

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

ABN : 63 095 117 981 ASX : CAP

**24 OCTOBER 2016**

**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 140,260,623

**MAJOR SHAREHOLDERS:**

Silvergate Capital Group 16.1%

Conglin International  
Investment Group 10.1%

SG Hiscock 4.4%

**FINANCIAL**


Cash on hand as at 30/9/2016  
A\$1,959,000


Level 6, 345 Ann Street  
Brisbane Queensland 4000

PO Box 10919  
Adelaide Street, Brisbane  
Queensland 4000

e-mail: [info@capex.net.au](mailto:info@capex.net.au)

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

 Follow us on Twitter  
[@carpexplore](https://twitter.com/carpexplore)

 'Like' us on Facebook

CARPENTARIA EXPLORATION LIMITED

[www.carpentariaex.net.au](http://www.carpentariaex.net.au)

# Quarterly Report

## For the Quarter ended 30 September 2016

### Highlights

- Resource upgrade drilling is set to commence this week at the Hawsons Iron Project.
- Nearly 80% of Hawsons' initial planned production now covered by letters of intent (LOIs) with blue-chip companies across Asia and the Middle East
- Non-binding LOIs for offtake of Hawsons product signed during the quarter with
  - **Formosa Plastics Group** (2.0mtpa of Supergrade iron ore concentrate)
  - **Emirates Steel** (0.9mtpa of Supergrade direct reduction (DR) pellets)
- LOIs this quarter add to those with
  - **Mitsubishi Corporation RtM** (1.0mtpa of Supergrade pellet feed),
  - **Bahrain Steel** (3.0mtpa of Supergrade DR pellet feed),
  - **Gunvor Group** (1.0mtpa of Supergrade concentrate for smaller Chinese mills to replace domestic magnetite)
- Placement during the quarter of 16,372,846 new fully paid ordinary shares (the Placement) at an issue price of \$0.049 per share to raise \$802,269.
- 1:2.6 pro-rata, non-renounceable rights offer and public offer announced to raise up to ~\$2.6m, closing 27<sup>th</sup> October 2016.
- The proceeds of the placement and the rights issue will be principally used for a campaign of drilling designed to upgrade the Hawsons Resource

### September Quarter

#### Hawsons Iron Project

Drilling is set to commence this week with two drill rigs scheduled to arrive on site and start drilling, today 24<sup>th</sup> October. The drilling program is designed to upgrade the resource and comprises approximately 4000m of reverse circulation (RC) drilling.

During the quarter, the prospects for the development of Hawsons Iron Project near Broken Hill were further boosted by two additional LOIs to buy Hawsons product.

Carpentaria in September 2016 announced the signing of an LOI with Taiwanese conglomerate Formosa Plastics Group through its Authorised Representative for Australia. Already an investor in Australia’s iron ore industry, Formosa intends to buy 2.0 mtpa of Supergrade iron ore concentrate from Hawsons for an initial 10-year period.

Later in September 2016, Carpentaria announced the signing of an LOI with leading UAE steel and direct reduction iron (DRI) producer Emirates Steel for the purchase of up to 0.9mtpa of DR grade iron ore pellets from Hawsons, including the first shipment of DR grade pellets from the project. This LOI is the first for Hawsons DR grade pellets.

In total, LOIs with blue-chip buyers now cover almost 80% of planned production. Buyers comprise Middle Eastern pellet supplier Bahrain Steel, DRI and steel maker Emirates Steel, Taiwan’s Formosa Plastics Group, Japan’s Mitsubishi Corporation, and global trading house Gunvor Group, demonstrating strong international interest in Hawsons Supergrade product extending across China, Taiwan, Japan and the Middle East.

The continuing success of the marketing program and infrastructure opportunities has caused Carpentaria to review the size of the proposed operation and review the potential to diversify the product offering and value add through pelletising.

**About Hawsons Iron Project**

The Hawsons Iron Project joint venture (Carpentaria 64%, Pure Metals P/L 36%) 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.

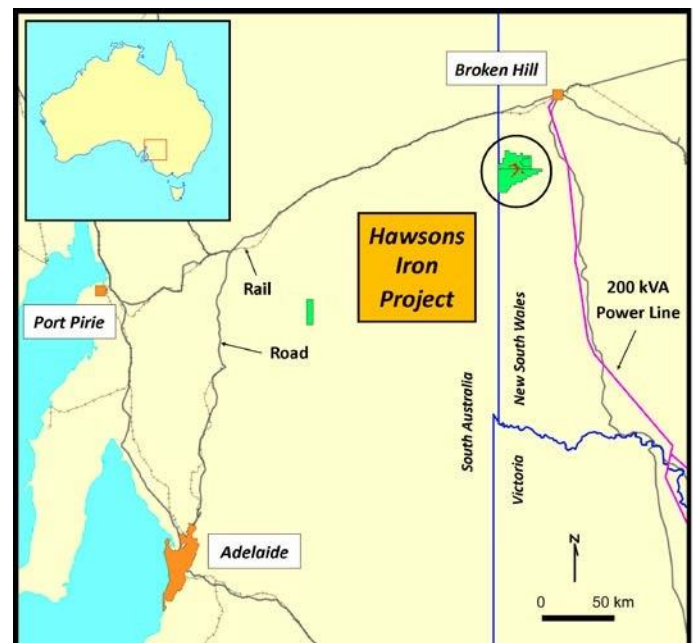


Figure 1 Location of Hawsons Iron Project and Port Pirie

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

## Capital Raising

During the quarter, Carpentaria announced the successful placement of 16,372,846 new fully paid ordinary shares (the **Placement**) at an issue price of \$0.049 per share for \$802,269.47.

In conjunction with the Placement, on 12 September 2016, the Company announced a 1:2.6 pro-rata, non-renounceable rights offer ("the Offer") to raise up to \$2.643 million (before costs), pursuant to a prospectus lodged with ASIC on 14 September 2016 (the "Prospectus").

The Offer comprises a Priority Offer and Shortfall Offer (as defined in the Prospectus) which is open to existing Eligible Shareholders, and a Public Offer which is open to both Eligible Shareholders and the public.

The funds raised from the Placement and the Offer (net of offer expenses) will be used by the Company as follows.

Use of Funds	A\$
Resource upgrade drilling	2,200,000
Completion of Hawsons Iron Ore Project Prefeasibility Study	400,000
Product marketing	100,000
Corporate development	250,000
Working capital	325,000
<b>Total</b>	<b>\$3,275,000</b>

The Company in September 2016 sent a prospectus and entitlement and acceptance form to eligible shareholders. A copy of the Rights Offer timetable is appended hereto.

## Other

The farm-out agreement between Carpentaria and Cape Clear (Lachlan) Pty Ltd was after the end of the quarter varied to extend the date by which Cape Clear is to carry out its minimum expenditure. This agreement relates to the Barellan (EL 7896) and Combaning (EL 6901) projects, and Cape Clear is the nominee of Faraday Resources Pty Ltd. Under the revised terms of the agreement, Cape Clear will upon completion of the farm-in hold an 80% interest and the Company will hold a 20% interest, increased from 10%.

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

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 September 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	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
<b>Totals</b>			<b>9 licences and applications</b>			<b>360</b>	<b>1,231.00</b>

### Rights Offer Timetable

<b>Date</b>	<b>Event</b>
Monday, 12 September 2016 (before commencement of trading)	<b>Rights Offer and Placement Announcement Date</b>
Wednesday, 14 September 2016	Lodgement of Prospectus and Appendix 3B with ASIC and ASX
Friday, 16 September 2016	The Company sends letter to eligible and non-eligible shareholders containing information of the Rights Offer and Rights Offer timetable
Tuesday, 20 September 2016	<b>Rights Offer Ex Date</b> Company shares trade on an ex-basis for the Rights Offer
Wednesday, 21 September 2016	<b>Rights Offer Record Date</b>

Date	Event
Friday, 23 September 2016	<p align="center"><b>Rights Offer Opening Date</b></p> <p align="center">Rights Offer opens</p> <p align="center">Prospectus dispatched to Eligible Shareholders</p>
	<p align="center">The Company announces that dispatch has been completed</p>
	<p align="center">The Company sends letter to non-eligible shareholders</p>
Thursday, 27 October 2016	<p align="center"><b>Rights Offer Closing Date</b></p>
Friday, 28 October 2016	<p align="center"><b>Rights Offer – Quotation on a deferred settlement basis</b></p>
Monday, 31 October 2016	<p align="center"><b>Rights Offer Shortfall Notification Date</b></p> <p align="center">Company announces results of Rights Offer and notifies ASX of under-subscriptions</p>
Wednesday, 2 November 2016	<p align="center"><b>Rights Offer Settlement Date</b></p> <p align="center">Settlement of the Rights Offer Shares</p>
Thursday, 3 November 2016	<p align="center"><b>Rights Offer Allotment Date</b></p> <p align="center">Issue date under Offer – Deferred settlement trading ends</p>
	<p align="center"><b>Rights Offer Dispatch Date</b></p> <p align="center">Dispatch of holding statements</p>
Friday, 4 November 2016	<p align="center"><b>Rights Offer Trading Date</b></p> <p align="center">Normal trading of Rights Offer Shares</p>

## 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")**

**30 September 2016**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(88)	(88)
(b) development	-	-
(c) production	-	-
(d) staff costs	(114)	(114)
(e) administration and corporate costs	(127)	(127)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Refund of DRC related costs	-	-
1.8 Business development costs	(99)	(99)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(424)</b>	<b>(424)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(12)	(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 (3 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 Net cash from / (used in) investing activities</b>	<b>(12)</b>	<b>(12)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	805	805
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	(77)	(77)
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 Net cash from / (used in) financing activities</b>	<b>728</b>	<b>728</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,683	1,683
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(424)	(424)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(12)	(12)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	728	728
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>1,975</b>	<b>1,975</b>

5. <b>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	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	959	174
5.2 Call deposits	1,016	1,508
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>1,975</b>	<b>1,683</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	86
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	

Director fees

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
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	

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

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.		

--	--

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	690
9.2 Development	-
9.3 Production	-
9.4 Staff costs	85
9.5 Administration and corporate costs	90
9.6 Business development	190
<b>9.7 Total estimated cash outflows</b>	<b>1,055</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.



24 October 2016

Sign here: .....

Date: .....

Company secretary

Robert Hair

Print name: .....

**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.