Carpentaria RESOURCES | WORLD'S BEST IRON ORE PRODUCT

QUARTERLY REPORT

For the period ended 30 September 2020

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- Carpentaria Resources is answering the world's call for high grade iron ore.
- The Company has a majority interest in the Hawsons Iron Project, source of Hawsons Supergrade® product



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ASX:CAP

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HIGHLIGHTS

Hawsons Iron Project

+ Hawsons ownership consolidation advances during the quarter with agreement reached with Pure Metals Pty Ltd to acquire 24.149% from Pure Metals through the issue of 90.8 Million Carpentaria shares.

  The agreement is subject to shareholder and FIRB approval.

  The remaining 6.037% of Hawsons ownership transferred to Starlight Investment Company Pty Ltd, and new joint venture agreement entered into between the Company and Starlight.

  This transaction improves the commercial offering to investors and provides a stable platform to move the project forward. It will allow a review of development options and widen the pool of potential investors.

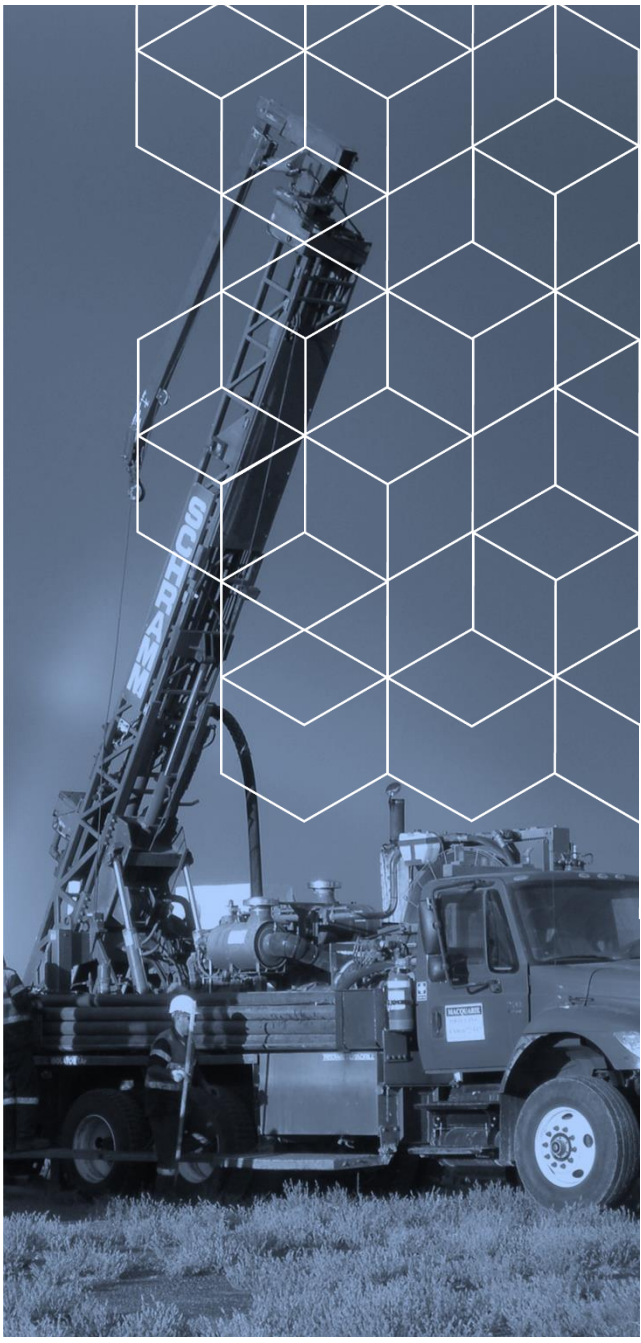
+ Mitsui agreed to extend further the term of its existing offtake option (ASX Announcement 6 August 2018) until 31 December 2020. The parties intend to negotiate commercial terms to extend the option beyond that date.

Corporate

+ Ms Linda Lau joins the Carpentaria Board.

+ Share purchase plan announced to raise up to $1.19 Million before costs.

+ Company's annual general meeting set for 2 November 2020.



HAWSONS IRON PROJECT

70%

Iron percentage of Hawsons Supergrade® product.

14.0

Offtake demand for Hawsons Supergrade® product (Mtpa).

201

Total production of Hawsons Iron Project (million tonnes).
As per the PFS release on 28 July 2017.

The Company confirms that all assumptions and technical parameters underpinning the Resource and Reserve estimates and all material assumptions underpinning the production target or the forecast financial information derived therefrom continue to apply and have not materially changed since first reported on 28 July 2017.

Carpentaria Resources Limited (ASX:CAP) announced today its quarterly activities and cashflow report for the period ending 30 June 2020.

The Company is focussed on developing its flagship Hawsons Iron Project near Broken Hill, NSW and continues to strive to improve the commercial offering to attract the necessary investment.

Agreement secured to enhance commercial offering and offtake discussions

Carpentaria's joint venture partner, Pure Metals Pty Ltd, has entered into a restructure deed with its shareholders whereby a 6.037% interest in Hawsons will be transferred by Pure Metals to one of those shareholders, Starlight Investment Company Pty Ltd in return for Starlight's shares in Pure Metals.

The Company has in turn entered into a sale and purchase agreement with Pure Metals to acquire the remaining 24.149% of Hawsons in consideration of the issue to Pure Metals of 90.8 Million Carpentaria shares. The transaction remains subject to shareholder and FIRB approvals.

A new joint venture agreement, to come into effect upon the completion of the sale and purchase agreement, will govern the joint venture relationship of the Company and Starlight.

This will improve the commercial offering to investors and provide the best platform to move the project forward. It will allow more development options.

Current Hawsons joint venture
Carpentaria Resources Ltd 69.8% Pure Metals 30.2%

Proposed Transaction
Carpentaria Resources issues 90.8m shares to Pure Metals Pty Ltd and increases stake in Hawsons project to 94%

New Hawsons Joint Venture
Carpentaria Resources 94.0% Starlight Investment Company 6.0%

Figure 1 Transaction summary

The independent expert concluded the transaction is not fair but reasonable. The independent technical expert judged the project justifies further work.

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Corporate

Ms Linda Lau joined the Carpentaria Board during the quarter. As stated by the Company's Chairman, Peter Graham, *"Carpentaria gets Ms Lau's experience derived from many Chinese Australian joint ventures and from the network of contacts she has developed through the iron and steel industry in China and abroad."*

On 8 October 2020, it was announced that the Company is conducting a share purchase plan (SPP) to raise up to $1.19 Million before costs.

The SPP will involve the issue of up to 34,000,000 new Shares at an issue price of $0.035 per share. The issue price represents approximately 1.4%, 4.1% and 28.6% discount to the volume weighted average market price of shares calculated over the previous 5, 10 and 30 trading days respectively on which trades in the shares were recorded immediately prior to the announcement.

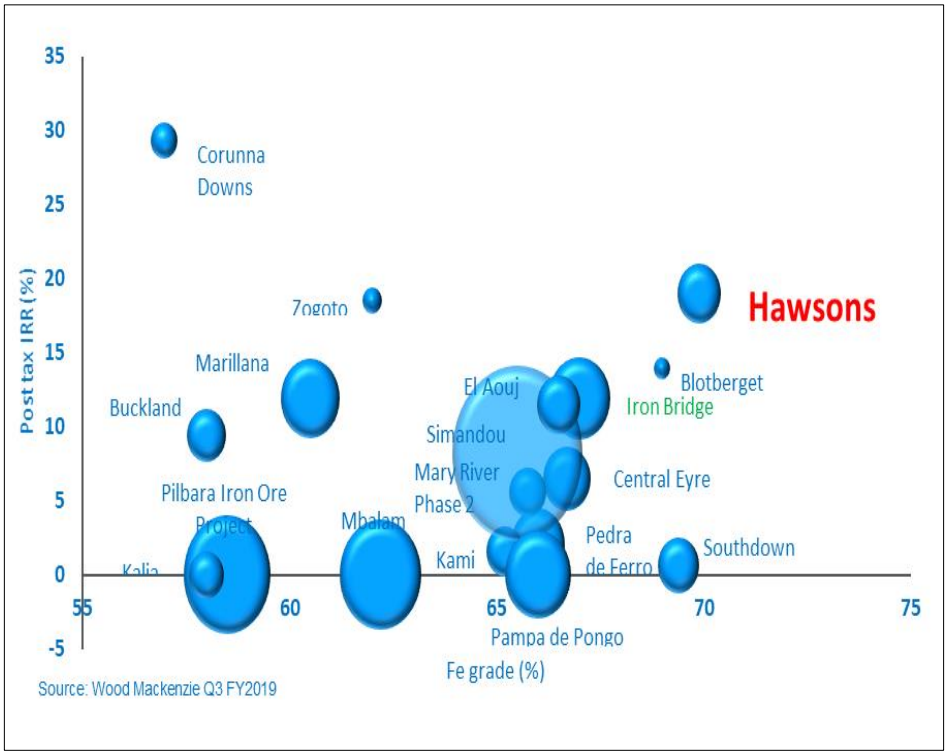
The funds are to be used by the Company for working capital.

Commenting on the SPP, Mr Graham stated, *"The SPP is an excellent opportunity for shareholders to purchase CAP stock at 3.5c without paying brokerage, at a 28.6% discount to the 30 day VWAP. The last traded price was 3.9c (as of 3.30pm AEST Thursday the 15th of October)."*

In accordance with the instructions in the Offer booklet and on the personalised application form, eligible shareholders may apply using BPAY® or by completing the application form and returning it to the Company's share registry together with payment via electronic funds transfer order by 5:00pm (Sydney time) on Friday, 23 October 2020.

To receive an electronic copy of your personal application form, shareholders should visit:

https://carpentariaresources.investorportal.com.au/spp-form/.



*All projects except Hawsons at BFS stage . Hawsons at PFS stage
*Assumes that Hawsons is in production and the outcomes are as set out in the prefeasibility study announced on 28 July 2017. The Company confirms that all assumptions and technical parameters underpinning the Resource and Reserve estimates and all material assumptions underpinning the production target or the forecast financial information derived therefrom continue to apply and have not materially changed since first reported on 28 July 2017.
*Bubble size represents annual production capacity
*Excludes replacement or expansion projects owned by established miners RIO, BHP, CSN, FMG
*Based on Wood Mackenzie long term price forecasts
Source: Wood Mackenzie (developed from company's stock exchange compliant releases, modified uniformly by Wood Mackenzie by internal long-term price and cost forecasts, Wood Mackenzie is not aware of any material omissions in the data)

Chart 1 – IRR vs product grades for unfinanced projects at PFS stage or later

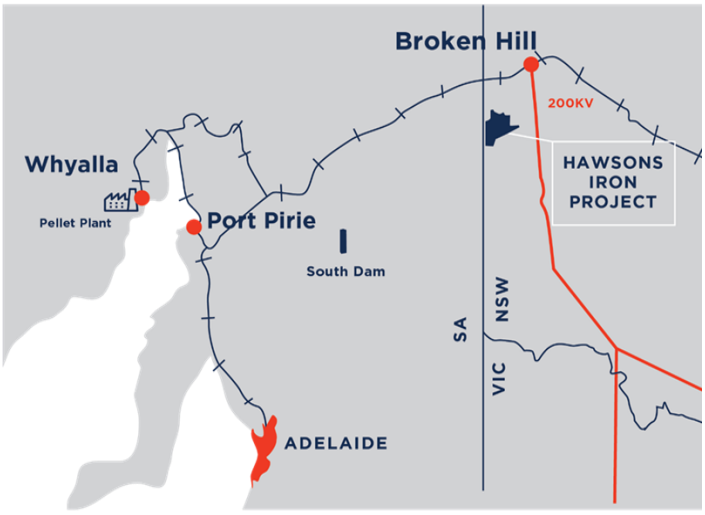
The Hawsons Iron Project has

High forecast returns: outstanding for the commodity and project type. According to Wood Mackenzie, the leading project of its type (chart 1), (refer to the PFS released 28 July 2017, showing an equity rate of return of 30%)*.

Unmatched product demand: the unique 70%Fe pellet feed product meets the long-term global demand profile for high quality inputs and decarbonisation of steelmaking.

Low risk profile: forecast to be first quartile of the global cost curve (as per the PFS, Hawsons is cash-flow positive at benchmark 62%Fe price <US$30/tonne).

A clear technical and permitting pathway and an ideal location for operations with existing power, rail and port infrastructure available for a 10Mtpa start-up operation.



The Hawsons Iron Project is located 60km south-west of Broken Hill, NSW, an ideal position for mining operations with existing power, rail and port infrastructure available.

A unique soft ore allowing a different and low power approach to mining and processing challenges and simple liberation of a product of rare quality.

** The Company confirms that all assumptions and technical parameters underpinning the Resource and Reserve estimates and all material assumptions underpinning the production target or the forecast financial information derived therefrom continue to apply and have not materially changed since first reported on 28 July 2017.*

Carpentaria Resources Ltd tenement schedule 30 September 2020

Licence	Notes	Name	Original Grant Date	Expiry Date	Equity	Sub-blocks	Area (km2)
EL 6979	1,2	Redan	11/12/2007	11/12/2021	69.8%	62	180
EL 7208	2	Burta	22/09/2008	22/09/2020	69.8%	100	290
EL 7504	2	Little Peak	8/04/2010	8/04/2020	69.8%	14	41
MLA 460	3.4	Hawsons Iron	Under application	Under application	69.8%	n/a	187
EL 6901	5	Combaning	8/10/2007	8/10/2020			0
EL 7896	5	Barellan	6/02/2012	6/02/2021			0

1 . 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.

2. JV; Pure Metals Pty Ltd. EL7504 renewal lodged

3. MLA made on 18 October 2013; tenement application subject to unspecified grant date and conditions.

4. Subject to the Hawsons Joint Venture with Pure Metals Pty Ltd.

5. CAP's interest to convert to 1% net smelter return, Cape Clear to assume ownership.

Release authorised by:

Quentin Hill
Managing Director
+61 7 3220 2022

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DISCLOSURE

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 Resources Ltd and he consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

CARPENTARIA RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
63 095 117 981	**30 September 2020**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(77)	(77)
	(e) administration and corporate costs	(92)	(92)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Joint venture transaction costs	(108)	(108)
1.9	**Net cash from / (used in) operating activities**	**(277)**	**(277)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(33)	(33)
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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**	(33)	(33)

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	716	716
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(277)	(277)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(33)	(33)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**406**	**406**

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	390	700
5.2	Call deposits	16	16
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)**	**406**	**716**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments:

Director wages and fees: $90,700

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**		

7.5	**Unused financing facilities available at quarter end**	-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	277
8.2	Capitalised exploration & evaluation (Item 2.1(d))	33
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	310
8.4	Cash and cash equivalents at quarter end (Item 4.6)	406
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	406
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	**1.31**

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

The Company expects to operate with lower costs for the foreseeable future, due to cost cutting previously announced. This is subject to changes that could be caused by any transaction, should that occur.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The Company is currently conducting a share purchase plan to raise approximately $1.2 Million before costs. It is anticipated that this amount will be raised.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The Company had abnormally high expenditure during the last 2 quarters and does not expect such expenditure to be repeated in the coming quarters. The Company does expect to be able to continue its operations.

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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.

Date: 19 October 2020

Authorised by: The Board.
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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