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CARPENTARIA EXPLORATION LIMITED

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ASX ANNOUNCEMENT

Water bore field drilling commences at Hawsons Iron Project

Highlights

- **Water bore field drilling to confirm flow rates commences for Hawsons Iron Project**
- **Landholder agreements secured by project managers**
- **Two drill rigs on site with operations scheduled for 2 months**
- **New phase of environmental studies begins**

Carpentaria Exploration Limited (ASX:CAP) announced today the start of exploratory drilling at a proposed water bore field near the Hawsons Iron Project and the commencement of preliminary environmental studies covering project infrastructure corridors, marking another milestone in the Company's flagship project near Broken Hill.

The move follows project managers Pure Metals (40% project interest) successfully reaching agreement concerning the water bore drilling program with landholders in the Coombah area, located 80 kilometres south of the project (Figure 1).

Two drill rigs are on site with operations scheduled for the next two months, which will include a series of exploratory drill holes. Pumping tests and other analysis will begin following completion of the drilling. Based on expert hydrogeological advice, the program is designed to confirm flow rates and water quality and will provide the Hawsons joint venture with valuable information about the quantity of water available from the aquifer. This will inform studies related to the potential of production scalability and environmental impacts.

Previous studies on the aquifer confirmed that sufficient water is available for the project over a 20-year period with acceptable drawdown rates, and the data gathered will allow for a more detailed assessment. The aquifer being investigated is saline and located at a depth of approximately 300m.

Carpentaria's Managing Director, Quentin Hill said the program of test water bore drilling was aimed to bring the knowledge of the water supply to the same level as for other infrastructure including the power, rail, port and workforce, where there is a high degree of confidence in its availability.

"This is an important step, not only for the bankable feasibility study (BFS), but also for our relationship with the local community, and I commend the Pure Metals project team for their efforts in successfully engaging with key stakeholders," Mr Hill said.

Bore field drilling commences at Hawsons

Carpentaria recently submitted a mining lease application (MLA) with the NSW government for Hawsons, and the project partners are focused on completing the environmental impact statement by late 2014 as part of the regulatory approval process for the state's biggest new magnetite project. The start of environmental studies on the infrastructure corridors to and from site is key to meeting this goal.

Pure Metals has committed $5 million towards the project during fiscal 2014,

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of which this water investigation is a large part. Located close to rail, road and power infrastructure and with a port memorandum of understanding in place, the Hawsons project also benefits from its estimated high concentrate grade (69.9% iron) and estimated costs comparable to established Australian hematite projects.

About Hawsons Iron Project

Located 60 kilometres south-west of Broken Hill, the Hawsons Iron Project includes an Inferred magnetite Resource of 1.4 billion tonnes (Bt) 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 Target[1] of 6-11 Bt at 14-17% DTR for over 1,000 million tonnes of concentrate (refer ASX Announcement 23 May 2011).

The project is different from other magnetite projects because of the availability of existing infrastructure. Hawsons is situated 50 kms from the east–west railway, which has existing capacity for over 10mt per year to Port Pirie, about 370 kms to the west, which also has capacity for exporting over 20mtpa using barges to cape-size vessels. The project also has an existing electrical grid with capacity to service the project and an already identified potential water supply 80km from the site. This existing infrastructure and proximity to Broken Hill set this project apart from rival Australian magnetite projects, which require major capital expenditure for infrastructure in order to export product.

Hawsons also benefits from its soft ore, which is expected to reduce costs. A simple processing circuit has been developed and proven via a pilot plant to produce high grade magnetite (69.5% Fe with low grade deleterious elements). The softness has the potential to reduce mining and processing operating costs compared to other magnetite projects developing banded iron formation (very hard) ores.

The project is overseen by a management committee chaired by Carpentaria, with the project partners are currently examining options for a smaller start-up operation of 10 million tonnes per annum utilising existing infrastructure to reduce initial capital requirements.

Results of a prefeasibility study (PFS) were updated following a mining optimisation study and were released to the ASX on 21st November 2011. The results were very positive and, as such, the joint venture continues to develop the project increasing its value.

In November 2012, the New South Wales Government declared Hawsons a 'State Significant Development' project, also providing the Director General's Requirements for an Environmental Impact Statement, and the BFS was commenced. In October 2013, Carpentaria submitted a mining lease application for the project with the NSW Government.

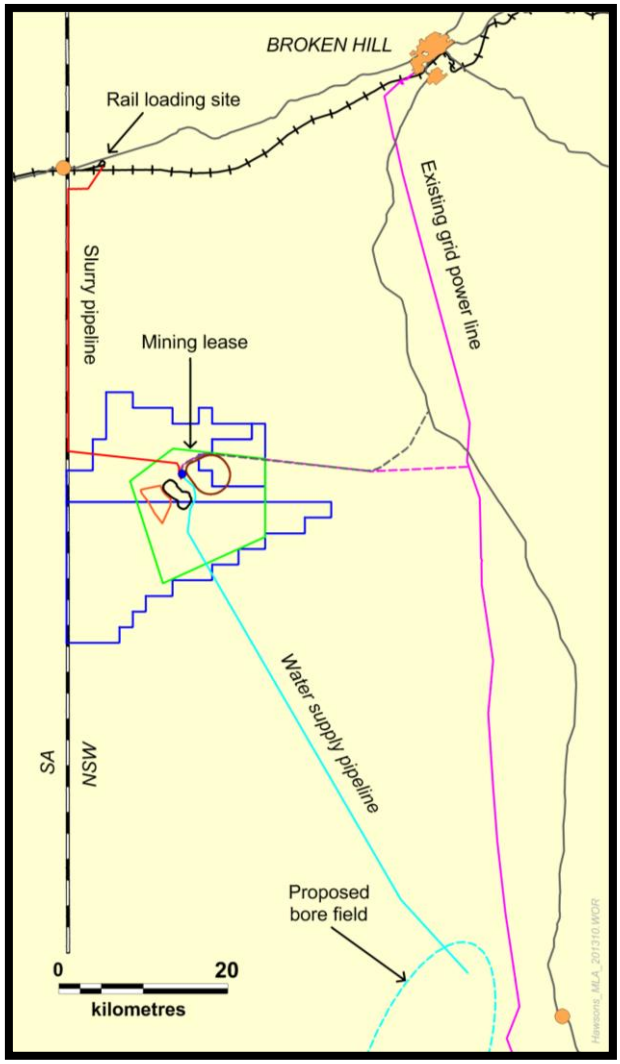

Figure 1. Location plan and proposed and existing site infrastructure

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The information in this announcement that relates to Exploration Results and Resources is based on information compiled by Q.S.Hill, 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'. Q.S.Hill is a full time 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.

[1] The 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.