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Kuwait Steel agrees LOI for Hawsons Supergrade® pellet feed

Highlights

- Letter of Intent (LOI) signed with leading Steel producer and pellet plant developer, United Steel Industrial Co. (K.S.C.C.), Kuwait for sale and purchase of 1 million tonnes per annum (Mtpa) of Hawsons Supergrade® pellet feed
- 90% of initial planned production from Hawsons Iron Project now subscribed, including around 50% to high-value Middle East DR market
- Hawsons project set to provide long-term supply in a market constrained by lack of product and limited number of global producers

Reflecting the growing global demand for Hawsons Supergrade® product, Carpentaria Exploration Limited (ASX:CAP), manager and majority owner of the Hawsons Iron Project joint venture (CAP 64%), announced today the signing of a non-binding letter of intent (LOI) with leading steel producer United Steel Industrial Co (Kuwait Steel) for sale and purchase of 1.0 Mtpa of Hawsons Supergrade® pellet feed.

Significantly, this latest LOI means that 8.9 Mtpa, or nearly 90%, of initial planned production from Carpentaria's flagship Hawsons Iron Project, is now assigned to blue-chip buyers from across Asia and the Middle East. Of this total, around 50% has been assigned to the high-value direction reduction (DR) market in the Middle East. (The Company announced on 27 February 2017 that a prefeasibility study based on a production rate at Hawsons of 10 Mtpa is been carried out. The Company confirms that all material assumptions underpinning that production rate continue to apply and have not changed).

A private Kuwaiti company, Kuwait Steel's plant is currently capable of producing 1.4 million metric tonnes per annum of finished steel products. The steel maker is also planning new pelletising facilities targeted for completion by the end of the decade.

Welcoming Kuwait Steel's support, Carpentaria's Managing Director, Mr. Quentin Hill, said the LOI reflects the demand for Hawsons Supergrade® in the region and the steel makers' wish to secure supply from the leading DR feed development project.

"We are delighted to support Kuwait Steel's expansion plans. These plans align with our plans to establish a major new mine near Broken Hill, and this LOI is mutually beneficial. I look forward to deepening the agreement over time," Mr Hill said.

"Feedback from a recent marketing trip to the Middle East indicated that buyers are having difficulty sourcing DR quality feed. In this regard, our Hawsons project represents a potential stable source of long-term supply to the Middle East, helping buyers diversify supply in a market constrained by the lack of suitable feed."

Kuwait Steel Deputy CEO, Mr.Faisal Al Khaldi, said: “I welcome this agreement with Carpentaria for the supply of high-grade DR pellet feed. Kuwait Steel already imports scrap metal from Australia for steel making, and we would be delighted to source the quality pellet feed from Hawsons which would become an important supply source for our new pelletising plant. “We look forward to further building our relationship.”

Mr Hill added: “Only around 10 projects globally can produce the required quality of DR feed as part of their product mix. This is because many ore types cannot be liberated without significant yield losses and extra grinding, resulting in prohibitive costs. The Hawsons project’s ability to produce the highest seaborne grade at 70% Fe has made it a standout in the market, with its uniquely soft rock enabling simple liberation of Hawsons Supergrade® product without complex and expensive processing methods.

“As shown by our LOIs with Kuwait Steel and other Middle Eastern buyers, there is a strong incentive for these buyers to support new projects such as Hawsons to diversify supply sources, particularly from projects that are 100% DR quality. Carpentaria is currently focused on delivering a positive prefeasibility study for Hawsons, which should further increase investor confidence and allow for the LOIs to progress to binding contracts that support further investment.”

Carpentaria’s Technical Marketing Director, Mr.Lou Jelenich, commented after the visit to the Middle East that the Hawsons Supergrade® product was continuing to find strong buyers due to its chemical and physical attributes, with excellent physical and iron making properties.

“The international iron ore market is more complex and sophisticated than is generally understood. Products like Hawsons Supergrade® have a very specific and important niche in the global supply of metallics,” he said.

“The steel industry participants understand this and have demonstrated this with up to 90% of the product under LOIs, which is very positive and unusual for a project at this stage of development.”

Mr Hill said: “Carpentaria is building a long-term, low cost premium iron business near the birthplace of Australia’s mining industry. This latest agreement should give investors further confidence in the strategic need for Hawsons Supergrade® product and improve the prospects of developing a major new mine, which will generate new jobs and investment for Broken Hill and increased wealth for our shareholders.”

Hawsons LOIs

The below table 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
Bahrain Steel	3.0 Mtpa	DR pellet feed
Formosa Plastics	2.0 Mtpa	Supergrade concentrate
Gunvor	1.0 Mtpa	Supergrade concentrate
Kuwait Steel	1.0 Mtpa	DR pellet feed
Mitsubishi Corporation RtM	1.0 Mtpa	DR pellet feed
Emirates Steel	0.9 Mtpa	DR pellets
Total	8.9 Mtpa	

About Kuwait Steel

United Steel Industrial Company (Kuwait Steel) is a private Kuwaiti closed shareholding industrial and commercial joint venture company that was established in 1996. The company is currently the sole producer of steel rebar in Kuwait, with annual production capacity of 1.4 million metric tonnes from its rolling mill plants.

For more information, refer to <http://www.kwtsteel.com/KWTSteel/Index>

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 market.

The project has a clear technical and permitting pathway. It is located 60km southwest 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.



Figure 1 Location of Hawsons Iron Project

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 Supergrade magnetite product 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 market, and believes its targeted cost structure is very competitive and profitable at consensus long-term price forecasts for this sector. It has secured offtake intent from blue chip companies Bahrain Steel, Emirates Steel, Formosa Plastics, Gunvor, Mitsubishi RtM and Kuwait Steel.

On 4 May 2017, Carpentaria announced that the NSW Department of Planning and Environment had reconfirmed the Hawsons project as a "State Significant Development," confirming the regulatory pathway towards the finalisation of an Environmental Impact Statement.

The project is underpinned by Inferred and Indicated Resources totalling 2.38 billion tonnes at 14.1% mass recovery for 336 million tonnes of concentrate grading at 69.7% Fe. The Company confirms that it is not aware of any new data that materially affects this resource statement since the first public announcement and that all material assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed since first reported (refer ASX announcement 27 February 2017).

The resource estimate was completed by independent geologists, H&S Consultants Pty Ltd (Table 1).

Category	Mt	DTR %	DTR Mt	Fe Head %	Concentrate Grades						
					Fe %	Al ₂ O ₃ %	P %	S %	SiO ₂ %	TiO ₂ %	LOI %
Indicated	810	14.6	119	17.5	69.9	0.19	0.004	0.002	2.61	0.03	-3.04
Inferred	1,570	13.9	217	16.8	69.6	0.20	0.004	0.003	2.94	0.03	-3.04
Total	2,380	14.1	336	17.1	69.7	0.20	0.004	0.002	2.83	0.03	-3.04

Table 1 – Hawsons Iron Project 2017 Resource Estimate , H&S Consultants

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The information in this report that relates to Exploration Results, Exploration Targets and Resources 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.

The data in this report that relates to Mineral Resource Estimates for the Hawsons Magnetite Project is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) 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 Tear is a director of H & S Consultants Pty Ltd.