CARPENTARIA EXPLORATION LIMITED   VOLUME 2 / SEPTEMBER 2012

Carpentaria Exploration Limited

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CARPENTARIA EXPLORATION LIMITED

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

CAP*unearthed*

Competition – are you getting social?

It might surprise some but the fastest-growing group of social media users is not Generation Y, but women aged between 45 and 65.

Social media is no longer restricted to the tech-savvy young and is rapidly becoming a major force in Australian society.

Australians are increasingly getting their news online and direct from the source, without any intermediary.

Have you joined the online revolution? Which is your favourite platform – Facebook, Google Plus, LinkedIn, Twitter, YouTube or other, and how would you like Carpentaria to communicate with you?

Email your answer to **info@capex.net.au** by October 31 and go into the draw to win Dr Allan Trench's book, "A Share Buyer's Guide to Investing in the Australian Mining Boom".

CARPENTARIA ON WORLD STAGE

It is not every day that some of the world's top geologists come to your hometown, and you are at the centre of the event.

Such was the experience for Carpentaria's Non-Executive Director Dr Neil Williams, who in early August grabbed the spotlight as president of the 34th International Geological Congress (IGC) in Brisbane.

Described as the "Olympics for geology," the five-day event attracted over 6,000 delegates from 112 countries and was the first IGC held in Australia since Sydney in 1976.

It featured 129 exhibitors from universities, companies and government agencies from around the world, showcasing Oceania's amazing geological features to a global audience.

Among the event's 3,200 oral presentations was a speech by Carpentaria's John Donohue on the company's Hawsons Iron Project, which attracted keen interest and discussion.

"The congress put Brisbane front and centre in the international mining community's eyes. It will now be welded into the international psyche that Brisbane is a real hub of activity in geology, mining and exploration," Dr Williams said.

"Thanks to my role as IGC president and with Carpentaria, people who knew me from the international community made a point of finding out what Carpentaria is all about.

"The advantage for explorers like Carpentaria in attending these major international conventions is that you build networks, promote the company's professionalism and develop excellent contacts."

Dr Williams said the feedback from the event had been "overwhelmingly positive".

"The main lesson for me is that you can't beat good and careful planning. Carpentaria has an excellent team and it's great fun to be part of a company that wants to achieve something and is delivering it," he said.

Dr Williams speaks at August's IGC

Dr Williams said he was more motivated than ever to help get the Hawsons project "moving as well and as fast as we can," as well as ensuring the company maintained a strong project pipeline.

"From talking to those involved in an African magnetite project, it just highlighted that grade isn't the only thing that makes a mine – you need to have the infrastructure in place.

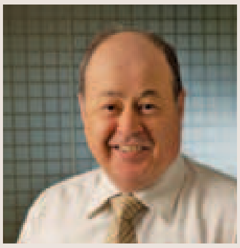
"Having a deposit like ours that's easy to work changes the economics dramatically," he said.

Like the Olympics, the IGC is held every four years and the next event will be in 2016 in Capetown, South Africa.

Should the Brisbane event prove as successful as Sydney in invigorating geological research, Australia and Carpentaria are set to reap the benefits for some time to come.

+ SEE MORE INSIDE

NICK'S NOTES



Nick Sheard
Executive Chairman

The past year has been a mixed one for investors, but it is important to ignore the hype and consider the facts objectively.

While China has recently slowed from a breakneck double-digit growth rate to below 8%, it is still on track to become the world's biggest economy, while other emerging markets such as Brazil and India continue to industrialise.

This global industrialisation combined with population growth, means the underlying demand for resources will keep increasing, regardless of short-term economic fluctuations.

For Carpentaria, the focus remains on securing a new development partner for the $3.2 billion Hawsons Iron Project and launching a Bankable Feasibility Study (BFS).

Hawsons is a very attractive prospect due to its potential long life, low processing costs and access to water, power and transport infrastructure.

The project has received interest from a number of prospective partners and I am confident the BFS will be launched this financial year.

Some investors are concerned about recent lower iron prices, which are affecting high cost producers. It is my opinion that Hawsons will be a very low cost producer of clean concentrate and in production for 50 to 70 years.

The higher cost producers will soon shut down and a sensible price for iron of about $120 per tonne will be sustainable, making Hawsons very profitable.

Carpentaria has also continued to build its project pipeline, and with a number of inexpensive acquisitions, the company has gained a suite of projects spanning tin, tungsten, nickel, copper and gold as well as additional iron ore assets.

Rapid project acquisition and divestment is a key strategy for Carpentaria, and should prices soften further there will be even more opportunities.

I look forward to meeting as many of you as possible at next month's Annual General Meeting, where I will outline our plans for further successful growth.

Hawsons Knob outcrop at the Hawsons Iron Project

+ PROJECT UPDATE
HAWSONS IRON PROJECT

Cost savings boost Hawsons

NSW's largest magnetite project has become even more attractive after a number of additional cost savings were identified.

Located 60 kilometres from Broken Hill, Hawsons already has significant advantages such as access to rail, road, port, power and water infrastructure.

Carpentaria has an ongoing program to optimise the processing stream and maximise the benefit of Hawsons' soft siltstone mineralisation.

During the June quarter, significant capital and operating cost savings were identified, with a revised process flow sheet reducing power needs by up to 20%.

These cost savings will flow through to the project's financial model, which in November 2011 forecast a net present value of $3.2 billion on a base case of 20 million tonnes per annum (mtpa) concentrate production.

In addition, the agreement concerning Port Pirie has given Carpentaria a number of transport options which could boost Hawsons' projected rate of return and cash flow. The company will now be able to ramp up from an initial 5 mtpa production to 20 mtpa over four years as each 5 mtpa processing module is built.

Carpentaria has continued the regulatory approval process, having further advanced the Development Application and Preliminary Environmental Assessment plans required by the NSW Government.

The company is now seeking a development partner for Hawsons to launch the Bankable Feasibility Study, with a goal of completing it within two years.

While project partner Bonython Metals Group (BMG) is now in liquidation, Carpentaria is in a strong position with first right of refusal over BMG's 40% stake and other rights.

"Carpentaria is holding all the cards at the moment. We're talking to quite a few companies to get a new joint venture in place and progress the project as fast as we can," said Carpentaria's Nick Sheard.

PROFILE

Dr Neil Williams
Non-Executive Director

Dr Neil Williams joined Carpentaria as a Non-Executive Director on January 1, 2012. Previously CEO of Geoscience Australia, Dr Williams has had a distinguished career in academia, government and industry, having recently served as president of the 34th International Geological Congress.

Why did you join Carpentaria?

I'm a strong believer that the future of mineral exploration lies in geophysics, and Carpentaria's Nick Sheard is one of the world leaders in using geophysics to find ore deposits.

What's been your biggest career achievement?

Turning Geoscience Australia into a respected and well-funded organisation. When I joined 15 years ago, the organisation had a lot of budget challenges and little standing in government. It's now a world leader in providing geoscientific information to industry and government, with more than 700 staff and an annual budget of around $180 million.

What inspires you?

The application of good science to achieve outcomes always inspires me. One example was the discovery of the Olympic Dam deposit, which I consider the greatest ever modern mineral discovery. This giant ore deposit was found under nearly 300 metres of cover using a very forward-looking approach for that time.

What are your goals for Carpentaria?

I'd like to see the company consolidate its position with the development of the Hawsons Iron Project, and also make other discoveries to grow from an explorer to become a significant force in the Australian mining industry.

Carpentaria in the community

Landholders praise friendly ties

Building strong and effective relationships with local communities is integral to Carpentaria's philosophy. It's an approach that has won support from landholders, including John and Kym Cramp, who run Mount Gipps Station near Broken Hill:

"When Carpentaria approached us about drilling the Yanco Glen tungsten project we offered accommodation to them for rent. They took up the offer and thought it a great idea to house their staff so close to the job. We agreed on a price and they promised to keep the place neat and tidy.

"They were terrific to deal with and the drill company they employed stayed here as well. From the drillers to the cook to the geologist and operations manager, everything ran smoothly.

"We were kept informed of the movement of the drill rig and what was going on. They took the rubbish to the Broken Hill tip and gave the recycling refund to the Royal Flying Doctor Service.

"They were all a top bunch of people and we look forward to dealing with them again in the future."

Carpentaria's Broken Hill Field Geologist, Mick Tschaban, said the station located just 5km from the project area had provided "exceptional living and working conditions".

"All contractors and staff were spoilt with very comfortable accommodation, a welcoming and picturesque living and working environment and Vicki's delightful and plentiful meals," he said.

Vicki the cook (middle) with John and Kym Cramp

+ EXPLORATION UPDATE

Building a pipeline for the future

Carpentaria has continued its aggressive exploration program, building on its strong pipeline of projects across a range of commodities including tin, tungsten, nickel, copper and gold as well as magnetite iron ore.

Following the company's success at **Hawsons**, Carpentaria is seeking to capitalise on its position as "first mover" in the Braemar Iron Province. Together with **South Dam** and the **Braemar JV**, Carpentaria has interests in more than 81km of collective strike of magnetite siltstone in the Braemar Iron Formation.

Exploration commenced in the June quarter at the Braemar JV, with a 174 line kilometre ground magnetic survey conducted over prospective areas. The data suggests the potential for large bodies of magnetite mineralisation, with one target alone estimated to be over 1.4km long and up to 160m thick.

Carpentaria is now planning a 600m, three-hole drilling program for the tenement, which pending regulatory approval should commence in October.

At the **Broken Hill Tin-Tungsten Project**, the company undertook a 21-hole, 2,320m reverse circulation drilling program at the Yanco Glen tungsten prospect aimed at extending the existing resource of **830,000 tonnes at 0.21% WO3** (tungsten oxide).

Results have been received and they compare favourably to major tungsten deposits around the world, such as Vietnam's Nui Phao mine and Big Hill in Western Australia. A number of significant tungsten values were achieved over 0.1% WO3, including **2m at 1.13% WO3** and **5m at 0.86% WO3**.

Carpentaria considers these results have confirmed the size and grade of the existing resource, while a new zone of mineralisation was also discovered 1.5km south.

The Kantappa and Corona licences were added to the project this year, consolidating all known tin occurrences near Broken Hill.

The company aims to establish a cluster of tin/tungsten deposits near Broken Hill which can be easily and cheaply mined and centrally processed.

Elsewhere, reconnaissance mapping resulted in high gold grades of up to **5.6 g/t** (grams per tonne) within a hairline quartz stock work zone at the **Barellan** project.

This was in addition to a trench sample of **60m at 1.5 g/t gold**, including **10m at 4.5 g/t**. This prospect may be drilled when cropping finishes late this year or early in 2013.

Carpentaria is also assessing drilling results at the **Koonenberry Nickel/PGE Project** and the **McDougalls/Torrowangee** iron ore project, with further drilling planned at the **Temora** gold/copper project.

Having acquired six new tenements in the past financial year, Carpentaria has continued its strategy of rapid project acquisition or divestment to build shareholder value.

Drilling at Yanco Glen

INVESTOR*info*

Resources boom continues

Reports of the death of the mining boom are greatly exaggerated, judging from the available evidence.

While recent volatility has affected stock and commodity prices, the ongoing urbanisation of emerging markets such as China, India and Brazil is expected to further increase demand for resources such as iron ore.

Across Asia, the number of "middle class" consumers is expected to reach 1.7 billion by the end of this decade, creating a large and increasingly wealthy market.

According to UN data, China's urban population will grow another 300 million over the next 25 years, adding to the demand for new homes, cars and appliances.

The trend will see increased need for steel as China's residential buildings and office blocks become taller and are built with underground car parks, requiring more steel and glass and mass transport systems.

In a sign of China's fiscal firepower, the country announced in early September $150 billion worth of new infrastructure projects spanning eight cities, according to the *Australian Financial Review*.

Carpentaria's Quentin Hill checks a sample

Beijing plans to build new highways, waterways, urban rail projects and waste treatment plants in a growth push estimated at costing around 2% of total GDP.

Goldman Sachs research shows that both China and India will continue to register strong growth rates, yet with average incomes remaining low there is still considerable room for improvement.

For Carpentaria, which is aiming to commence production at the Hawsons Iron Project from 2015, the outlook remains extremely favourable.

Carpentaria estimates production costs at Hawsons of around $34 a tonne at mine gate, with a FOB (free on board) price of around $50/t, and using Capesize vessels landing in China at $60-65/t.

"Importantly, high-grade magnetite is expected to attract a 10 to 20% price premium, making our product even more competitive," Carpentaria's Nick Sheard said.

"Even at the lower prices of early September, the Hawsons project would be a profitable operation."

Market sentiment towards the resources sector has fluctuated in recent times, but at least one big broking house says the sell-off has been overdone.

Citigroup is now reportedly recommending that clients buy select small resources and mining services stocks, given an anticipated pick-up in the sector.

"Buy when others are selling" has long been a successful strategy of the world's greatest investor, Warren Buffett, and if Citigroup's prediction eventuates the small-cap sector should benefit.

Listed in 2011 by Dr Allan Trench as one of the top 100 Australian resource stocks to watch, Carpentaria has plenty more in store for investors in 2012/13.

+ STAFF UPDATE & AGM

Carpentaria continues to strengthen its technical and managerial team for the challenges ahead, having appointed two new non-executive directors, Dr Neil Williams and Paul Cholakos. (Paul will be featured in the next newsletter).

As well as the new directors, Lisa Edwards has been appointed Office Manager in recognition for her efforts in introducing new processes and technology, including social media.

For shareholders, the company's Annual Report has been published and there are more available for those wanting a printed copy.

The company's Annual General Meeting is scheduled for 3.30 pm (local time) on Thursday, October 18 at the Queensland Irish Association in Brisbane.

In addition, Carpentaria will be attending the Mining 2012 Resources Convention in Brisbane, giving investors another opportunity to talk to senior management about the company's exciting plans.

Carpentaria in the news

Carpentaria continues to attract media interest in its activities. Here is some of the latest coverage:

ABC News

"Mining company makes savings to attract partner"
(August 3, 2012)

Australian Financial Review
"Feasibility study"
(June 14, 2012)

Australian Journal of Mining
"Carpentaria points to low mining costs"
(August 2012)

Barrier Daily Truth
"Attractive prospect for a new partner"
(May 22, 2012)

My Resources (Mining Chronicle)
"The future belongs to geophysicists"
(June 21, 2012)

AGM reminder

Shareholders are invited to attend Carpentaria's 2012 Annual General Meeting, to be held from 3.30 pm (local time) on Thursday, October 18 at the Queensland Irish Association in Brisbane. We look forward to seeing you there!

Investor calendar

Key upcoming dates for Carpentaria shareholders:

October

Annual General Meeting (October 18)

September quarterly report due (October 31)

Mining 2012 Resources Convention, Brisbane (October 31 – November 2)

Company updates

Keep updated on Carpentaria's activities by joining the mailing list.

To subscribe, visit the website, **www.carpentariaex.com.au**, and click the link "Subscribe" on the homepage.

Don't forget to follow us on Facebook, Twitter (@CARPEXPLORE) and YouTube!

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