

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

ABN : 63 095 117 981 ASX : CAP

26 APRIL 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 123,887,777

MAJOR SHAREHOLDERS:

Silvergate Capital 18.2%

Conglin International
Investment Group 11.4%

FINANCIAL

Cash on hand as at 31/3/2016
A\$1,777,000

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CARPENTARIA EXPLORATION LIMITED

www.carpentariaex.net.au

Quarterly Report

For the Quarter ended 31 March 2016

Highlights

- Test work results confirm Hawsons Supergrade delivers benefits for steel makers
- Excellent chemical, physical and iron making properties of pellets confirm Supergrade is a standout raw material
- Results meet or exceed specifications for direct reduction iron (DRI) producers
- Carpentaria (CAP) and Mitsubishi Corporation RtM Japan Ltd. ("Mitsubishi RtM") sign non-binding letter of intent for the purchase of 1 million tonnes per annum (mtpa) of Hawsons Iron Project "Supergrade" product
- Subsequent to the end of the quarter, CAP and Bahrain Steel (BSC) sign non-binding letter of intent for the purchase of 3 million tonnes per annum (mtpa) of Hawsons Iron Project Supergrade product

March Quarter Hawsons Iron Project Development Summary

Product Test Work

During the quarter, the Company announced the results from pelletising and metallurgical test work completed by the China Iron and Steel Research Institute (CISRI) that demonstrated its Supergrade product is amongst the world's best iron ore pellet feeds and can produce amongst the worlds best pellets.

The tests showed pellets made from 100% Hawsons Supergrade gave outstanding results based on Asian buyers' criteria, namely high iron and low slag content, superior physical properties and excellent iron making characteristics.

The superb results also met the exacting specifications provided to Carpentaria by DRI producers providing access to Middle East and Indian buyers.

Importantly results also showed the Supergrade product, when added to typical Chinese pellet blends, provided substantial improvement in the chemistry, strength and iron making performance of typical Chinese pellets, thereby increasing the attractiveness to Chinese buyers.

Details of the test work results are set out in the appendix to this report.

Product Marketing

During the period, the Company announced that prospects for the development of Hawsons had been significantly boosted by two letters of intent to buy pellet feed from two blue chip companies covering 40% of planned production. These agreements followed the successful pelletising results that demonstrated suitability across a number of markets.

During the quarter Carpentaria signed a non-binding Letter of Intent (LOI) between CAP and Mitsubishi RtM for the supply of 1 million tonnes per annum (mtpa) of Hawsons Supergrade pellet feed.

Based in Tokyo, Japan, Mitsubishi RtM is a dominant player in the high grade iron ore concentrate market. Part of the blue-chip Mitsubishi Corporation group, the company's networks extend globally, from South to North America, Europe and the Asia-Pacific, with its Iron Ore Department serving as its iron ore import agency for supplies from Australia and elsewhere.

Subsequent to the end of the quarter, Carpentaria announced signing a non-binding letter of intent (LOI) for the supply of 3 million tonnes per annum (mtpa) of Hawsons' Supergrade pellet feed to leading international direct reduction (DR) pellet producer, Bahrain Steel.

The first offtake arrangement with an end user and the first with a DR customer, this means at least 30% of planned production can be sold to the high value, DR market, where projects capable of meeting the high specifications required are rare and existing suppliers few. The company believes this is the first such agreement for direct reduction feed for Australian product.

In March, according to the Platts IODRP00 index the premium for a DR pellet is US\$40 above the 65%Fe fines index. The total price for a DR pellet is therefore nominally US\$45/t above the 62%Fe index price.

Established in 1984, Bahrain Steel is a wholly owned subsidiary of Foulath Holding. BSC is the world's largest independent producer of iron-ore pellets used in the production of steel. It operates two pelletising plants in the Kingdom of Bahrain, with a total capacity of 11 million tonnes per year, producing DR-grade pellets for customers in the Middle East, India, Far East and South East Asia.

About Hawsons Iron Project

The Hawsons Iron Project joint venture (Carpentaria 62%, Pure Metals P/L 38%) is currently undertaking elements of 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

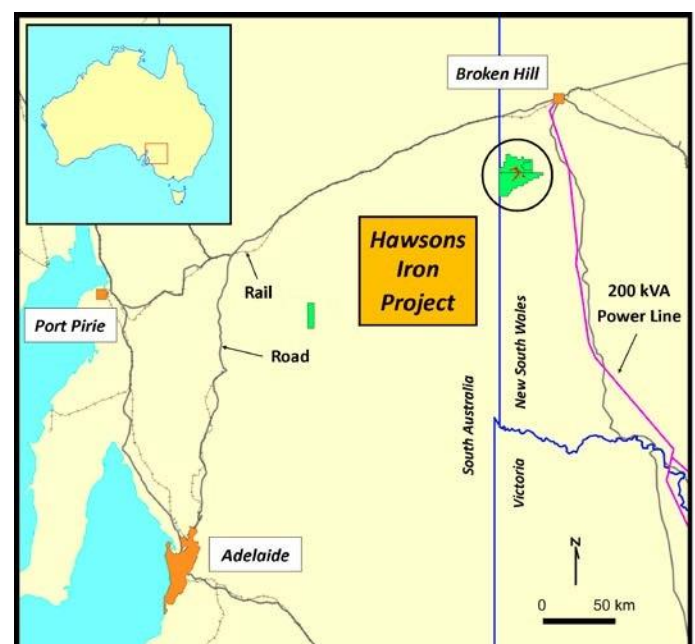


Figure 1 Location of Hawsons Iron Project and Port Pirie

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).

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

Other

CAP during the quarter secured new investment in its Lachlan Fold Belt gold portfolio, announcing an agreement to farm out the Barellan (EL 7896) and Combaning (EL 6901) projects to private explorer Cape Clear (Lachlan) Pty Ltd, a nominee of Faraday Resources Pty Ltd.

The agreement followed the ASX announcement on 1 September 2015 of a terms sheet signed with Faraday Resources concerning the New South Wales projects.

Under the agreement:

- Cape Clear can spend \$200,000 within 15 months to earn a 90% interest in both projects;
- Cape Clear has committed to spend \$100,000 by November 2016;
- Following the earn-in period, Carpentaria will have the option to contribute to expenditure or convert its interest to a Net Smelter Return (NSR) of 1%.

During the quarter there was a reduction of 319 sub-blocks totalling 935 km² due to three tenement cancellations and a partial tenement relinquishment. During the 12 months ending March 2016, 14 tenements have been cancelled, expired, partially relinquished or transferred with a reduction of 684 sub-blocks totalling 2,008 km².

Carpentaria is seeking divestment of its remaining non ferrous projects.

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 2016 March 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 (km²)</u>
EL 6901	6	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	290
EL 7504	2	Little Peak	8/04/2010	8/04/2017	62%	14	40.6
EL 7896	3,6	Barellan	6/02/2012	6/02/2016	100%	25	72.5
EL 8095		Advene	28/05/2013	28/05/2017	100%	100	290
EL 5561		South Dam	10/12/2014	9/12/2016	100%	27	78.3
EPC 1641	4	Hughenden	27/03/2015	26/03/2017	100%	11	31.9
MLA 460	2,5	Hawsons Iron	Under application	Under application	62%	n/a	187
Totals			9 licences and applications			360	1,231.00

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

APPENDIX - SUMMARY OF CISRI PELLETISING RESULTS

Over 250kg of Hawsons pellet feed was sent to CISRI late 2015 for pelletising tests and iron making performance tests on the pellets. The following summarises the results.

Hawsons Technical Director Ray Koenig, former superintendent of pelletising at Savage River, Tasmania, said the Supergrade product had performed superbly during the latest tests.

“The Supergrade product’s naturally fine grain size distribution is perfect for pelletising and magnetite is a better pellet feed than typical hematite fines because it releases heat into the system during pellet firing. This means lower pellet production costs, more even firing, less binding agent and 30% of the energy requirement of typical hematite,” he said.

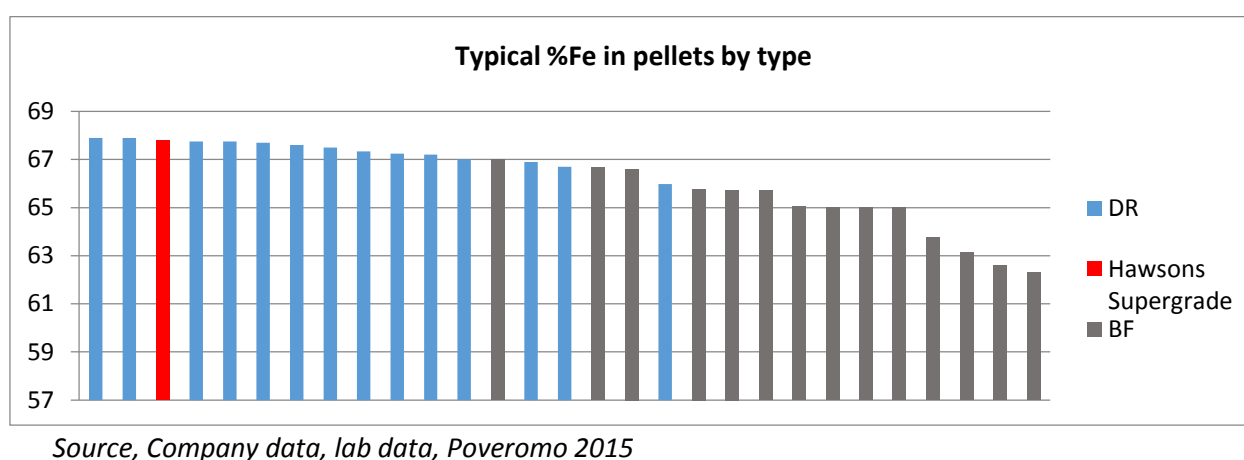
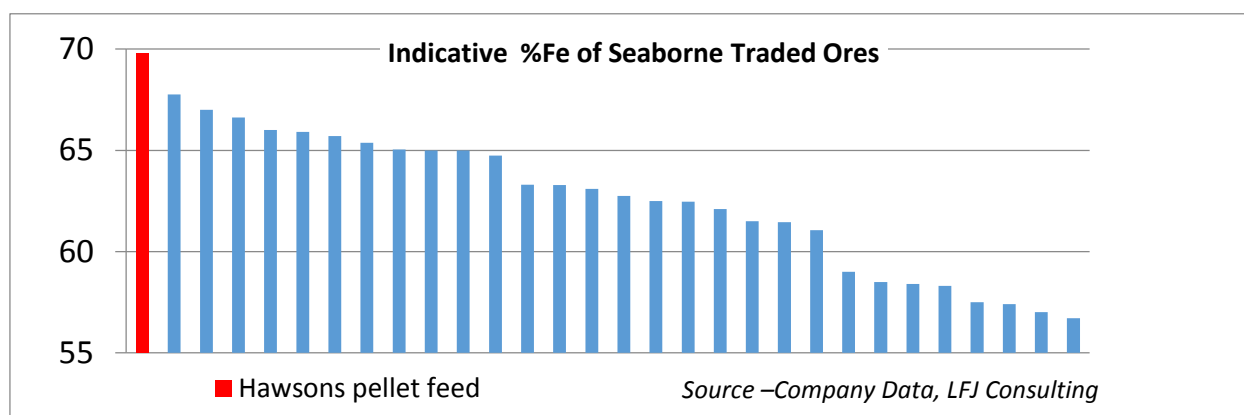
Lou Jelenich, Carpentaria’s technical marketing consultant and former Technical Superintendent of Ironmaking at Newcastle Steel Works and Technical Marketing Manager for BHPB Iron Ore said both the pellet feed and the pellets had met or exceeded the specifications provided by Asian and Middle Eastern steel mills during recent marketing trips, including direct reduction customers.

Test Work Results

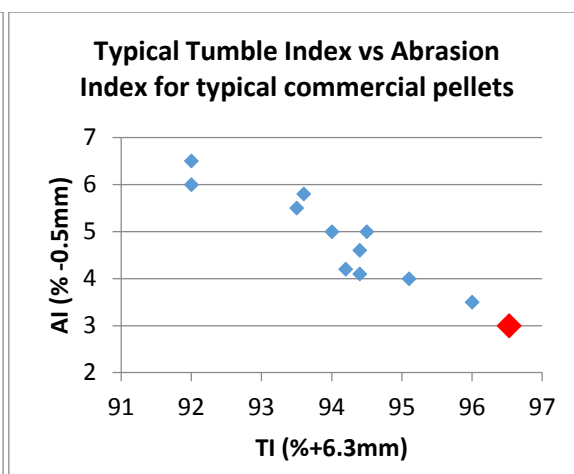
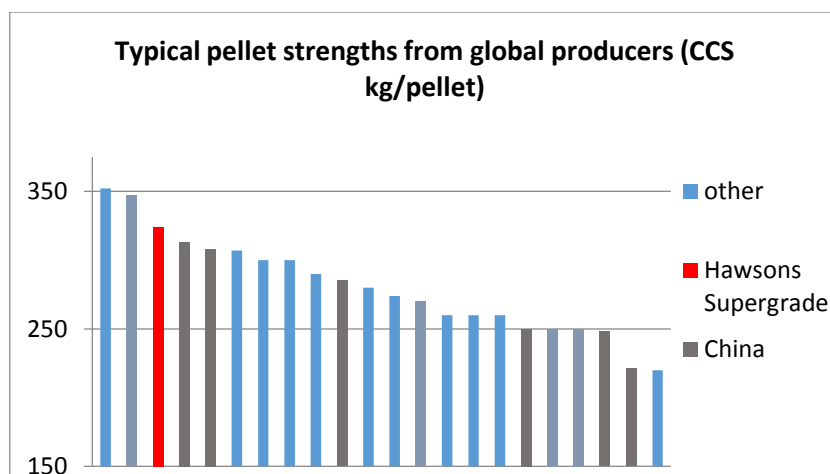
Elements and Compounds		Supergrade Pellet Feed (ALS, CISRI)	Supergrade pellets (CISRI) Fired at 1230°C	Midrex DR Specifications*
chemical Analysis (%) (on dry basis)	Fe	70.3	67.80	67.00 min.
	SiO ₂	1.99	2.39	
	Al ₂ O ₃	0.29	0.44	
	SiO ₂ + Al ₂ O ₃	2.28	2.83	3.00 max.
	CaO	0.11	0.15	
	MgO	0.2	0.22	
	P	0.007	0.008	0.030 max.
	S	0.001	0.003	0.008 max.
	TiO ₂	0.11	0.10	0.15 max.
	Na ₂ O	0.032	0.056	
	K ₂ O	0.05	0.054	
Physical Properties	Blaine Index (cm ² /g)	1910		
	Tumble (% +6.3mm)		96.53	NA
	Abrasion (% -0.5mm)		2.99	NA
	CCS (Kg/pellet)		324	>250
Metallurgical Properties	Reducibility Index (%)		62.04	
	Reduction swelling index (%)		13.92	
	Softening/Melting (Kpa.°C)		551	

Hawsons indicative specifications based on bulk pellet feed test work (ASX Announcement, 14 October 2015) and China Iron and Steel Research Institute test work (CISRI) in Beijing February 2016). *P8 The Midrex Process by Midrex 2015.

Chemical characteristics - Hawsons pellet feed and pellets have exceptional iron grade.

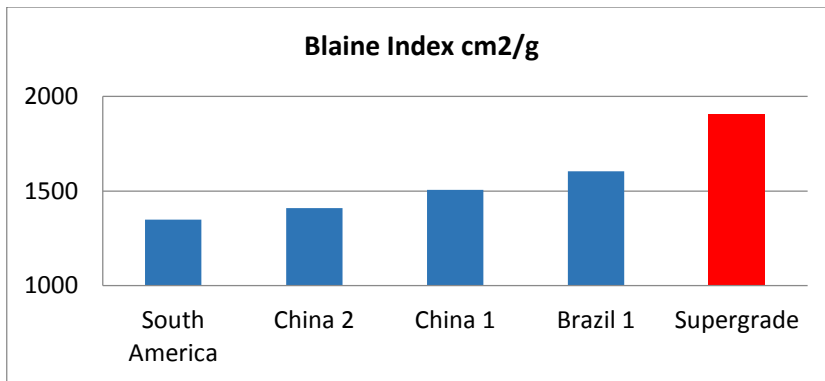


Physical Characteristics and pelletising properties

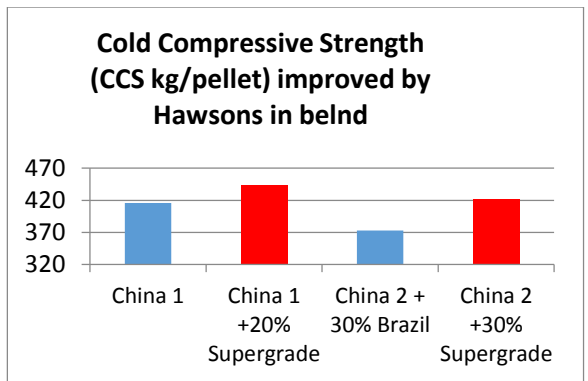


Pellet strength is important during transportation and handling to preserve optimum size for iron making productivity and high feed yields. Feedback from end users indicates over 280 is preferred, and over 300 is very good. Carpentaria has chosen pellet firing conditions to achieve over 300. Data source, Company data, lab data, Poveromo 2015

High tumble index (TI) and a low abrasion index (AI) is preferred because this minimises losses and preserves optimum size for iron making during transportation, handling. Supergrade pellets (red) are shown as outstanding. Data source, Company data, lab data, Poveromo 2015.

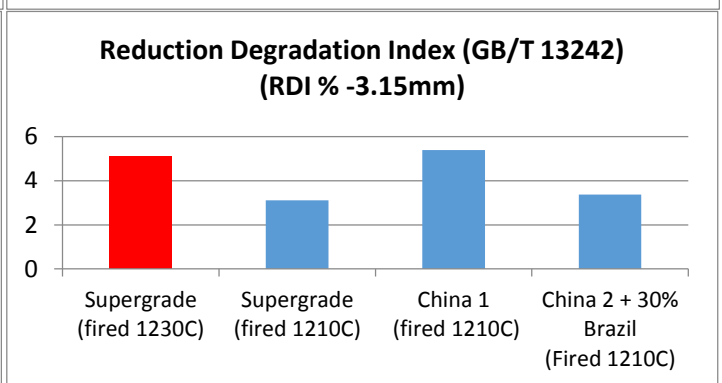
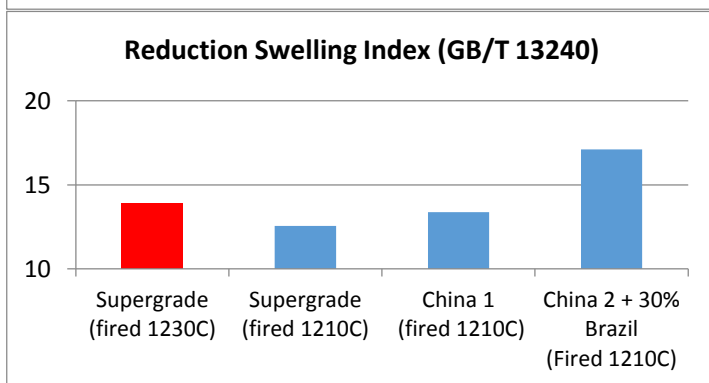
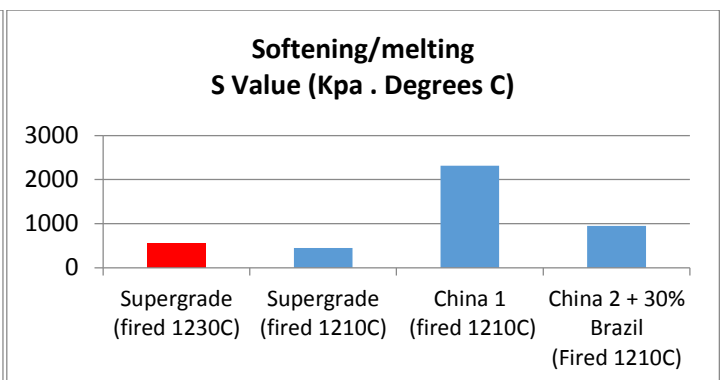
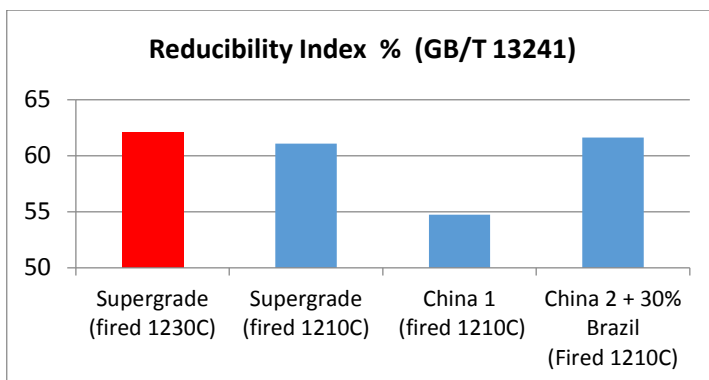


Blaine Index is a measure of grain surface area and the finer the grain size the higher the Blaine index. Generally a higher Blaine Index will deliver better pelletising properties. Hawsons high Blaine Index is achieved with little energy and reflects the natural size distribution of the magnetite within the ore. Typically others have to grind their ore much more to reach this grain size *Source, Lab and company data*



This chart shows that the exceptional Supergrade feed, when added to others improves the strength. It also reduces the amount of binding agent required. *Source Lab Data*

Iron making properties



The parameters above are related to efficient iron making in a blast furnace. Supergrade performs very well on all factors. High numbers are preferred for reducibility index while lower values are preferred in softening and melting, reduction swelling and degradation indices. Addition of Supergrade into the China 1 blend significantly improves China 1 performance.



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-Mar-16

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	(213)	(993)
(b) development	-	-
(c) production	-	-
(d) administration	(139)	(435)
(e) business development	(72)	(205)
(f) redundancies	0	(161)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	50
1.5 Interest and other costs of finance paid	-	-
1.6 R&D concession received (net of tax advisory costs)	(0)	1,286
1.7 Refund of previous development costs	-	-
Net Operating Cash Flows	(416)	(457)
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)	(416)	(457)



1.13	Total operating and investing cash flows (brought forward)	(416)	(457)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(0)	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	(0)	8
	Net increase (decrease) in cash held	(417)	(450)
1.20	Cash at beginning of quarter/year to date	2,194	2,227
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,777	1,777

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 *	58
4.2	Development	0
4.3	Production	0
4.4	Administration	235
	Total	293

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	473	890
5.2 Deposits at call	1,304	1,304
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,777	2,194

Changes in interests in mining tenements

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



26/04/2016

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.