

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

ABN : 63 095 117 981 ASX : CAP

26 JULY 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 30/6/2016
A\$1,683,000

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CARPENTARIA EXPLORATION LIMITED

www.carpentariaex.net.au

Quarterly Report

For the Quarter ended 30 June 2016

Highlights

- Heightened strategic interest in Hawsons following test work confirmation that Hawsons Supergrade delivers benefits for steel makers
- 50% of planned production now under non-binding letters of intent (LOIs), demonstrating strategic value of Hawsons product
- LOIs in place with Mitsubishi Corporation RtM Japan Ltd. (1.0mtpa of Supergrade pellet feed), Bahrain Steel (3.0mtpa of Supergrade pellet feed direct reduction pellet feed) and Gunvor Group (1.0mtpa of Supergrade concentrate for smaller Chinese mills to replace domestic magnetite)
- Capital expenditure potential savings >\$US220m identified, allowing the Company to explore the economics of a range of production rate scenarios
 - The Company is exploring the potential savings of utilising the Whyalla assets for processing and logistics
 - Hawsons' large constant load is ideal for generators, meaning that solar and wind projects could benefit from additional local load and potentially share infrastructure
 - NSW govt. to secure Broken Hill water supply. Releases contingency from Hawsons infrastructure costs

June Quarter

Hawsons Iron Project

During the quarter, the prospects for the development of Hawsons were significantly boosted by two additional letters of intent to buy pellet feed from blue chip companies. These agreements followed the outstanding pelletising results reported last quarter.

Carpentaria signed 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. This is Hawsons' first offtake arrangement with an end user and the first with a DR customer, meaning that a significant portion of planned production can be sold to the high value DR market. The Company believes this is the first such agreement for an Australian product.

Established in 1984, Bahrain Steel is a wholly owned subsidiary of Foulath Holding and 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 mtpa, producing DR-grade pellets for customers in the Middle East, India and South East Asia.

The Company also signed an LOI with independent commodities trading house Gunvor Singapore Pte Ltd for the purchase of 1 mtpa of Hawsons Supergrade concentrate. This LOI targets supply to smaller Chinese steel mills.

Established in 2000, Europe-based Gunvor Group is one of the world's largest independent commodities trading houses, with turnover of US\$64 billion in 2015 and more than 1,500 employees worldwide. Gunvor trades a range of products including iron ore, refined products and energy, operating in Asia, Europe and the Americas.

The total Supergrade product under LOIs is now 5 mtpa. The support from buyers is critical to the development of any resource project, and the Company anticipates conversion of these LOIs into binding supply contracts capable of supporting project finance during project development. Product marketing continues in the Middle East and Asia.

During the quarter, the Company also identified over US\$220m in potential reductions in the targeted capital expenditure required for the development of Hawsons. Details are below:

- Carpentaria is investigating the possibility of utilising Arrium port and pelletising assets at Whyalla via commercial terms and/or their acquisition from the Arrium administrators. However, there is of course no guarantee a transaction will proceed.
- Significant contingency that had been factored into the project for supply of water to the town of Broken Hill will not be required as the NSW government has committed to secure the supply of water to Broken Hill.
- It is clear that the Hawsons' constant power load will be ideal for local solar and wind initiatives, enabling a potential sharing of infrastructure and the review of the existing electricity supply plan that includes two separate connections to the National Electricity Market (NEM) grid.

The actual and potential capital expenditure savings will enable the Company to explore the project economics of lower annual production rates than have been previously considered. The benefit of this, if a lower annual production is seen to be economically attractive, would be the resultant reduction in overall capital expenditure required to develop the project.

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 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).

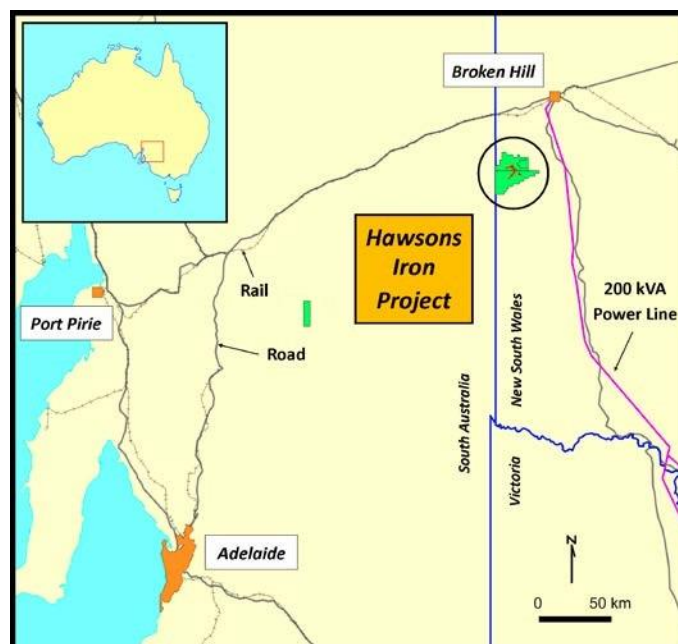


Figure 1 Location of Hawsons Iron Project and Port Pirie

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

Other

Carpentaria continues to seek 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 June 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



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")

30-Jun-16

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 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	(129)	(1,122)
(b) development	-	-
(c) production	-	-
(d) administration	(83)	(591)
(e) business development	(95)	(300)
(f) redundancies	0	(161)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	61
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	(296)	(827)
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 - Refund on security deposits	180	253
Net investing cash flows	180	253
1.13 Total operating and investing cash flows (carried forward)	(116)	(574)



1.13	Total operating and investing cash flows (brought forward)	(116)	(574)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	22	30
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	22	30
	Net increase (decrease) in cash held	(94)	(544)
1.20	Cash at beginning of quarter/year to date	1,777	2,227
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,683	1,683

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 *	150
4.2	Development	0
4.3	Production	0
4.4	Administration and Business Development	250
	Total	400

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	175	473
5.2 Deposits at call	1,508	1,304
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,683	1,777

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		
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.


Company Secretary
Robert Hair

26/07/2016

- 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.