidence in the project's economic viability. A resource upgrade is set to form part of a new prefeasibility study for Hawsons, scheduled for completion in the second quarter of 2017.

The work programme carried out, together with results to date, has improved the potential for a resource upgrade as results are broadly in line with expectation, drill spacing has been tightened, Davis Tube analysis has been done on every interval and geophysics collected on 80% of the drilling, consistent with earlier drilling programmes.

The confidence in some of the deposit's key competitive advantages is also increasing as extra drilling supports earlier mining and processing assumptions. This is because:

- there is no expected material change in mining characteristics, including the exceptional mining widths of circa 500m and the depth of overburden as the geological interpretation so far appears robust;
- concentrate quality results received to date are outstanding and consistent with expectations. Pilot plant work (ASX Announcement 14 October 2015) has shown Hawsons can produce amongst the finest quality concentrate in the world, known as Hawsons Supergrade, at 70.3%Fe. While the resource grade determined by DTR concentrate analysis is currently 69.7% Fe, the test work included an additional upgrade stage without materially affecting recoveries.

The drilling has also provided analytical data for Unit 1 and confirmed its presence in the north central part of the deposit, where it has previously been ignored. The magnetite mass recovery and concentrate grades are above the resource cut-off grades, potentially extending the known resource limits (Figures 1 and 3).

Subsequent to the end of the quarter, the Company has announced further drilling results that are also in line with expectations (ASX Announcement 16 January 2017).

Table 2 shows the significant intersections returned thus far and Figures 2 and 3 are representative cross sections of the results.

### **Product marketing**

Carpentaria's Product Marketing Director, Lou Jelenich visited the Middle East during December to strengthen existing relationships with potential direct reduction (DR) customers as well as promoting the project to potential new customers. These discussions are progressing, highlighting the potential to build on the existing list of blue chip offtake customers that have signed letters of intent in the direct reduction market.

Current customers under letters of intent include Bahrain Steel, Emirates Steel, Formosa Plastics, Mitsubishi Corporation RtM Japan and trading house Gunvor Group.

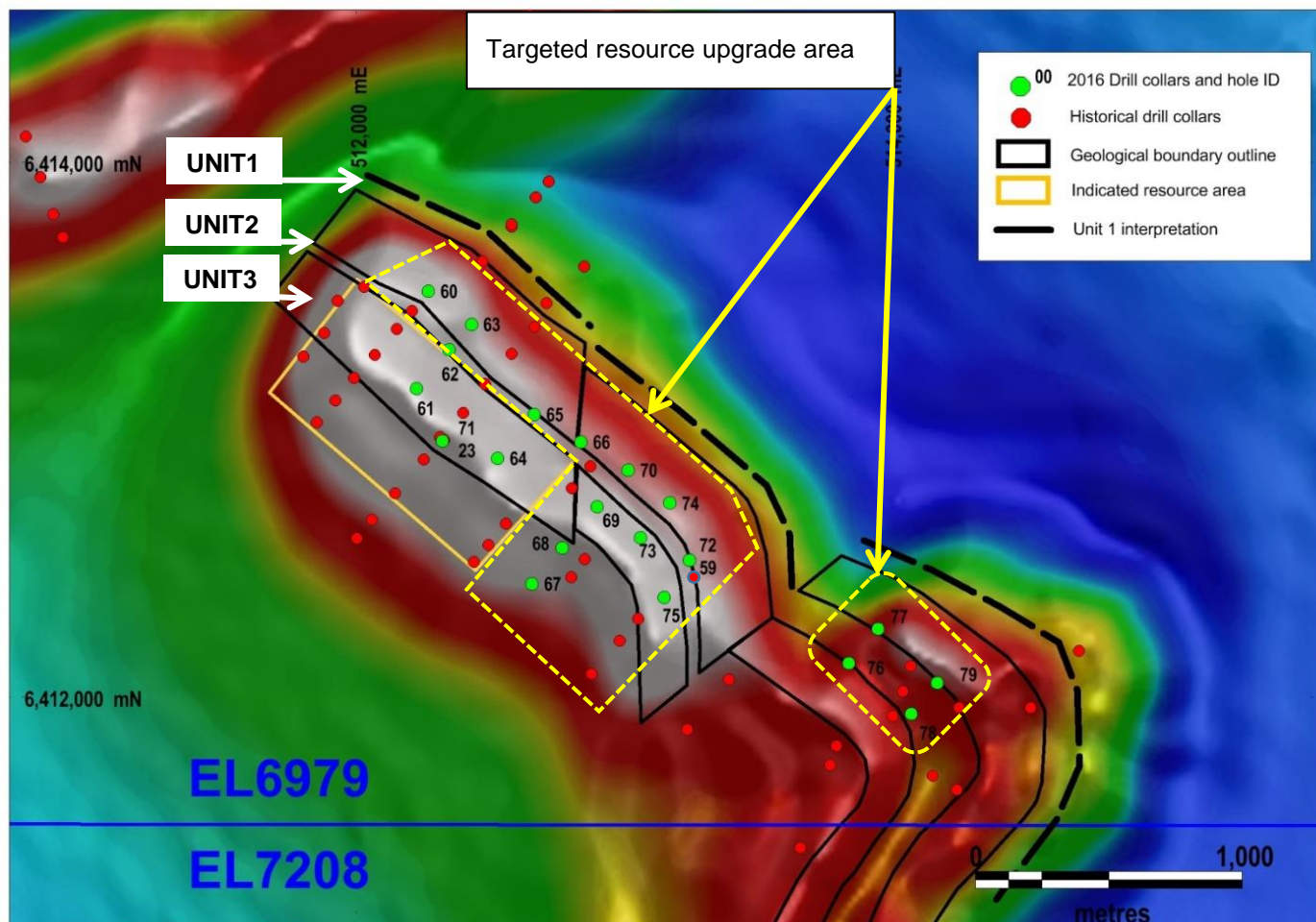
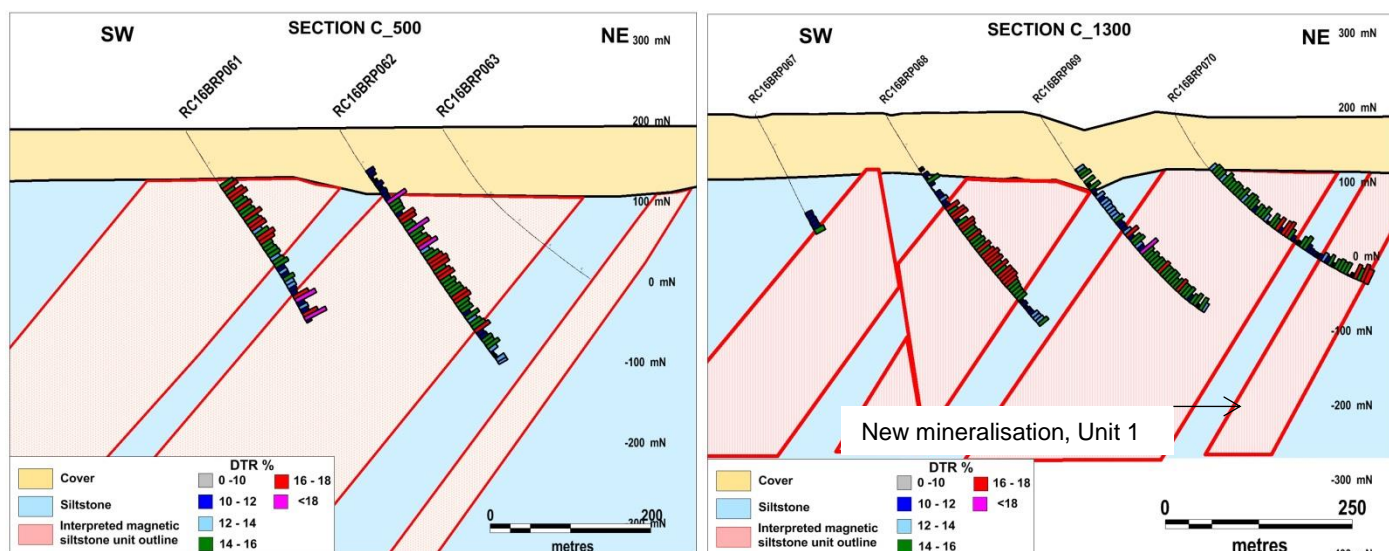


Figure 1 – Drill hole location plan



Figures 2 and 3 Example cross sections

## Corporate

On 1 November 2016 the Company advised that it had raised \$792,497 from a Rights Issue. Further, on 15 November 2016 the Company advised it had raised approximately \$400,000 in a placement of part of the Rights Offer Shortfall to sophisticated investors all at a price of \$0.049 per share.

This is in addition to a placement to sophisticated investors during the previous quarter. In total approximately \$2,000,000 has been raised in the past two quarters.

Carpentaria held its Annual General Meeting on 24 November 2017.

## Other

EL 6979 (Redan), part of the Hawsons project, was successfully renewed during the quarter for a further 5 years, leaving EL 7504 (Little Peak), the smallest of the HIP licences, the last to be renewed up to and beyond 2020. The Company knows of no reason why this will not occur at the appropriate time.

Cape Clear (Lachlan) Pty Ltd advised that it had met its \$100,000 minimum expenditure commitment under the farm-out agreement with Carpentaria relating to the Barellan (EL 7896) and Combaning (EL 6901) projects.

EL 5561 (South Dam), located in the Braemar Province in South Australia was successfully renewed during the quarter for a further 2 years.

Carpentaria continues to seek divestment of its remaining non-ferrous projects.

## About Hawsons Iron Project

The Hawsons Iron Project joint venture (Carpentaria 64%, Pure Metals P/L 36%) is currently undertaking development studies based on the low cost, long term supply of a high grade, ultra-low impurity iron concentrate to a growing premium iron market, including the direct reduction (DR) market.

The project has a clear technical and permitting pathway. It is located 60km southwest of Broken Hill, an ideal position for mining operations with existing power, rail and port infrastructure available for a conceptual 10 Mtpa start-up operation. A mining lease application has been lodged.

The project's soft rock is different from traditional hard rock magnetite and allows a very different approach to the typical magnetite mining and processing challenges (both technical and cost-related). The soft rock enables simple liberation of a product of rare quality without complex and expensive processing methods.

The Company is targeting the growing premium high grade product market, both pellets and pellet feed, which is separate to the bulk fines and believes its targeted cost structure is very profitable at consensus long-term price forecasts for this sector. It has secured offtake intent from blue chip companies Bahrain Steel, Emirates Steel, Formosa Plastics, Mitsubishi Corporation RtM Japan and trading house Gunvor Group.

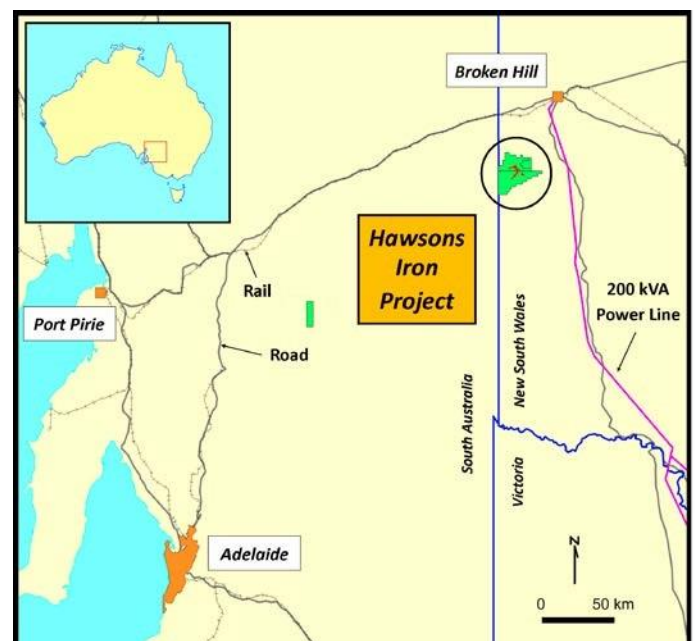


Figure 1 Location of Hawsons Iron Project and Port Pirie



The project is underpinned by Inferred and Indicated Resources totalling 1.8 billion tonnes at 15% mass recovery for 263 million tonnes of concentrate grading at 69.7% Fe. The Company confirms that it is not aware of any new data that materially affects this resource statement since the first public announcement and that all material assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed since first reported (ASX Announcement 26 March 2014 and Table 1).

Category	Billion Tonnes (cut off 12% mass recovery)	Magnetite mass recovery (%)	concentrate grades					Contained Concentrate million tonnes
			Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	LOI%	
Inferred	1.55	14.7	69.6	2.9	0.20	0.004	-3.0	228
Indicated	0.22	16.2	69.8	2.8	0.20	0.005	-3.0	35
<b>Total</b>	<b>1.77</b>	<b>14.9</b>	<b>69.7</b>	<b>2.9</b>	<b>0.20</b>	<b>0.004</b>	<b>-3.0</b>	<b>263</b>

Table 1 JORC compliant resources- Hawsons Iron Project

For further information please contact:



**Quentin Hill**  
**Managing Director**  
**+61 7 3220 2022**

***We find it. We prove it. We make it possible.***

*The information in this report that relates to Exploration Results, Exploration Targets and Resources is based on information evaluated by Mr Q.S. Hill who is a member of the Australian Institute of Geoscientists (MAIG) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 (the "JORC Code"). Mr Hill is a Director of Carpentaria Exploration Ltd and he consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.*

### Carpentaria Exploration Tenement Schedule at end of 2016 December Quarter

<u>Licence</u>		<u>Name</u>	<u>Original Grant Date</u>	<u>Expiry Date</u>	<u>Equity</u>	<u>Sub-blocks</u>	<u>Area (km<sup>2</sup>)</u>
EL 6901	6	Combaning	8/10/2007	8/10/2017	100%	21	61
EL 6979	1,2	Redan	11/12/2007	11/12/2021	64%	62	180
EL 7208	2	Burta	22/09/2008	22/09/2020	64%	100	290
EL 7504	2	Little Peak	8/04/2010	8/04/2017	64%	14	41
EL 7896	6	Barellan	6/02/2012	6/02/2018	100%	25	73
EL 8095		Advene	28/05/2013	28/05/2017	100%	100	290
EL 5561		South Dam	10/12/2014	9/12/2018	100%	12	34
EPC 1641	3	Hughenden	27/03/2015	26/03/2017	100%	11	32
MLA 460	4,5	Hawsons Iron	Under application	Under application	64%	n/a	187

1. 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.

2. JV; Pure Metals Pty Ltd.

3. Under transfer to Terracom Ltd.

4. MLA made on 18 October 2013; tenement application subject to unspecified grant date and conditions.

5. Subject to the Hawsons Joint Venture with Pure Metals Pty Ltd.

6. Farm-out agreement with Cape Clear (Lachlan) Pty Ltd.

Hole ID	From (m)	To (m)	Thickness (m)	Magnetite Mass Recovery % (DTR)	Head Fe %	Concentrate grades						comment
						Fe%	SiO2 %	Al2O3 %	P %	S %	LOI	
RC16BRP060	69	241	172	13.0	17.9	70.2	2.02	0.16	0.001	0.003	-2.94	
incl	116	186	70	15.3	15.3	70.3	2.13	0.16	0.001	0.003	-3.18	
incl	211	236	25	14.1	23.1	70.6	1.71	0.14	0.000	0.002	-3.14	
	251	306	55	14.0	16.0	69.6	2.83	0.20	0.001	0.004	-3.02	
RC16BRP061	79	234	155	15.7	17.0	69.2	3.25	0.19	0.003	0.002	-2.94	
incl	79	204	125	16.9	18.1	69.2	3.28	0.18	0.004	0.003	-2.86	
	244	279	35	16.9	20.5	71.1	1.20	0.09	0.001	-0.001	-3.29	
RC16BRP062	105	305	200	16.8	19.2	69.9	2.53	0.17	0.004	0.000	-3.10	
incl	150	275	125	17.8	17.5	69.7	2.85	0.19	0.004	0.000	-3.12	
incl	240	265	25	18.7	20.7	70.7	1.71	0.12	0.003	-0.001	-3.23	
	315	335	20	13.2	14.2	69.1	3.61	0.22	0.006	0.002	-3.17	
	345	350	5	11.2	11.5	69.7	2.77	0.25	0.004	0.006	-3.23	EOH
RC16BRP063	64	166	102	16.4	17.0	69.5	2.60	0.19	0.003	0.001	-2.60	
incl	91	126	35	18.9	17.5	69.4	3.00	0.20	0.004	<0.001	-2.87	
	176	206	30	12.6	24.1	70.4	1.72	0.16	0.004	0.001	-2.79	
	216	226	10	19.3	17.3	69.2	3.20	0.17	0.006	0.012	-2.89	
	241	246	5	11.3	11.6	69.9	2.27	0.23	0.003	0.004	-3.27	
RC16BRP064	92	117	25	15.8	19.1	69.8	2.08	0.11	0.002	-0.001	-2.37	
	142	227	85	14.9	16.4	69.3	3.24	0.16	0.002	-0.001	-3.06	
incl.	152	212	60	16.5	17.5	69.3	3.25	0.16	0.003	-0.001	-3.03	
	237	354	117	15.4	16.8	70.4	2.16	0.12	0.000	-0.001	-3.28	EOH
incl.	297	354	57	17.3	17.1	70.4	2.12	0.11	0.000	-0.001	-3.31	EOH
RC16BRP065	96	291	195	16.1	18.4	70.5	1.84	0.13	0.002	-0.001	-3.13	
	301	311	10	14.3	18.3	69.3	3.31	0.18	0.005	-0.001	-3.10	
RC16BRP066	98	203	105	15.2	16.9	70.3	2.09	0.13	0.001	-0.001	-3.10	
	213	238	25	12.5	21.9	70.5	2.09	0.12	0.001	-0.001	-3.19	
RC16BRP069	89	124	35	12.1	15.5	69.2	2.74	0.19	0.002	-0.001	-2.03	transition zone
	134	179	45	11.0	13.8	69.7	2.79	0.16	0.000	-0.001	-3.07	
	194	348	154	14.9	19.7	70.6	1.84	0.12	0.001	-0.001	-3.31	EOH
incl.	229	319	90	16.7	18.0	70.7	1.77	0.12	0.000	-0.001	-3.34	
RC16BRP067	174	181	7	12.8	22.6	70.7	1.38	0.13	0.003	-0.001	-3.02	EOH, abandoned
RC16BRP068	149	309	160	17.6	18.2	68.7	3.89	0.23	0.004	-0.001	-2.94	
incl.	219	279	60	19.6	18.4	68.1	4.55	0.25	0.005	-0.001	-2.87	
	334	354	20	11.5	14.3	70.4	1.96	0.12	0.003	0.000	-3.28	EOH
RC16BRP070	88	233	145	13.6	20.1	70.2	2.14	0.12	0.002	0.000	-3.07	
incl.	143	168	25	15.5	24.0	70.6	1.74	0.10	0.002	-0.001	-3.17	
incl.	198	228	30	15.8	21.2	69.0	3.55	0.19	0.004	0.002	-2.90	
	283	323	40	12.2	14.4	69.1	3.41	0.19	0.003	0.005	-3.05	
	333	355	22	18.7	20.7	70.0	2.44	0.16	0.005	-0.001	-3.23	EOH
RC16BRP071	79	214	135	17.3	19.0	68.5	4.00	0.16	0.005	0.000	-2.70	
incl.	99	204	105	18.3	18.9	68.5	4.19	0.17	0.005	0.000	-2.89	
RC16BRP072	104	109	5	23.8	25.1	70.1	2.14	0.07	0.004	-0.001	-2.84	
	119	184	65	13.7	16.2	70.7	1.35	0.13	0.002	0.004	-2.91	EOH
RC16BRP073	150	170	20	12.1	17.2	69.2	3.47	0.16	0.001	<0.001	-2.96	
	180	354	174	15.3	19.1	70.1	2.34	0.14	0.002	<0.001	-3.20	EOH
incl.	195	260	65	17.3	17.1	70.3	2.24	0.13	0.001	0.001	-3.23	
RC16BRP074	84	209	125	14.5	19.7	70.0	2.31	0.14	0.003	0.001	-2.87	
	226	236	10	12.8	12.4	68.2	4.56	0.22	0.005	0.004	-3.04	
	261	306	45	16.4	16.3	70.0	2.60	0.14	0.002	0.002	-3.25	Unit 1
incl.	281	306	25	19.7	19.5	70.9	1.52	0.10	0.002	<0.001	-3.30	
RC16BRP075	102	112	10	10.9	14.2	68.4	3.84	0.14	0.005	<0.001	-2.22	
	197	312	115	15.7	17.0	70.0	2.46	0.13	0.001	0.001	-3.12	EOH
incl.	227	257	30	20.3	22.5	69.5	2.99	0.15	0.003	<0.001	-2.91	

Table 2 Summary of previously released Significant intersections (10% magnetite mass recovery cut off, no more than 5m of internal dilution), (for JORC Table 1 see ASX announcements, 20 December,2016, 16 January, 2017)

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity:**

**CARPENTARIA EXPLORATION LIMITED**

**ABN**

**63 095 117 981**

**Quarter ended ("current quarter")**

**31 December 2016**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(685)	(773)
(b) development	-	-
(c) production	-	-
(d) staff costs	(53)	(167)
(e) administration and corporate costs	(80)	(207)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Refunds	-	-
1.8 Business development costs	(92)	(191)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(902)</b>	<b>(1,326)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(12)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(12)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	1,246	2,051
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(119)	(196)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,127</b>	<b>1,855</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,975	1,683
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(902)	(1,326)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(12)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,127	1,855
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,200</b>	<b>2,200</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,184	959
5.2 Call deposits	1,016	1,016
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,200</b>	<b>1,683</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

86

-

Director fees

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

-

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Add notes as necessary for an understanding of the position</i>		
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

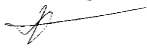
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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	680
9.2 Development	-
9.3 Production	-
9.4 Staff costs	75
9.5 Administration and corporate costs	70
9.6 Business development	70
<b>9.7 Total estimated cash outflows</b>	<b>895</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 25 January 2017  
Company secretary

Print name: Robert Hair

### **Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.