

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

ABN : 63 095 117 981
ASX : CAP

31 July 2017

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 169,463,560

MAJOR SHAREHOLDERS:

Silvergate Capital Group	13.3%
Conglin International Investment Group	8.3%
SG Hiscock	5.0%

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For further information contact:
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CARPENTARIA EXPLORATION LIMITED

www.carpentariaex.net.au

Quarterly Report

For the Quarter ended 30 June 2017

Highlights


- **Prefeasibility study (PFS) completed end of July, shows:**
 - **Hawsons as the world leading high quality iron ore concentrate/pellet feed project with costs in the 1st quartile of CRU's global iron ore supply cost curve (adjusted to 62%Fe)**
 - **Base case 10mtpa Hawsons Supergrade production with export through Port Pirie has excellent development prospects**
 - **Positive equity returns (post tax, geared) with net present value (NPV) of US\$1.1bn (A\$1.46bn) and 30% internal rate of return**
- **Maiden Probable Reserve Statement of 755Mt at 14.7% Davis tube mass recovery (DTR) for 111mt of high quality concentrate**
- **Resource estimate restated during the quarter at 9.5% cut off grade for 2.50Bt at 13.9% magnetite mass recovery, an increase of 120Mt of ore and 12Mt of concentrate at 69.7%Fe**
- **4.1 Mtpa of additional letters of intent for sale of Hawsons Supergrade[®] product from Shagang Steel, Kuwait Steel and Formosa Plastics bringing the total to 120% of planned production**
- **NSW government reaffirms Hawsons Iron Significant Project Status**
- **Carpentaria to present results to industry participants to gain support for next phase of development; initial discussions are encouraging and a data room will be open soon**


June Quarter

Hawsons Iron Project

Carpentaria Exploration Limited (ASX:CAP) on 28 June 2017 announced the successful completion by independent consultants GHD of a new prefeasibility study (PFS) in relation to the Hawsons Iron Project, targeting a 10Mtpa production of Hawsons Supergrade[®] iron product.

The results show Hawsons as a clear world leading high quality iron ore concentrate/pellet feed project and are summarized in the following tables.

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Hawsons PFS key economic results	Base case	At 26 July 2017 prices 65%Fe fines US\$85.40/t
Equity IRR (post tax, geared)	29.9%	37.9%
Equity NPV (10%) (post tax, geared)	US\$1,091m	US\$1,626m
Project IRR (post tax, ungeared)	17.8%	22.6%
Project NPV (10%) (post tax, ungeared)	US\$867m	US\$1,432m
Life of mine ave. annual revenue	US\$881m	US\$983m
Life of mine ave. annual all in costs	US\$480m	US\$486m
Life of mine annual margin (EBITDA)	US\$401m	US\$497m

Hawsons PFS preproduction costs (yr 1-2)	USD (m)	Hawsons operating and sustaining costs (after prestrip, ~YR 3-22)	USD/dmt product
Preproduction mining costs including pre-strip	194	Mining	12.14
Mining	242	Processing	8.23
Processing	398	Infrastructure and admin.	1.48
Infrastructure and administration	359	rail and port	11.23
Rail and port	208	Total C1 FOB	33.08
Total^{1,2,3}	1401	sustaining capital ^{4,5}	3.48
¹ incl EPCM 12.5% / contract management 3% of US\$127m		royalties	3.18
² incl. contingency and design growth (av. 16.5%)		Total all in FOB	39.74
³ excludes finance costs		sea freight	8.29
⁴ excludes new in-pit conveyor in yr 5 of US\$120m		Total CFR China	48.03
⁵ net of salvage		less Supergrade premium	25.00
		62%Fe equivalent total CFR	23.03

Key Hawsons PFS assumptions					
total ore mined	1423mt	62% Fe fines benchmark*	US\$63/t	AUD:USD	0.75
total waste mine	717mt	65%Fe fines benchmark*	US\$75/t	debt:equity	65:35
total product	201mt	plus 5 x Fe 1% US\$1.10	US\$5.50/t	corporate tax	30%
product specification	70%Fe	plus magnetite premium	US\$7.50/t	loan term	10.5 yrs
annual production	10mt	product revenue (dmt)	US\$88.00/t	delivered rebated diesel price	A\$0.89/L
moisture	8%	*ave. (mean) price forecast for 2020-2030 (real 2016)		delivered power price	A\$95/MWhr

The results are based a +/- 30% study undertaken by GHD and investigated production of 10mtpa of Hawsons Supergrade[®] concentrate production for a mine of 20 years production for 201Mtpa. The ore is to be mined and processed on site, with the final mineral concentrate being transported via slurry pipeline to a rail head site near Broken Hill.

Concentrate will then be dewatered and transported on the existing rail to Port Pirie, where a port upgrade including storage sheds, pipe conveyor and new ship loaders is proposed. Ore would then be transported via barge to capesize ocean going vessels for delivery to export markets to customers in the Middle East and East Asia.

Maiden Probable Reserve and Resource restatement

Category	Mt	DTR %	DTR Mt	Fe Head %	Concentrate Grades						
					Fe %	Al2O3 %	P %	S %	SiO2 %	TiO2 %	LOI %
Probable Reserves	755	14.7	111	17.5	69.9	0.19	0.003	0.002	2.60	0.03	-3.03
Indicated (incl. Reserves)	840	14.5	121	17.4	69.9	0.19	0.004	0.002	2.61	0.03	-3.04
Inferred	1,660	13.6	227	16.8	69.7	0.20	0.004	0.003	2.91	0.03	-3.04
Total	2,500	13.9	348	17.0	69.7	0.20	0.004	0.002	2.81	0.03	-3.04

Table 1 – Hawsons Iron Project 2017 Resources and Reserves Estimate

As part of the PFS, mining studies confirmed that a lower mining cut-off of 9.5% DTR mass recovery (down from 10%) was appropriate, and the Hawsons resource estimate was restated at this 9.5% cut-off grade at 2.5Bt at 13.9% magnetite mass recovery, an increase of 120Mt of ore and 12Mt of concentrate at 69.7%Fe and 2.81% silica (see Table 1), with conversion from Inferred to Indicated Resources at 96%.

As part of the PFS, most of the Indicated Mineral Resource has been converted to Probable Mineral Reserves.

The Company confirms that it is not aware of any new data that materially affects this resource and reserve statement since the first public announcement on July 28th 2017, and that all material assumptions and technical parameters underpinning the resource and reserve estimates continue to apply and have not materially changed since first reported.

Offtake arrangements

During the June quarter, the Company entered into non-binding letters of intents (LOIs) with three additional end-users, being China's largest privately-owned steel producer, Shagang Group, leading steel producer United Steel Industrial Co (Kuwait Steel) and Taiwanese conglomerate Formosa Plastics Group.

The table below provides an update concerning the current range of LOIs for Hawsons Supergrade[®] product, from blue-chip international companies across Asia and the Middle East:

Company	Volume	Market
Formosa Plastics	2.6 Mtpa	concentrate/pellet feed
Bahrain Steel	3.0 Mtpa	direct reduction (DR) pellet feed
Shagang	2.5 Mtpa	pellet feed
Mitsubishi Corporation RtM	1.0 Mtpa	pellet feed
Gunvor	1.0 Mtpa	concentrate
Kuwait Steel	1.0 Mtpa	DR pellet feed
Emirates Steel	0.9 Mtpa	DR pellets
Total	12.0 Mtpa	

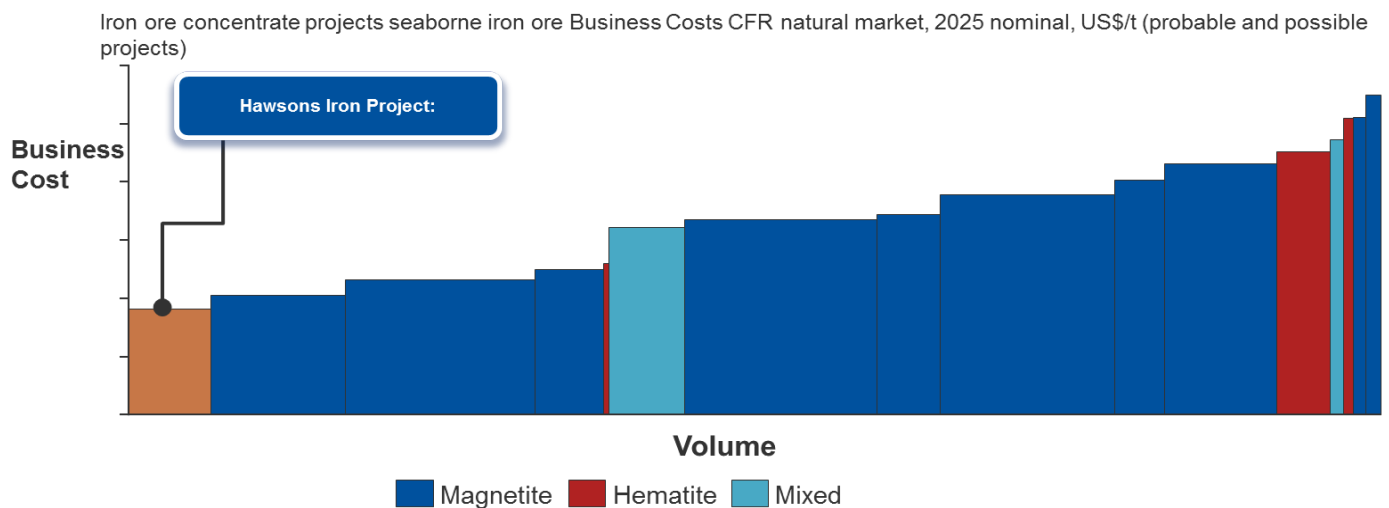
This means that the planned production of Hawsons Supergrade® product is now substantially oversubscribed, confirming the strong interest by end users in this unique high quality product.

Hawsons Other

The Hawsons Iron Project was reaffirmed as qualifying for assessment under State Significant development status under NSW planning rules.

Carpentaria now plans to present the results of the report to, and seek support for the next stage of project development from, its seven blue-chip customers that have signed non-binding letters of intent (LOIs) for purchase of the Hawsons Supergrade® product, as well as other steel makers, buyers and financial institutions who have shown ongoing interest in the project.

Given CRU’s independent assessment that Hawsons is the leading concentrate/pellet feed project in terms of business costs, steel makers looking to secure lowest cost high quality feed are expected to show great interest in assisting the project in its next stage of development. Initial discussions have been encouraging and a data room will soon be open.



Source CRU, July 2017, iron concentrate business cost curve for possible and probable projects. CRU's Business Cost is all operations up to delivery at the buyers' ports and also includes a value in use adjustment that normalises all operations to the benchmark 62% iron ore price delivered to China, to allow for direct comparison.

Other

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

About Hawsons Iron Project

The Hawsons Iron Project joint venture (Carpentaria 64%, Pure Metals P/L 36%) is currently undertaking development studies based on the low cost, long term supply of a high grade, ultra-low impurity iron concentrate to a growing premium iron market, including the direct reduction (DR) market.

The project has a clear technical and permitting pathway. It is located 60km south-west 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 the growing premium high-grade product market, both pellets and pellet feed, which is separate to the bulk fines and believes its targeted cost structure is very profitable at consensus long-term price forecasts for this sector. It has secured offtake intent from blue chip companies Formosa Plastics, Bahrain Steel, Shagang Steel, Emirates Steel, Kuwait Steel, Mitsubishi Corporation RtM Japan and trading house Gunvor Group.

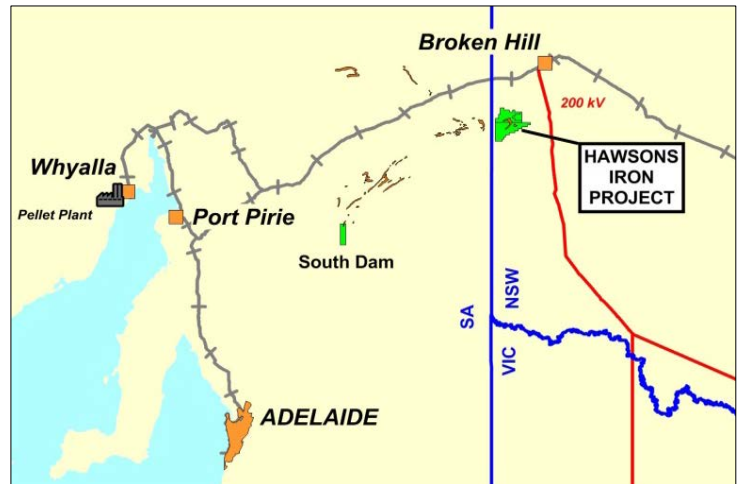


Figure 1 Location of Hawsons Iron Project

For further information please contact:



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The information in this report that relates to Exploration Results, Exploration Targets, Resources and Reserves 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 2017 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	20%	21	61
EL 6979	1,2	Redan	11/12/2007	11/12/2021	64%	62	180
EL 7208	2	Burta	22/09/2008	22/09/2020	64%	100	290
EL 7504	2	Little Peak	8/04/2010	8/04/2020	64%	14	41
EL 7896	6	Barellan	6/02/2012	6/02/2018	20%	25	73
EL 8095		Advene	28/05/2020	28/05/2020	100%	50	145
EL 5561		South Dam	10/12/2014	9/12/2018	100%	15	44
EPC 1641	3	Hughenden	27/03/2015	26/03/2019	100%	11	32
MLA 460	4,5	Hawsons Iron	Under application	Under application	64%	n/a	187

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

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 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(506)	(1,830)
(b) development	-	-
(c) production	-	-
(d) staff costs	(61)	(280)
(e) administration and corporate costs	(49)	(303)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	17
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refund	280	280
1.7 Refunds	-	-
1.8 Business development costs	(78)	(315)
1.9 Net cash from / (used in) operating activities	(413)	(2,431)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(12)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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)	-	-
2.6 Net cash from / (used in) investing activities	-	(12)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	2,362
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	(7)	(234)
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)	-	-
3.10 Net cash from / (used in) financing activities	(7)	2,128

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,788	1,683
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(413)	(2,431)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(12)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(7)	2,128
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	1,368	1,368

5. Reconciliation of cash and cash equivalents 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	1,041	604
5.2 Call deposits	327	1,016
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,368	1,788

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
89
-

Director fees

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

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

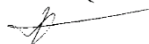
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	404
9.2 Development	-
9.3 Production	-
9.4 Staff costs	70
9.5 Administration and corporate costs	50
9.6 Business development	59
9.7 Total estimated cash outflows	583

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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.



Sign here:

Company secretary

Date: 31 July 2017

Print name: Robert Hair

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.