

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

ABN : 63 095 117 981 ASX : CAP

25 JAN. 2016

ABOUT CARPENTARIA:

Carpentaria is an emerging producer of iron ore in eastern Australia. The company currently 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 123,987,777

MAJOR SHAREHOLDERS:

Silvergate Capital 18.2%

Conglin International
Investment Group 11.4%

FINANCIAL

Cash on hand as at 31/12/2015
A\$2,194,000

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CARPENTARIA EXPLORATION LIMITED

www.carpentariaex.net.au

Quarterly Report

For the Quarter ended 31 December 2015

Highlights

- Bulk test work during the quarter returns world leading product grades, global range of customers now targeted
- Product quality continues to receive very good feedback from potential customers during product marketing visits and subsequent discussions

December Quarter Hawsons Iron Project Development Summary

Product Test Work

During the quarter, the Company announced that the test work results from the ALS Iron Ore Technical Centre in Perth on Hawsons Iron Project product were outstanding.

Bulk concentrate upgrade results were consistent with lab scale results, and over 500kg of highest quality pellet feed was produced. As reported during the quarter, this "Supergrade" product contains 70.3% iron, 1.99% silica and 0.3% alumina and would be the highest grade in the global seaborne iron ore trade.

The upgrade results were achieved, using simple, low cost elutriation that is simply use of upwelling water to separate lighter contaminant particles from heavier, clumping magnetite particles. This upgrade method has negligible product loss and is another significant processing advantage of the Hawsons ore over other ores that rely on the more expensive chemical process of flotation to achieve very high grades (refer ASX Announcement 14 October 2015 and Appendix).

Early results from the 250kg sample that was sent to the China Iron and Steel Research Institute (CISRI) for pelletising and steel making performance tests are also very positive and are expected next quarter.

Product Marketing

The Hawsons product specifications returned from the test work continue to receive very positive feedback, and the Company has advanced discussions with a number of potential customers.

Those to receive samples of Hawsons product include the manufacturers of direct reduction grade iron pellets and of high quality blast furnace pellets and the steel-makers that use such pellets.

Off-take support continues to be the Company's primary focus, and the Company is confident that the very high quality of the product differentiates Hawsons from other iron ore projects and will result in end user support.

The key advantage that Hawsons has over comparable projects is the Supergrade material that it will be able to offer.

Corporate Activity

Annual General Meeting

Carpentaria's AGM was held on 19 November 2015. The results of the meeting were, where applicable, in accordance with the Board's recommendations.

Other

The Terms Sheet end date signed with Faraday Resources P/L (ASX Announcement 1 September 2015) concerning the Barellan and Combaning projects was extended to late January and the parties anticipate reaching a binding farm-in agreement in January, in accordance with the Terms Sheet.

During the quarter one tenement was relinquished resulting in a reduction of 16 sub-blocks totaling 46.9. During the 12 months ending December 2015, eleven tenements have been allowed to expire, been cancelled or transferred with a reduction of 449 sub-blocks totalling 1,316 km².

About Hawsons Iron Project

The Hawsons Iron Project joint venture (Carpentaria 62%, Pure Metals P/L 38%) is currently undertaking a bankable feasibility study based on the low cost, long term supply of a high grade, ultra-low impurity iron concentrate to a growing premium blast furnace market and 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 two markets with its Supergrade product, the DR market, which requires ore to meet the exacting requirements of Midrex and HYL DRI production facilities, and the growing premium high grade blast furnace market. The targeted cost structure is very competitive and profitable at consensus long-term price forecasts for these sectors, and DR pellets have attracted approximately \$50/t premium over the 62% iron fines prices.

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).

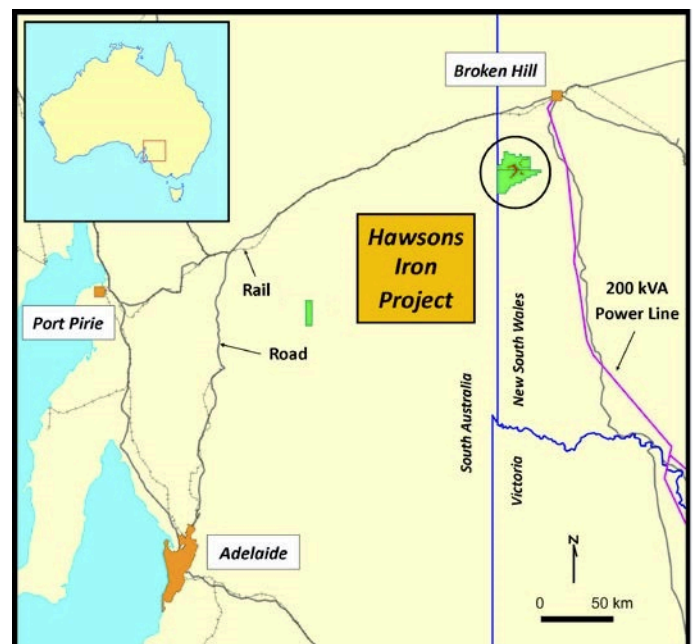


Figure 1 Location of Hawsons Iron Project and Port Pirie

Category	Billion Tonnes (cut off 12% mass recovery)	Magnetite mass recovery (%)	concentrate grades					Contained Concentrate million tonnes
			Fe%	SiO ₂ %	Al ₂ O ₃ %	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
Total	1.77	14.9	69.7	2.9	0.20	0.004	-3.0	263

Table 1 JORC compliant resources- Hawsons Iron Project

For further information please contact:



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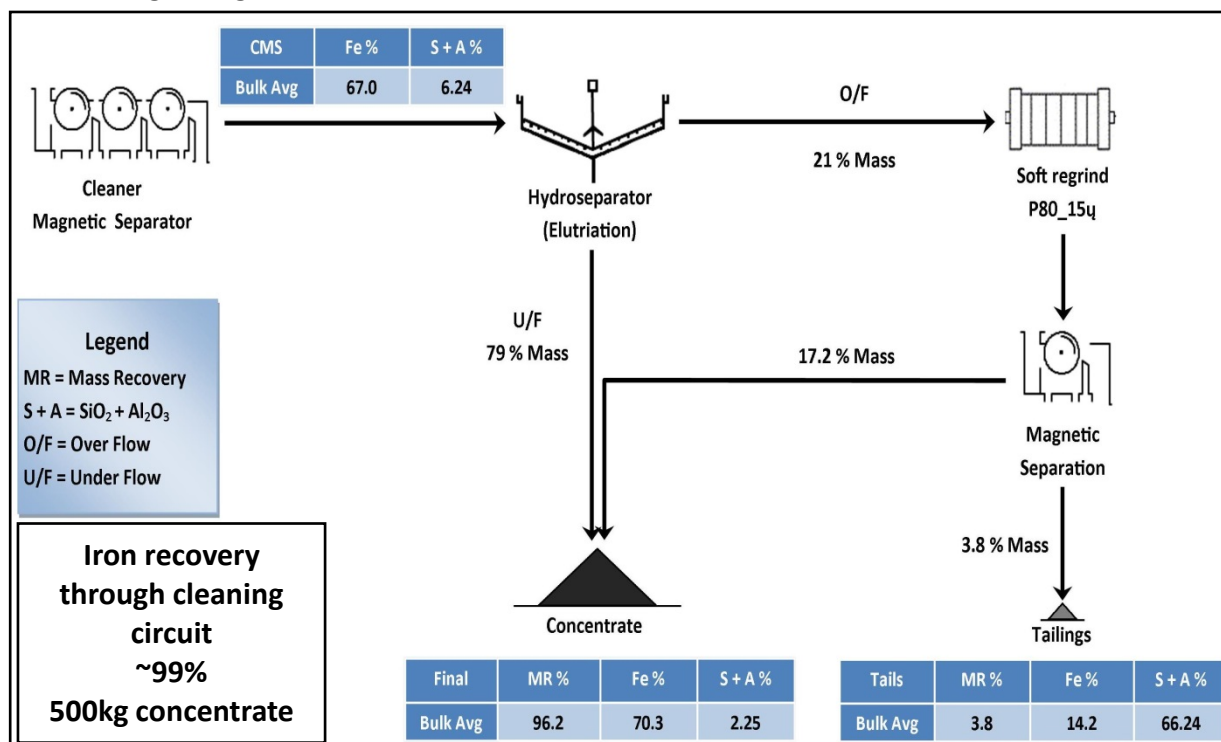
The information in this report that relates to Exploration Results, Exploration Targets and Resources is based on information evaluated by Mr Q.S. Hill who is a member of the Australian Institute of Geoscientists (MAIG) and who has sufficient experience relevant to the style of mineralisation and type 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 December Quarter 2015

<u>Licence</u>		<u>Name</u>	<u>Original Grant Date</u>	<u>Expiry Date</u>	<u>Equity</u>	<u>Sub-blocks</u>	<u>Area (km²)</u>
EL 6901	3	Combaning	8/10/2007	8/10/2017	100%	21	60.9
EL 6979	1,2	Redan	11/12/2007	11/12/2016	62%	62	179.8
EL 7208	2,3,	Burta	22/09/2008	22/09/2020	62%	100	289.7
EL 7504	2	Little Peak	8/04/2010	8/04/2017	62%	14	40.6
EL 7829		Yanco Glen	2/09/2011	2/09/2016	100%	50	146.2
EL 7896		Barellan	6/02/2012	6/02/2016	100%	50	141.7
EL 8082		Tooloom	1/05/2013	1/05/2016	100%	100	297.4
EL 8095		Advene	28/05/2013	28/05/2017	100%	100	287.1
EL 8189		Grong Grong	29/10/2013	29/10/2016	100%	148	418.7
EL 5561		South Dam	10/12/2014	9/12/2016	100%	27	77.9
EPC 1641	4	Hughenden	27/03/2015	26/03/2017	100%	11	35.5
MLA 460	5,6	Hawsons Iron	Under application	Under application	62%	n/a	187
Totals		12 licences and applications				683	2,162.50

1. 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.
2. JV Pure Metals Pty Ltd.
3. Under renewal.
4. Under transfer to Guildford Coal Ltd.
5. MLA made on 18 October 2013; tenement application subject to unspecified grant date and conditions.
6. Subject to the Hawsons Joint Venture with Pure Metals Pty Ltd.

APPENDIX – Possible high grade cleaning circuit based on the test work results after rougher magnetic separation and grinding





Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/2010.

Name of entity

Carpentaria Exploration Limited

ACN or ABN

63 095 117 981

Quarter ended ("current quarter")

31-Dec-15

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(460)	(780)
(b) development	-	-
(c) production	-	-
(d) administration	(163)	(296)
(e) business development	(74)	(133)
(f) redundancies	(22)	(161)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	43
1.5 Interest and other costs of finance paid	-	-
1.6 R&D concession received (net of tax advisory costs)	370	1,286
1.7 Refund of previous development costs	-	-
Net Operating Cash Flows	(339)	(41)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - Exploration Advance	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(339)	(41)



1.13	Total operating and investing cash flows (brought forward)	(339)	(41)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	8	8
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Share issue costs	-	-
	Net financing cash flows	8	8
	Net increase (decrease) in cash held	(331)	(33)
1.20	Cash at beginning of quarter/year to date	2,525	2,227
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,194	2,194

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	86
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 relates to Directors Remuneration, Fees and Superannuation Contributions.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest



Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

\$A'000

4.1	Exploration and evaluation *	190
4.2	Development	0
4.3	Production	0
4.4	Administration	235
	Total	425

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	890	727
5.2 Deposits at call	1,304	1,500
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,194	2,227

Changes in interests in mining tenements

Tenement	Nature of interest	Interest at beginning of quarter
Reference	(note (2))	Interest at end of quarter

6.1	Interests in mining tenements relinquished, reduced or lapsed		
6.2	Interests in mining tenements acquired or increased		



Issued and quoted securities at end of current quarter
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number quoted	Issue price per security (see note 3)
7.1 Preference +securities <i>(description)</i>		
7.2 Changes during quarter		
(a) Increases through issues		
(b) Decreases through returns of capital, buy-backs, redemptions		
7.3 +Ordinary securities Quoted	123,887,777	
Options Quoted		
+Ordinary securities Un-Quoted <i>(restricted)</i>		
7.4 Changes during quarter		
(a) Increases through issues		
(b) Decreases through returns of capital, buy-backs		
7.5 +Convertible debt securities <i>(description)</i>		
7.6 Changes during quarter		
(a) Increases through issues		
(b) Exercise of Options		
7.7 Options <i>(description and conversion factor)</i>	Number	Exercise price Expiry date
Unlisted Options CAPAO		
7.8 Issued during quarter		
7.9 Exercised during quarter		
7.10 Expired during quarter	1,500,000	0.440 29-Nov-15
7.11 Debentures	-	
<i>(totals only)</i>		
7.12 Unsecured notes <i>(totals only)</i>	-	



Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

25/01/2016

Company Secretary
Robert Hair

- 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.