

Investor Presentation

February 2017



Carpentaria EXPLORATION
LIMITED

WE FIND IT. WE PROVE IT. WE MAKE IT POSSIBLE.

SUPERGRADE IRON

Right product - right time



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- Hawsons is the right project at right time with the right development strategy
- Iron ore demand will not fall off a cliff – new projects will be required to meet demand growth
- Specific supply opportunities for the right products by 2020 - Hawsons is targeting direct reduction grade (DR) pellet feed and high grade blast furnace (BF) pellet feed markets and has blue chip customers signed on
- Value underwritten by project strategic value to end users and infrastructure owners
- Completed PFS due end Q2 - potential to boost value near term, lift to investment grade and attract a new class of investors and strategic partners in line with improving steel and iron markets

Carpentaria - Snapshot

Resource Upgrade – February 2017

Target

PFS completion ~Q2 2017

ASX : CAP

Listed: 2007

SHARES: 169 M

CASH : \$2.19 M 31 December, 2017



***100% focussed on Hawsons Iron Project
(CAP 64%, Pure Metals PL 36% diluting)***

Dr Neil Williams - Chairman

Mr Quentin Hill - Managing Director

Mr Bin Cai - Director (Non-exec. Director)

Mr Paul Cholakos - Director (Non-exec. Director)

Mr Robert Hair - (Company Secretary)

Major Shareholders

Silvergate Capital 13.3%

Australia Conglin Int. Group 8.3%

SG Hiscock and Company 5.0%

Previous two years

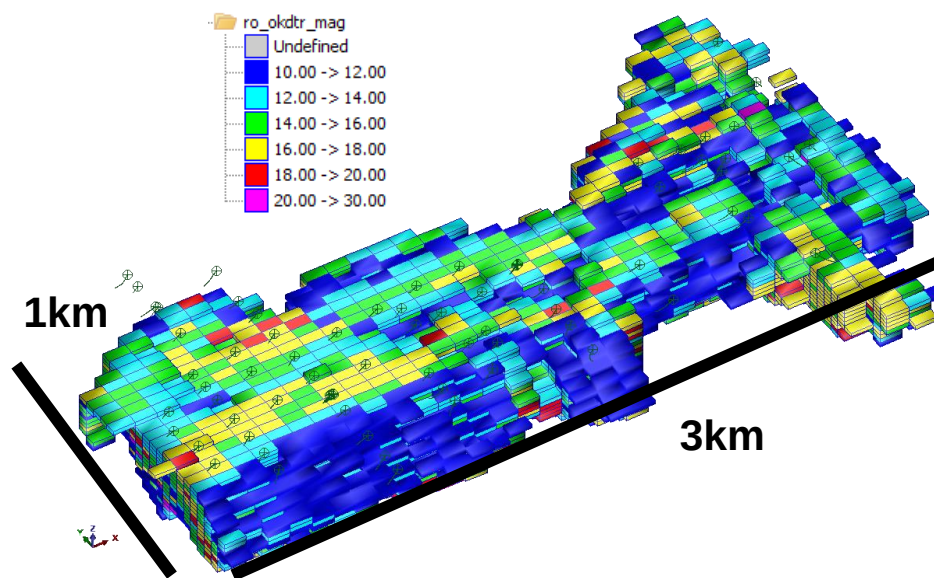
- **Maximising opportunities** - processing and pellet test work developed Hawsons Supergrade® product, amongst the best iron making raw materials in the world, blue chip off-takers
- **Minimising risk** – lifting engineering aspects to a prefeasibility level of understanding incl. port, rail, power, water, processing

Current work - align resource confidence with rest of project

- Drilling December 2016
- Delivery of new resource estimate to support a prefeasibility study (February 2017)
- Prefeasibility study underway

Resources – Expected outstanding result, potential long life and strategic value

- Threefold increase in Indicated Resource to 119mt of contained concentrate at 69.9%Fe from 36mt
- Conversion rate from Inferred to Indicated Resources was outstanding at 96%, giving confidence in future upgrades
- High value concentrate grade and recovery unchanged after ~40% more data point

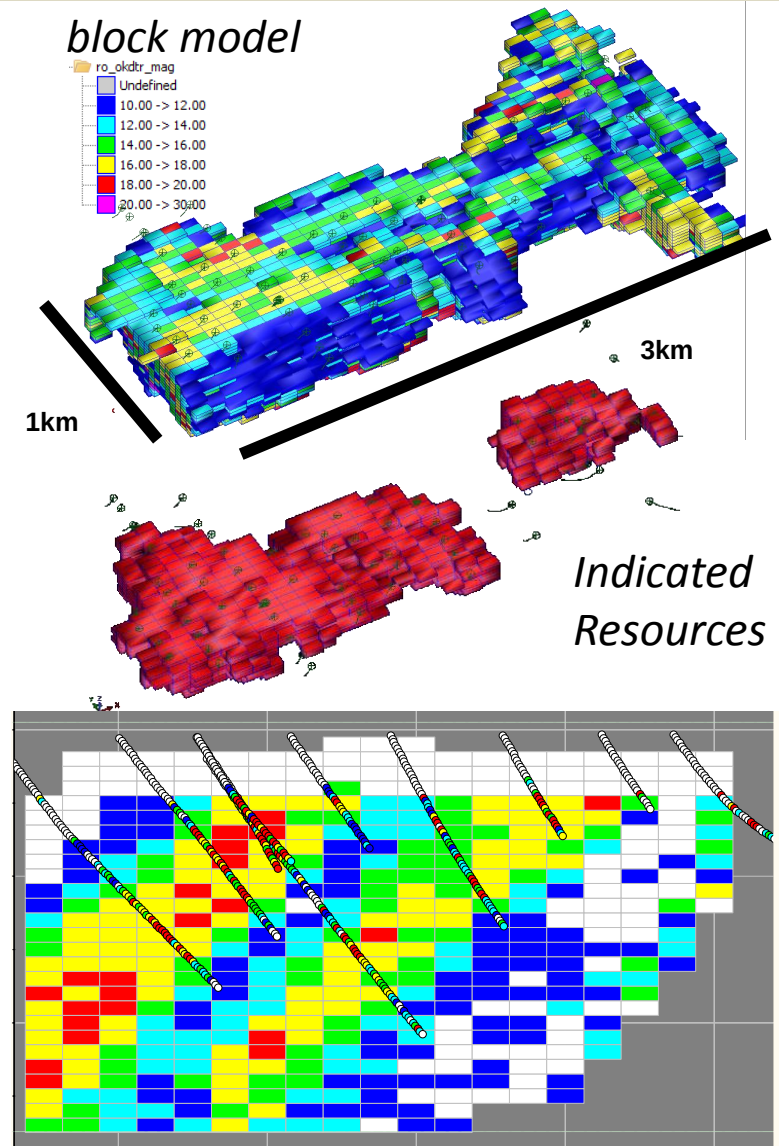


			Concentrate Grades					
Category	million Tonnes	Magnetite DTR%	Fe%	Al ₂ O ₃ %	P% ¹	Si ₂ O ₂ %	LOI%	Contained Concentrate (Mt)
Indicated	810	14.6	69.9	0.19	0.004	2.61	-3.0	119
Inferred	1570	13.9	69.6	0.20	0.004	2.94	-3.0	217
Total	2380	14.1	69.7	0.20	0.004	2.83	-3.0	336

The Company confirms that all assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed since first reported on 27 February 2017. Reported at a 10%DTR cut off grade, and 38micron grind.

Hawsons Iron Project – resource upgrade what it means

- Very large size and little internal dilution, low strip ratio (previous 0.47:1 waste:ore)
- “Bath tub” geometry ideal for simple mining
- Underscores confidence in use of large scale mining methods and low costs in pit conveying that needs long run 700m mining width
- Early mining to focus on Indicated Resources
- Stable grade and recovery results support previously stated assumptions such as
 - ore softness
 - processing upgrade to Hawsons Supergrade® quality



Hawsons Iron Project - Introduction

Location - 60km south west Broken Hill

JORC Resource - 2.4Bt at 14.1% mass recovery for 336mt of concentrate (of which 119mt is Indicated)

Unique siltstone ore type - allows stand out mining cost, processing cost and product quality targets

Product quality - amongst the worlds best, allows stand out customer base and revenue (>70%Fe <2% silica)

Existing infrastructure in place - power, water, rail, port and pellet plant allows potential stand out capital cost and low development risk for various production scenarios

Characteristics to elevate project to first in the development queue



Project Team - Experts in their field

Ray Koenig - Technical Director

- One of Australia's leading magnetite engineers; ex-Savage River magnetite and pellets

- 
- Technical feasibility
 - Risk reduction

Adam Wheatley - Iron ore financing expert

- (e.g. Gindalbie/Kararra, Hancock/Hope Downs, Aztec/Koolan Island)

- 
- Project financing and bankability

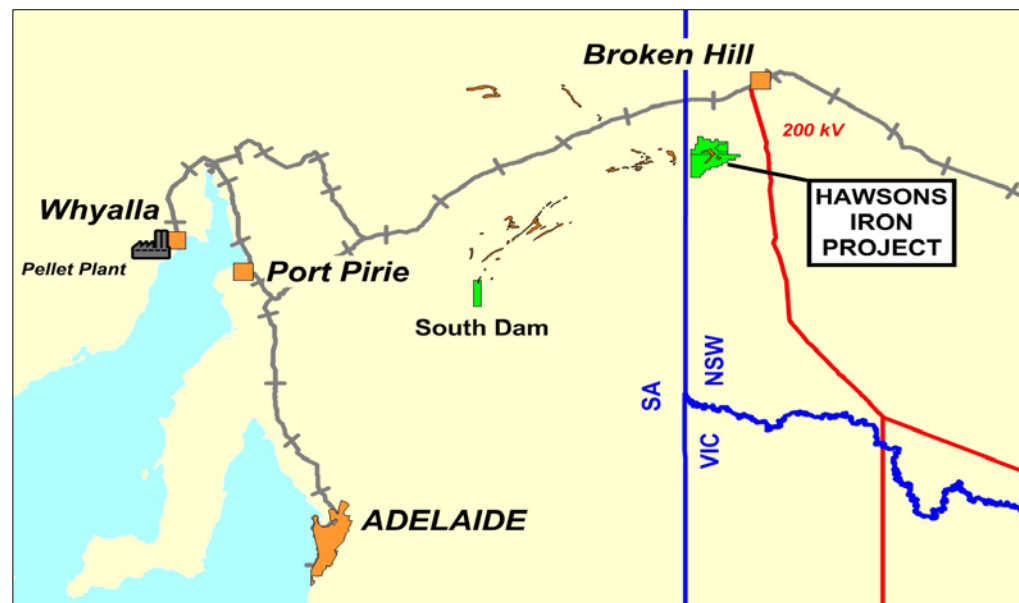
Lou Jelenich – Product Marketing Director

- Iron ore marketing and steel expert
- Ex-BHPB iron ore technical marketer

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- Marketing saleable product
 - Offtake arrangements

Hawsons Iron Project - Concept

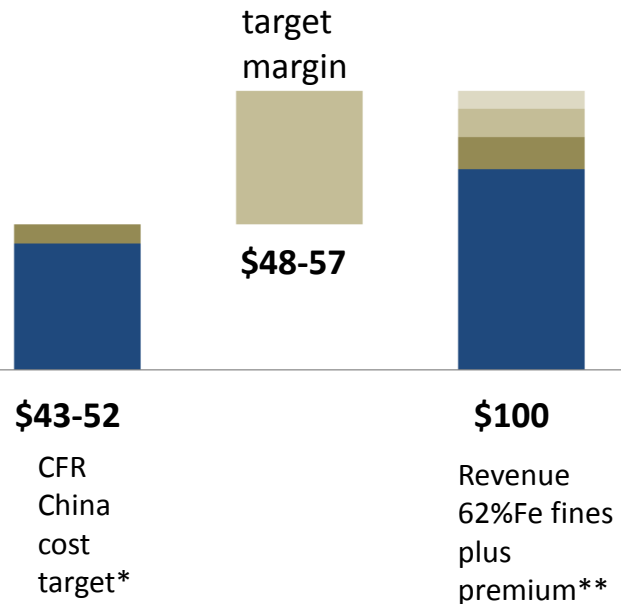
- Mine and process on site
- Power from reliable eastern states grid
- Water from defined high yield saline aquifer 90km south
- Slurry product in pipeline to Broken Hill
- Rail to Port Pirie or Whyalla on existing rail (13mtpa spare capacity)
- Potential to access upgrading to pellets at Whyalla
- Transshipment to Capesize vessels to customers- Bahrain Steel, Emirates Steel, Gunvor, Formosa and Mitsubishi



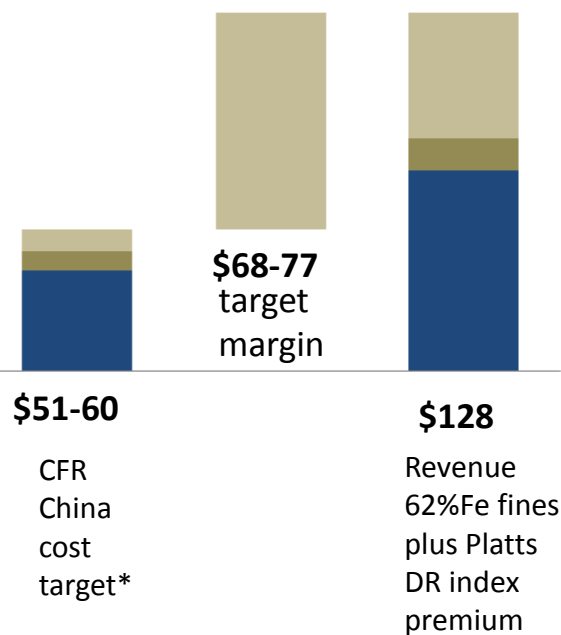
Near term growth drivers – Milestones

Pre-feasibility study cost targets

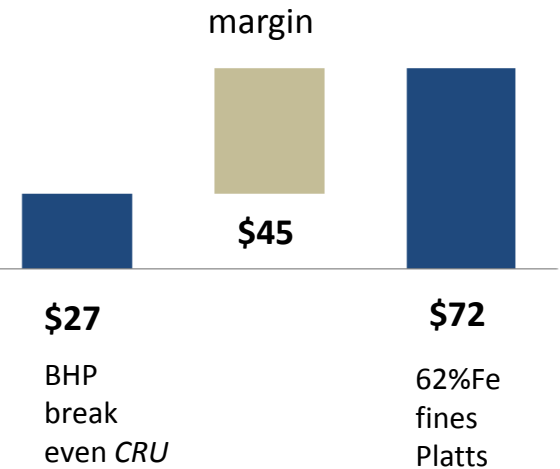
HAWSONS SUPERGRADE BLAST FURNACE PELLET FEED



HAWSONS DIRECT REDUCTION PELLETS



TIER ONE PILBARA FINES



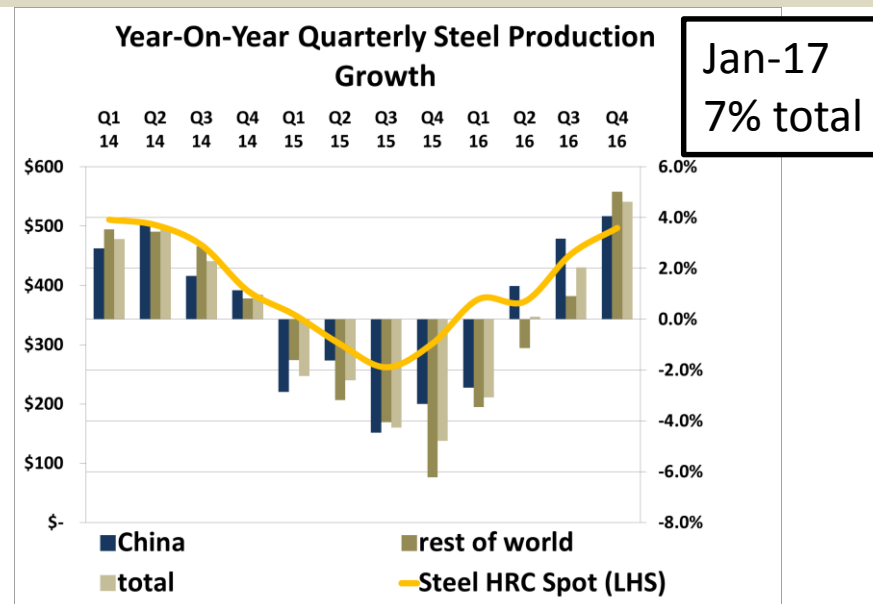
- Cost targets based on 2013 PFS level engineering and Inferred Resources (excluding pelletising)
- Potential margins at US\$72, better than tier one Pilbara margins based on Platts index pricing, and steel mill pricing formula (see Appendix for formula)
- Competitive capital cost target of US\$1.4-2.0bn (inclusive of preproduction cost and contingency)
- Aim to review - existing mining, power, water and labour capital inputs; and
- production rate scenarios, complete Q2 2017.

• LOM, Includes royalties, sustaining capital, 1AUD buys 0.72USD
All figures USD

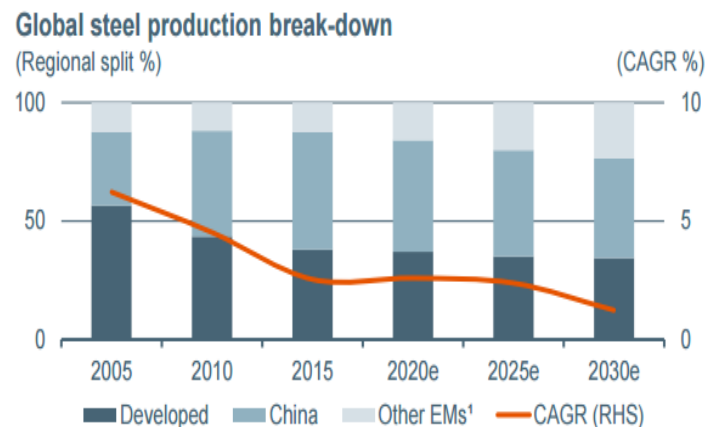
**Shanghai Metals Market formula based on Platts prices
9/11/16, see appendix

Iron ore and steel demand – signs of growth

- Steel production has returned to growth
- Population growth, urbanisation rates and economic development underscore long term demand growth, esp. India, Middle East and ASEAN
- BHP forecasts CAGR of 1.9-2.1% in steel production out to 2030
- That is 35-40mtpa new steel each year (RIO and World Steel are similar)
- At 33% scrap usage, then still 30-40mtpa of new iron ore demand each year to 2030
- New supply 2017-2018 ~105Mt (Roy Hill, Vale)
Post 2018 very few new projects
- Supply deficit circa 2019-2021



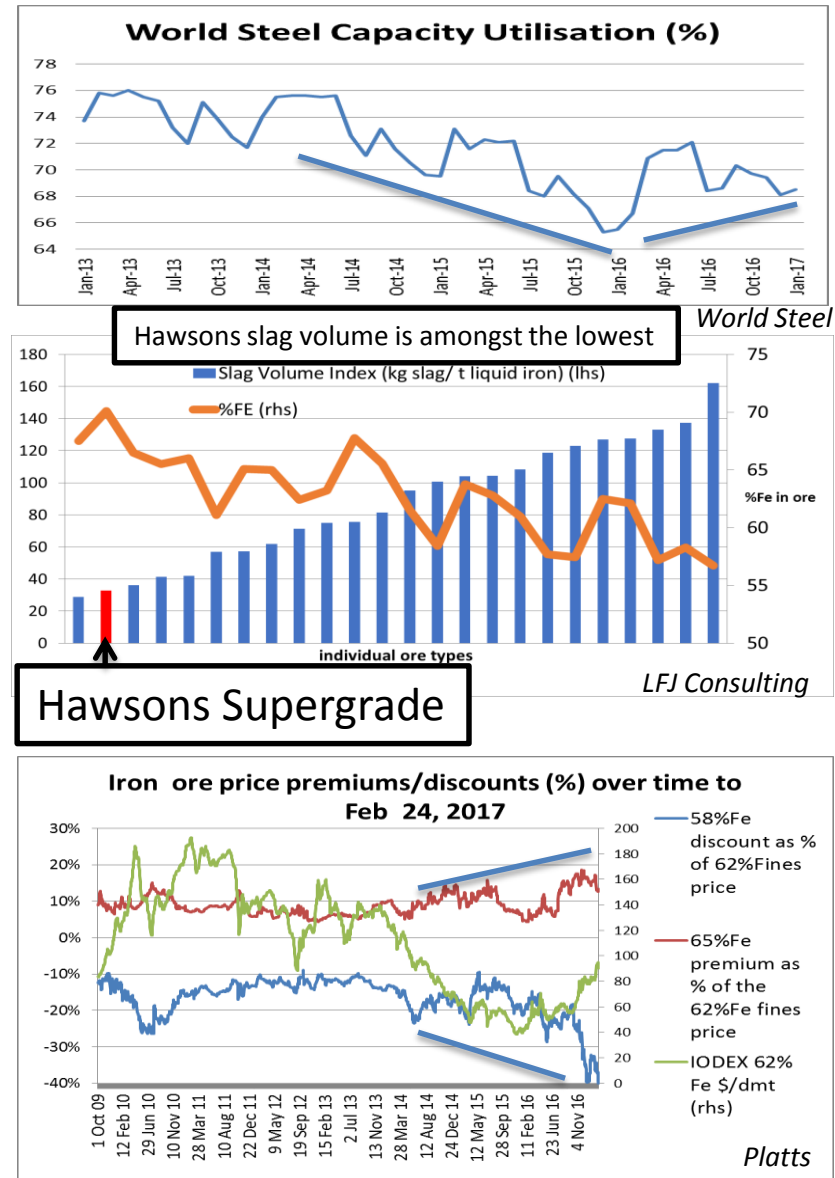
World Steel



BHP 2016

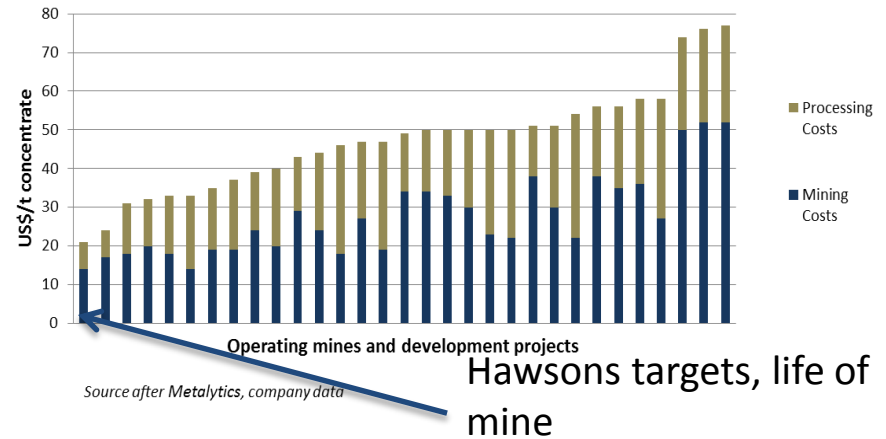
Iron ore and steel demand- shift to high grade and pellets

- Steel prices at 2.5 year highs as demand increases
- Increasing confidence in long term steel prices as steel utilisation increases following meaningful progress in Chinese capacity closures,
 - 45mtpa in 2016, more this year
- Increasing steel mill focus on productivity and pollution reduction driving increasing price premiums
- Fixed volume blast furnace can only fit so much liquid, lower slag → more iron, less pollution
 - Hawsons ~one third slag of tier 1 Pilbara.
- Premiums for 65%Fe fines and the 58%Fe discounts at historic level in percentage terms
 - 24 Feb '17 58% Fe price discounted 40%
 - is there a structural shift in pricing?

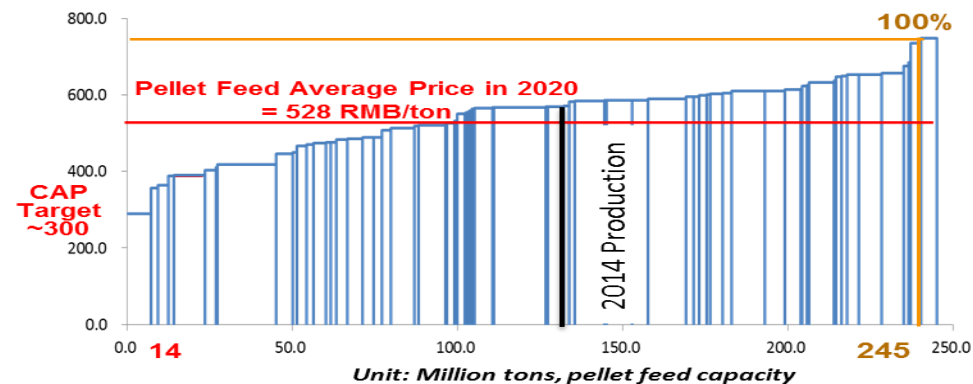


- Shift to productivity and pollution driven steel making in China to drive demand and premiums for high grade pellet feed and concentrates
- Pellet feed is typically high cost because of grinding and iron losses during upgrade
- Hawsons' unique ore type potential to deliver the lowest grinding costs and the least losses meaning very cost competitive
- Supply opportunity into China and direct reduction market in Middle East
- Hawsons Supergrade® has a lower future market risk than low grade fines

High quality concentrate mining and processing cost estimates 2020, not corrected for grade



China's Pellet Feed Cost Curve in 2020
Not adjusted for grade or quality

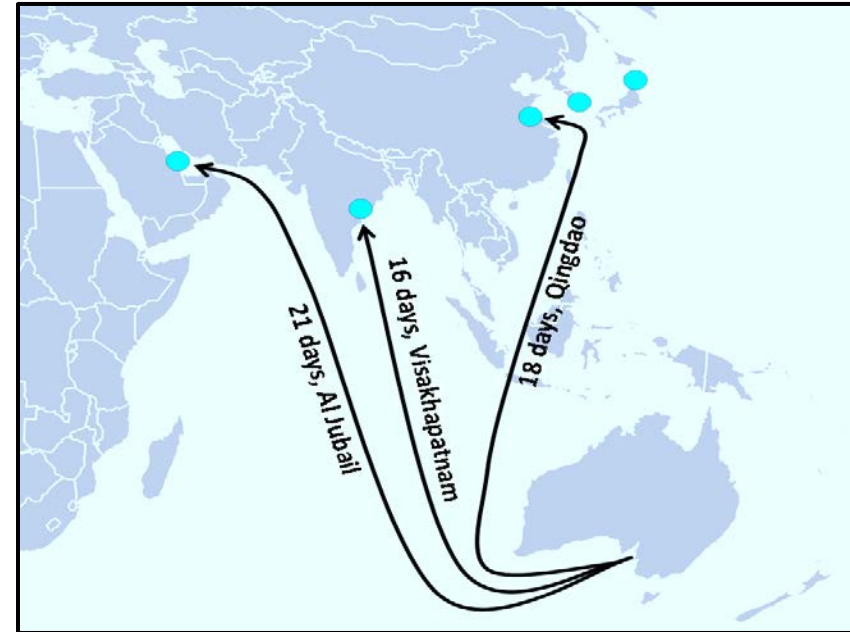


Source: SMM, 2015; Unit - RMB/wmt (excl. VAT, ex-work, includes depreciation, port surcharge); 6.1RMB : 1 USD: 0.75 AUD

Investment case - Development prospects and strategic value

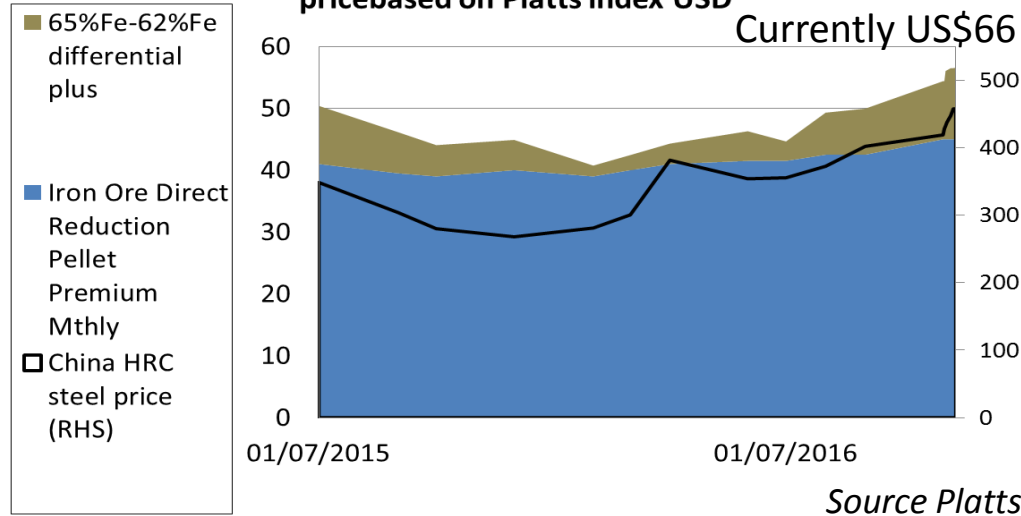
In front of the development queue

- Unique strategic value of new, competitive supply of **Supergrade** material to:
 - direct reduction iron (DRI) market in Middle East and India
 - blast furnace feed to Asian steelmakers
- Unique low development risk for new supply:
 - existing infrastructure
 - potentially highly competitive cost structure (against both low quality and high quality ores)
 - low market risk
- Hawsons resource is natural fit to maximise returns for pellet plant and port at Whyalla

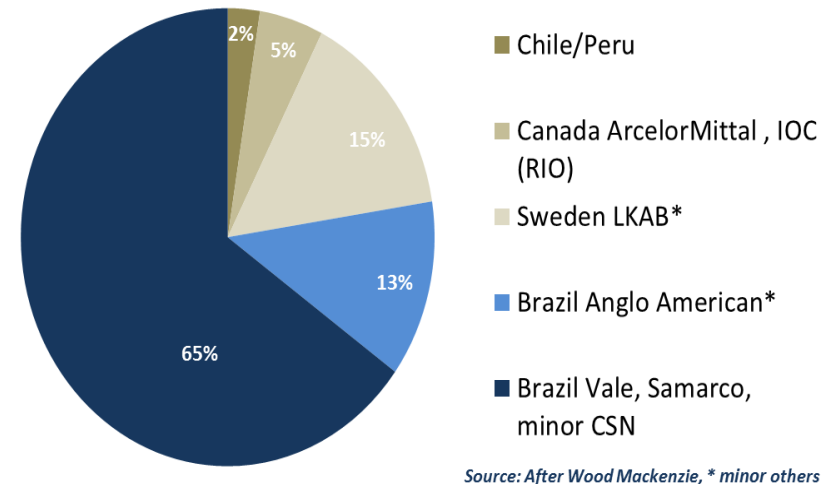


Unique strategic value of Hawsons – Direct reduction (DR) feed

**Hawsons potential DR pellet premium over 62%Fe fines
pricebased on Platts index USD**



2015 Seaborne DR-pellet/feed supply source



DR feed highest value iron ore product – DR pellet currently 62%Fe fines plus US\$55
 Middle East DRI-EAF steel lower cost than Europe scrap – EAF steel making (see appendix)
 DR product quality is rare – supply concentrated by four majors (~90%)*
 – supplied by ~ 10 projects **

New and diversified sources of direct reduction feed required in the Middle East to

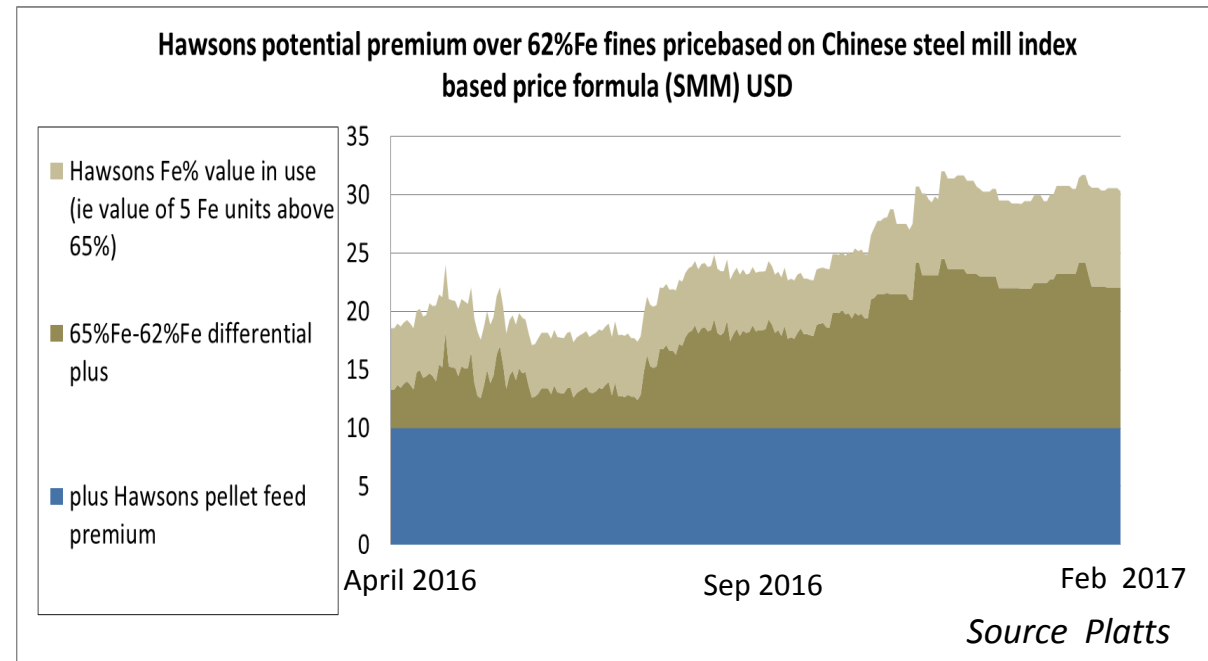
1. support DRI industry growth
2. offset pricing power of existing producers

Bahrain Steel and **Emirates Steel** have signed for 3.9Mtpa of Hawsons DR feed under LOIs, demonstrating strategic interest

* Wood Mackenzie, 2015, **MBR, 2015

Unique strategic value of Hawsons Supergrade – blast furnace

- Medium term consensus price 62%Fe fines is ~US\$60/t*
- High grade products and pellet feed increasingly difficult to source, given lower iron ore price environment
- Mills that can access high grade and pellets to have a competitive advantage
- Hawsons is unique low cost high grade pellet feed



Blue chip demand for Hawsons Supergrade demonstrated by LOIs with

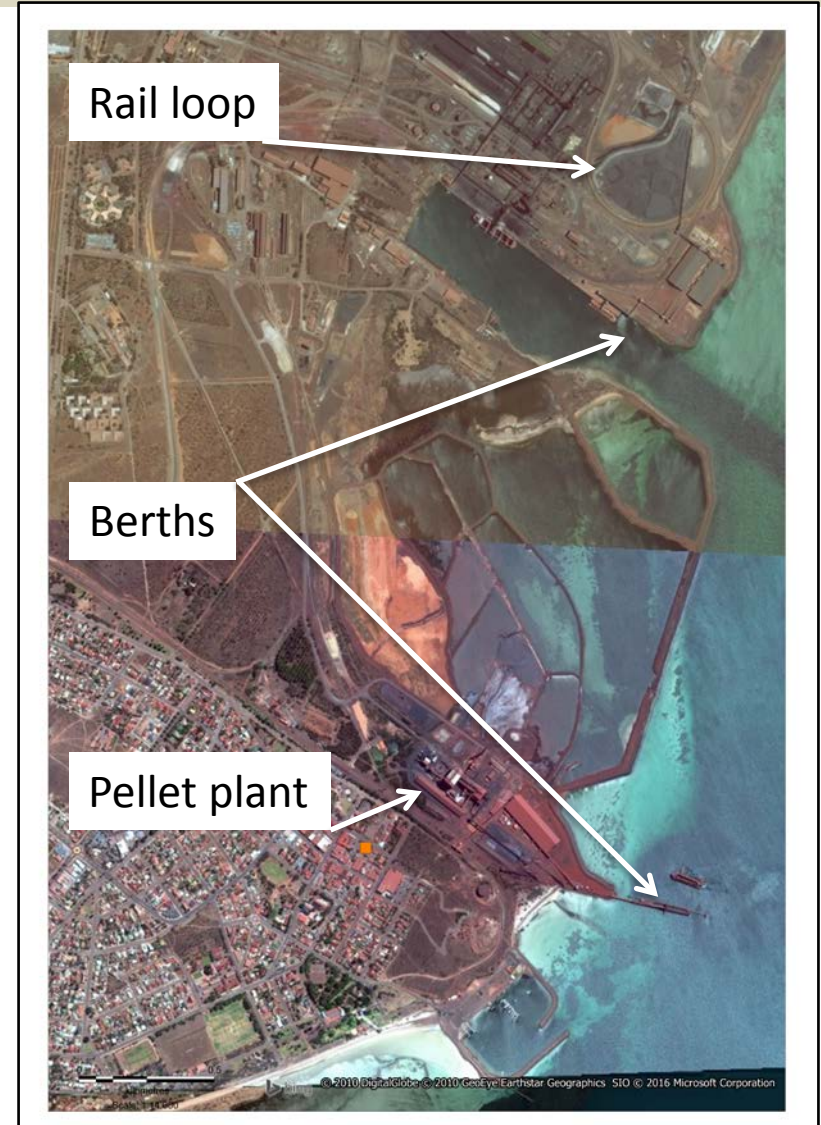
- **Mitsubishi**
- **Gunvor**
- **Formosa**

*Source <https://www.vuma.com/public/consensus/rio>

Unique strategic value – Whyalla infrastructure

Hawsons is suitable for Whyalla port and pellet plant assets

- Rail from Broken Hill direct to Whyalla
- Port ~16mtpa capacity
- Mining reserves suffering depletion
- Spare capacity in the pellet plant



Arrium Whyalla facility

Hawsons Iron Project – First in the queue for development

Right project– competitive cost targets and existing infrastructure → low development risk

Right product – Supergrade, the worlds best pellet feed one of the few products that meet the highest growth end of the steel industry→ low market risk

Right strategy –

- develop end user support for the Supergrade product
- complete PFS to achieve investment grade for strategic and institutional funding
- secure end user support to build the project and meet the market demand for new iron ore

Right Company to leverage Asia and MENA's continuing development, near term and long term



Thank you for your attention

Please refer appendix for additional information

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To find out more, visit us at
www.capex.net.au

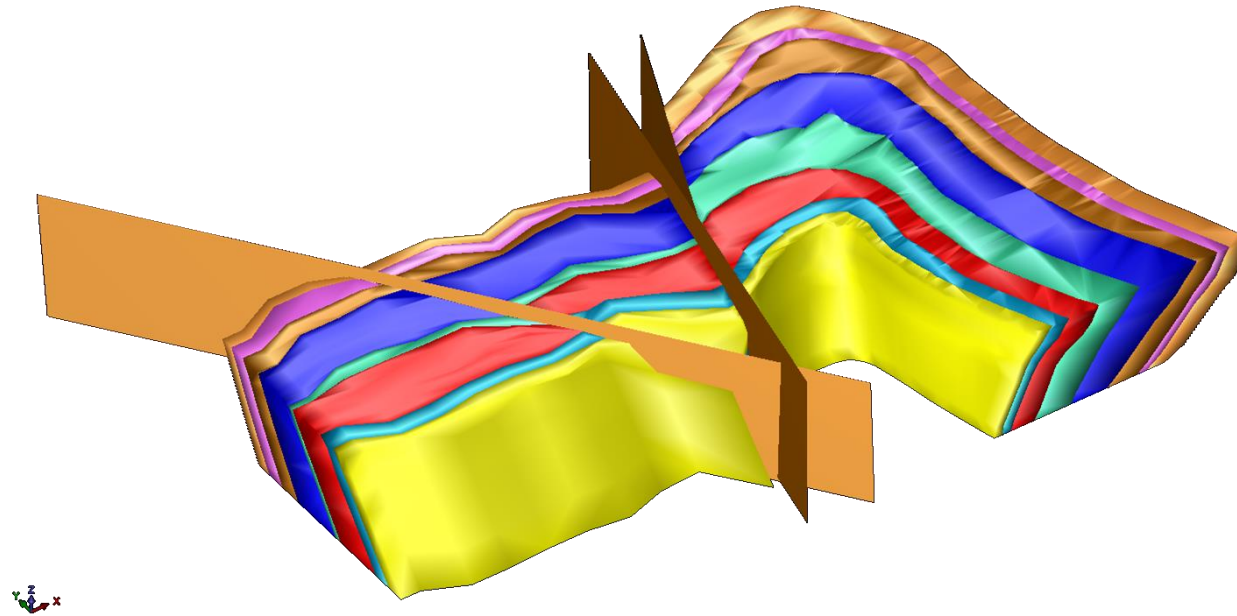


@CARPEXPLORE

The information in this presentation that relates to Exploration Results, Exploration targets and Resources is based on information compiled by Q.S. Hill, who is a member of the Australian Institute of Geoscientists and has had sufficient experience which is relevant to the style of mineralization 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'. Q.S.Hill is an 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.



Appendix – Resource at 12% DTR cut off grade



Category	Mt	DTR %	DTR Mt	Fe %	Al ₂ O ₃ %	P %	S %	SiO ₂ %	TiO ₂ %	LOI %	Concentrate tonnes Mt
Indicated	667	15.4	102.9	69.9	0.2	0.004	0.002	2.62	0.03	-3.04	103
Inferred	1,095	15.1	165.1	69.7	0.2	0.004	0.002	2.92	0.03	-3.03	165
Total	1,762	15.2	268.0	69.7	0.2	0.004	0.002	2.80	0.03	-3.03	268

The Company confirms that all assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed since first reported on 27 February 2017. Reported at a 12%DTR cut off grade, and 38micron grind.

Appendix - Suggested pricing for CAP's pellet feed

Suggested Pricing for CAP's Pellet Feed and Pellet

Benchmark

Platts 65%	Fe	S	Si	Al	P	\$/dmt	Fe Differential (\$/dmt)
	65%	0.02%	3.50%	1%	0.075%	68.75	1.2

Pellet Feed

CAP Pellet Feed	Fe	S	Si	Al	P
	70%	0.002%	1.50%	0.23%	0.004%

Benchmark Price (\$/dmt)	Fe Adjustment			Pellet Feed Premium (\$/dmt)	Price (\$/dmt)
Platts 65%	Fe Differential against Benchmark	Unit Fe adjustment (\$/dmt)	Total Fe Adjustment		
68.75	5	1.2	6	10*	84.75

Pellet

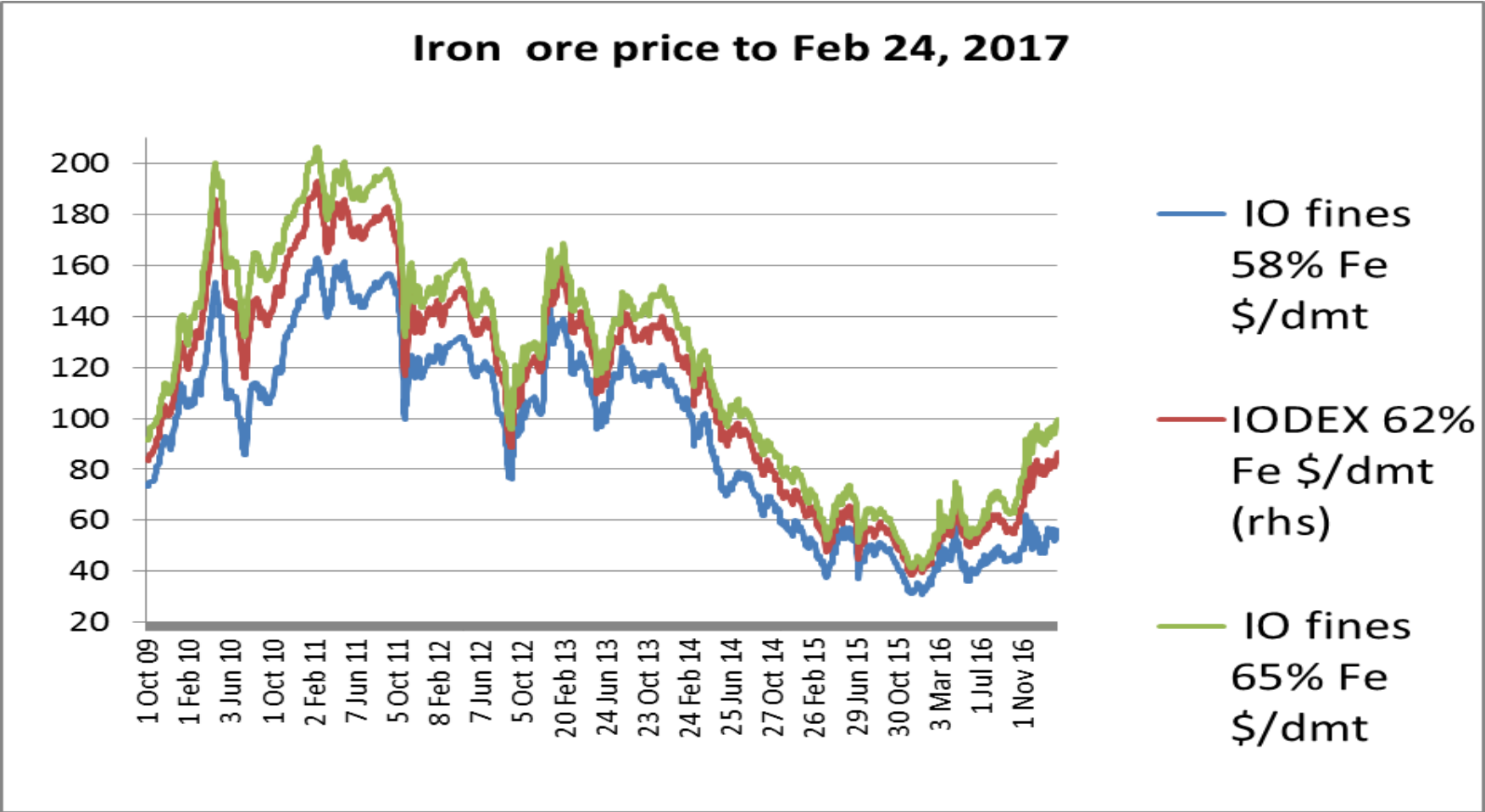
CAP Pellet	Fe	S	Si	Al	P
	68%	0.002%	1.50%	0.23%	0.004%

Benchmark Price (\$/dmt)	Fe Adjustment			Pellet Premium (\$/dmt)	Price (\$/dmt)
Platts 65%	Fe Differential against Benchmark	Unit Fe adjustment (\$/dmt)	Total Fe Adjustment		
68.75	3	1.2	3.6	30	102.35

Note: Platts price here is based on 22nd May US\$60.25/t for 62%Fe fines.

Result based on survey of Chinese steel plants totalling 25% of Chinese industry

*This adjustment varied in the survey between US\$4-12/t depending on source and product



Platts

Elements and Compounds		Supergrade Pellet Feed (ALS, CISRI)	Supergrade pellets (CISRI) Fired at 1230°C	Midrex DR Specifications*
chemical Analysis (%) (on dry basis)	Fe	70.3	67.80	67.00 min.
	SiO ₂	1.99	2.39	
	Al ₂ O ₃	0.29	0.44	
	SiO ₂ + Al ₂ O ₃	2.28	2.83	3.00 max.
	CaO	0.11	0.15	
	MgO	0.2	0.22	
	P	0.007	0.008	0.030 max.
	S	0.001	0.003	0.008 max.
	TiO ₂	0.11	0.10	0.15 max.
	Na ₂ O	0.032	0.056	
	K ₂ O	0.05	0.054	
Physical Properties	Blaine Index (cm ² /g)	1910		
	Tumble (% +6.3mm)		96.53	NA
	Abrasion (% -0.5mm)		2.99	NA
	CCS (Kg/pellet)		324	>250
Metallurgical Properties	Reducibility Index (%)		62.04	
	Reduction swelling index (%)		13.92	
	Softening/Melting (Kpa. ⁰ C)		551	

Hawsons indicative specifications based on bulk pellet feed test work (ASX Announcement, 14 October 2015) and China Iron and Steel Research Institute test work (CISRI) in Beijing February 2016). *P8 The Midrex Process by Midrex 2015

Highest iron grade in the seaborne trade supports premium prices

Very high iron: slag ratio

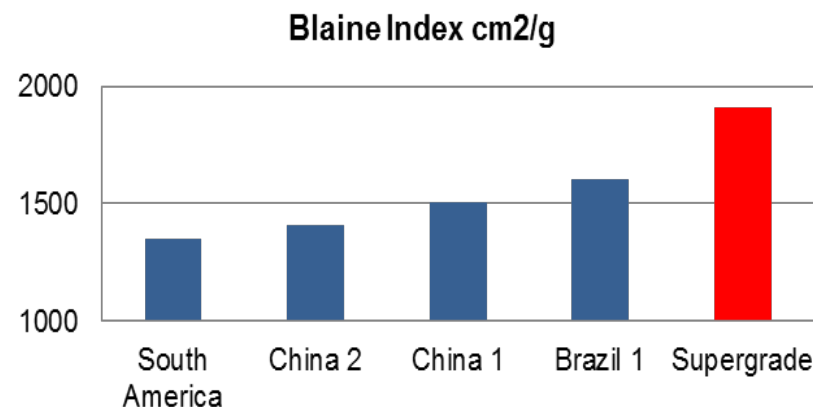
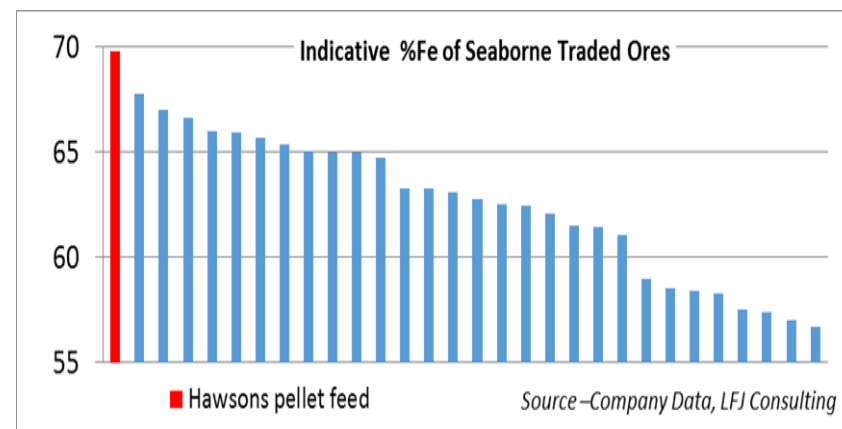
70.3% Fe (~97% magnetite : ~3% waste)

- typical Pilbara fines generate 2.3 to > 3x more slag*
- 67%Fe magnetite concentrate generates > 2 x more slag

Unique fineness - best pellet feed**

100% <40 micron gives

- highest strength pellets, ~1.0>3.5% higher yields for end user
- outstanding furnace properties for stable and efficient iron making

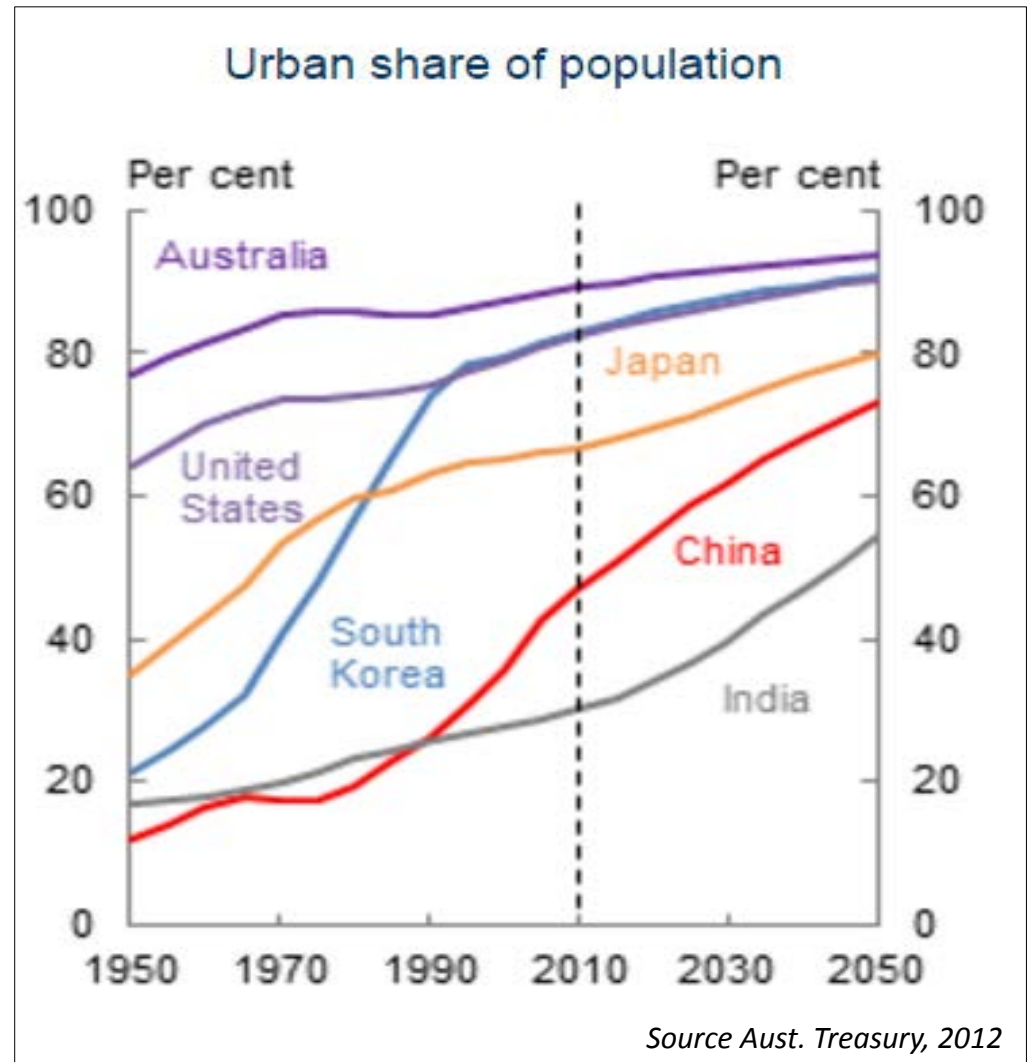


Blaine index is one measure of fineness

** Calcined basis*

Appendix - Strong fundamentals for steel and iron ore demand

- China set 60% urbanisation target by 2020, or 72 million people from today (more than UK population)
- Trend to 68% by 2030 for over 140m people
- Chinese demand to become clearer in 2017 – steel stocks a long way to run

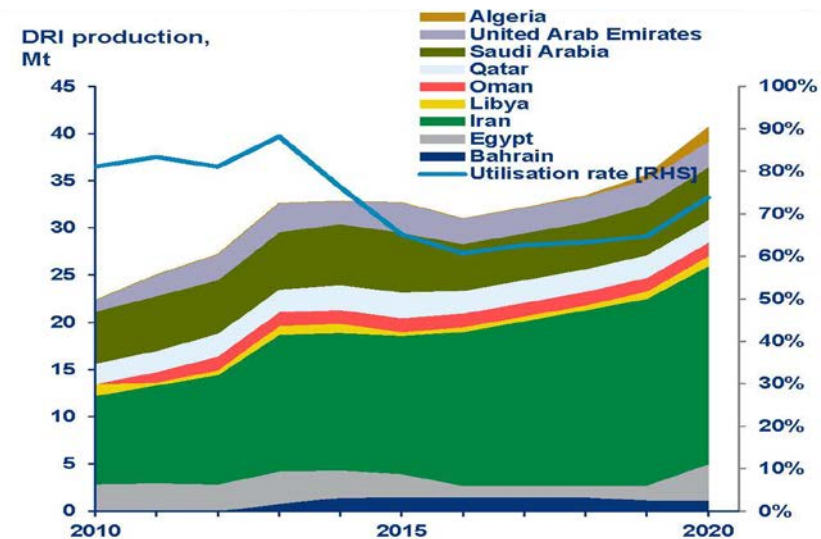


Benefits of DRI / EAF vs Blast furnace

- Less capital investment
- Less operating costs
- Shorter construction period
- Relies on availability of natural gas
- Boosted by shortage of coking coal
- Flexibility of production capacity, can be on or off more easily than a BF
- Less CO2 emissions

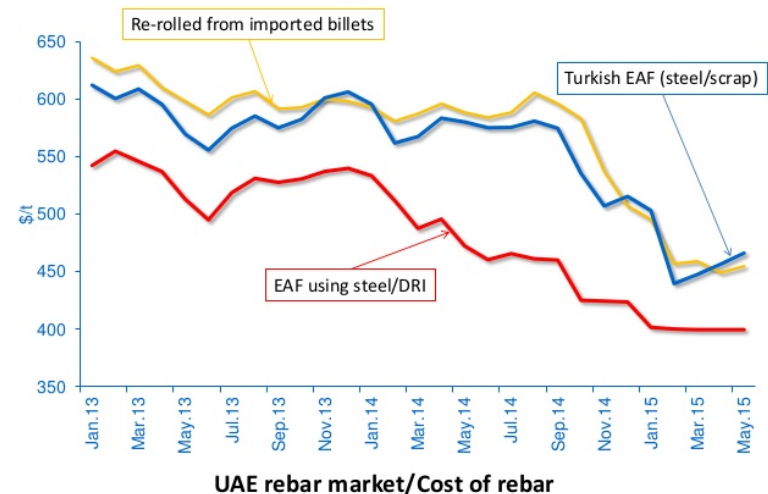
DRI production to increase in MENA to 2020

- DRI reduction agent is gas not metallurgical coal.
- As metallurgical prices rise, DRI becomes more competitive
- India would benefit from a supplement to its hematite and goethite DR feed to increase productivity



Source World Steel, Midrex , Wood Mackenzie May 2016

EAF-based mills using DRI have the lowest cost



Source: World Steel Markets, Metal Expert estimates

© Metal Expert

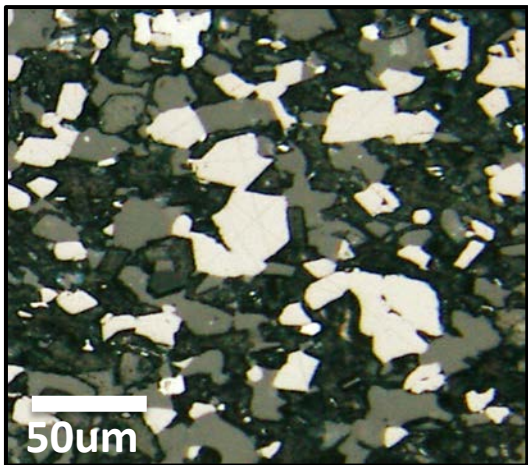
Appendix - Carbon Price supporting information

Country	CO2/t (USD)	
Sweden	168.00	Carbon tax subject to exchange rate change since 2014
Denmark	31.00	Carbon tax subject to exchange rate change since 2014
Euro ETS est av. for 2020-2030	20.79	Eurozone ETS est av. PwC survey 2016 for 2020-2030
United Kingdom	15.75	Carbon tax on electricity generation
Korea	15.20	Emmissions trading on Korean markets March 2016
Euro ETS ave. est. 2013-2020av.	12.19	Eurozone ETS ave. est. 2013-2020av. PwC survey 2016 for 2013-2020
Euro ETS	8.25	Eurozone emission trading scheme
China (Beijing)	7.50	China trading market Chinacarbon.net, will apply to steel
Australia	7.37	Direct Action benchmark paid,2015
China (Hubei 12mnth spot)	4.05	China trading market Chinacarbon.net
Japan	2.00	Carbon tax subject to exchange rate change since 2014

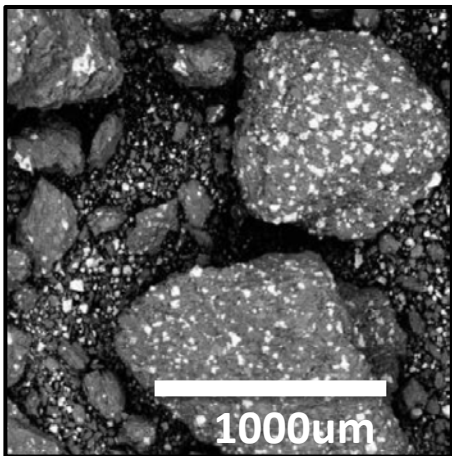


Beijing Carbon Market,
source ChinaCarbon.net

Appendix - Supergrade from unique siltstone ore



Natural grain size <50µm easily achieved



Crushing stage generates high proportion of fines ~30% <150µm



45% rejection at first magnetic separation

➡

Ball Milling
100% <40µm
7kwh/t

 ➡



After second magnetic separation 66%Fe



Elutriation removes free silica upgrade > 69%Fe

Hawsons targets production in 2020, the right time

The road ahead

 Negative

 No change

 Positive



Effect on costs/prices

Source CRU March 2016

Factor	2014-2015	2016-2020	Long-term
Supply additions	FMG,AA,RTIO 	Roy Hill, S11D 	Uncertain 
Oil	Fall below \$50/bbl 	\$80/bbl by 2020 	Recovery to \$100/bbl 
Freight	Collapse in freight rates 	Sharp recovery 	Further steady recovery 
FOREX	Widespread depreciation 	Stabilisation in most currencies 	Stabilisation in most currencies 
Demand	Demand correction in China 	Demand stabilisation 	Long-term demand story remains 
Productivity	Price falls drive gains 	Price pressure to drive further increases 	Price pressure to unwind 
Steel profitability	Collapse in Chinese steelmakers' profit 	Increasing from low base 	Continuing increase 