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16 May 2012

ABN: 63 095 117 981 | ASX: CAP

CARPENTARIA EXPLORATION LIMITED

www.capex.net.au

FINANCIAL

Cash and deposits on hand as at 16/05/12
A\$7,223,456.91

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ASX ANNOUNCEMENT

Hawsons Iron Project Joint Venture Update

- **BMG elects not to continue in the Hawsons Iron Project Joint Venture**
- **Carpentaria reserves its rights under the Joint Venture Agreement**

Carpentaria Exploration Limited (CAP) has been formally advised by PPB Advisory, liquidators of Bonython Metals Group Pty Ltd (in liquidation) (BMG), that it is not able to make the payment due to CAP by 15th May 2012 to proceed with the Joint Venture. Therefore, as per the Joint Venture Agreement (JVA), BMG has elected not to continue in the Hawsons Iron Project Joint Venture (JV).

As a consequence of BMG's failure to make an election the JVA provides that if Carpentaria is approached by a third party with a bona fide offer to acquire all of BMG's percentage interest in the JVA, then the liquidator of BMG must assign its joint venture interest to that third party provided that the consideration for the assignment at least equals the total expenditure of BMG on the Hawsons Iron Project up to the date of the offer.

Carpentaria confirms that this total expenditure equals \$13 million.

Carpentaria reserves its rights with respect to the Joint Venture which also includes a pre-emptive right over the assignment of the BMG JV interest.

The work carried out under the JV has significantly increased the value of the project which now boasts an Inferred Resource of 1.4bn tonnes¹ and a positive Prefeasibility Study (PFS) with a Net Present Value (NPV) of \$3.2bn and an Internal Rate of Return (IRR) of 23% indicating a very robust project, particularly given the port options now available to the project.

Carpentaria notes it was not a party to the court action and is pleased it has been resolved and would like to advise that HWL Ebsworth Lawyers are assisting Carpentaria on legal matters.

The Company focus will remain on developing this valuable project, and the Company is continuing to deliver results, at its own cost, from mining and processing optimising studies that improve on the PFS base case.

¹Inferred magnetite Resource of 1.4Bt at a Davis Tube Recovery (DTR) of 15.5% (12% cut off) for 220 million tonnes of high grade (69.9% Fe) iron concentrate and an exploration target² of 6-11Bt at 14-17% DTR.

²The term "Target" should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve



Background

As indicated in a previous announcement, on 4 May 2012, a stay of orders made by the Federal Court of New South Wales with respect to BMG was dissolved and liquidators, PPB Advisory, were appointed to wind up BMG.

Notwithstanding the appointment of the liquidators, the Exploration Joint Venture and Farm In Agreement between Carpentaria Exploration Ltd and Bonython Metals Group Pty Ltd (in liquidation) remains in place and CAP reserves its rights under the JVA.

Failure of BMG to make capital contribution and elect to undertake a bankable feasibility study

Clause 4.2 of the JVA provides that on or before 15 May 2012 BMG:

- (a) may elect to exercise its right to earn a 51% Joint Venture Interest by payment of the sum of \$25 million in cleared funds to CAP to continue in the Hawsons Iron Joint Venture (**Joint Venture**) and move to a 51% interest share; and
- (b) may make an election to undertake a bankable feasibility study.

As at 16 May 2012 CAP has not received from BMG either \$25 million in cleared funds or an election to undertake a bankable feasibility study. BMG has therefore elected not to continue in the Joint Venture.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Nick Sheard'.

Nick Sheard

Executive Chairman
Carpentaria Exploration Limited

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The information in this announcement that relates to Exploration Results and Resources is based on information compiled by S.N.Sheard, who is a Fellow of the Australian Institute of Geoscientists and has had sufficient experience which is 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. S.N.Sheard is an employee of Carpentaria and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.