

JAPAN AGREEMENT PROPELS HAWSONS

ASIA WANTS HAWSONS' HIGH-GRADE IRON ORE PRODUCT.

That was the message from Carpentaria's August 6 announcement, in which Japanese giant Mitsui & Co officially announced its financial support for Carpentaria's flagship Hawsons Iron Project.

In a vote of confidence in the future of the Broken Hill project, Mitsui agreed to contribute \$5.4 million towards the cost of Hawsons' bankable feasibility study (BFS), accounting for 20% of the BFS costs.

In return, the Tokyo-based trading house gained an option to secure 2 million tonnes per annum (Mtpa) of Hawsons Supergrade® product, subject to Mitsui contributing US\$60 million (A\$81 million) towards the debt funding for the new magnetite mine.

Welcoming Mitsui's commitment, Carpentaria's Managing Director, Quentin Hill said it provided important reassurance to investors.

"Mitsui's support has validated the quality of the Hawsons Supergrade® product, the demand for the product in the market and most importantly, the position of Hawsons as the world's leading project of its type," Hill says.

"End users will drive Hawsons' development and with high-grade iron ore prices continuing to rise, we are confident that our future customers will ensure the world's highest-grade product gets to market."

With Carpentaria now having 140% subscription for its initial planned output of 10 Mtpa, Hill expects further competition for the world's best iron ore product.

A recent two-week marketing campaign in Asia produced further encouraging responses on investment interest, product demand and the long-term market outlook.

"There's no doubt that the Mitsui transaction has made others sit up and take notice. We are in talks with a range of other blue-chip steelmakers, trading houses and fund managers for similar offtake linked support," Hill says.

The stakes are high for Australia's heritage mining city, too. Hawsons could generate 1,200 jobs in construction and 500 in steady-state production, with its potential decades-long mining life helping to sustain the city's proud mining tradition.

In April, Hawsons received a further boost with the federal government designating it 'Major Project Status,' one of just 14 such projects nationwide. Carpentaria's prospects have also been boosted with the appointment of former Rio Tinto executive Jon Parker as a non-executive director.

Following a 26-year career with the major iron ore miner, Mr Parker oversaw the transformation of Felix Resources from a \$17 million junior to a company valued at more than \$500 million, later selling for some \$3.5 billion.

"Jon's track record of successful project development is a perfect fit for Carpentaria as we progress Broken Hill's next major mine towards production," Hill says.

And with support from partners like Mitsui, Carpentaria's Hawsons project is well on track to extend Broken Hill's rich history of successful mining.

SIDE STORY: DID YOU KNOW?

Mitsui & Co was founded in Tokyo, Japan in 1947 although it can trace its origins back even earlier.

Mitsui founder Takatoshi Mitsui, founder of the Mitsui conglomerate, was born in Mie Prefecture in 1622, with his grandfather having served as a samurai commander. Takatoshi moved to Edo (now Tokyo) and opened a textile store in 1673 that grew into the largest store of its period, while also expanding into financing.

The success of these businesses led to the rise of the modern-day Mitsui Group, now one of the world's most diversified trading, investment and services enterprises with a network of 138 offices in 66 countries.

Mitsui is a major exporter of natural resources and agricultural commodities from Australia. It accounts for around \$8 billion in total exports annually, ranking as the nation's fourth largest exporter.

In the past decade, Mitsui group companies have invested around \$15 billion in Australia, with its Australian joint ventures employing more than 20,000 people.



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DR NEIL WILLIAMS
Chairman

NEIL'S NOTES

DELIVERING RESULTS

Carpentaria's agreement with Mitsui & Co has demonstrated the strength of the Company's strategy to attain its goal of developing a major new mine near Broken Hill.

Leading up to the agreement with Mitsui, the strategy has delivered the following milestones:

OFFTAKE LETTERS OF INTENT (LOIs) ✓

Non-binding LOIs have been signed covering 120% of initial planned production (10 Mtpa) with a range of blue-chip trading houses and steelmakers across Asia and the Middle East, comprising Bahrain Steel, Emirates Steel, Formosa Plastics, Gunvor, Kuwait Steel, Mitsubishi Corp. RtM and Shagang.

Together with Mitsui & Co's secured option, the total amount has risen to 140% of initial planned production, or 14 Mtpa.

Notably, these companies have combined annual revenues exceeding US\$170 billion.

RESOURCE UPGRADE ✓

A threefold rise in the Hawsons resource was announced in 2017, with an estimated resource of 2.5 billion tonnes at 13.9% Davis tube recovery, for 348 million tonnes of concentrate at 69.7% Fe and 2.8% silica (refer ASX announcement July 3, 2017).

The resource showed the potential for a mining life exceeding 30 years, delivering long-term jobs and wealth for Broken Hill and Australia.

SUCCESSFUL PREFEASIBILITY STUDY (PFS) ✓

The 2017 PFS (refer ASX announcement July 28, 2017) by independent analysts CRU positioned Hawsons as the world's leading undeveloped high-quality iron ore concentrate and pellet feed project, with costs within the first quartile of the global iron ore cost curve.

The PFS showed a highly profitable project, with an estimated annual profit of US\$401 million, an equity internal rate of return of 29.9% and capital payback within three to four years, based on a 62% Fe price assumption of US\$63 per tonne (t).

Carpentaria expects to achieve a significant premium above the benchmark price due to its premium product, with current estimates suggesting a price of around US\$99-\$105/t for a 70% Fe product.

REMAINING MILESTONES

The next major milestones for Carpentaria include the completion of our BFS fund-raising drive, delivery of the BFS, including a further resource upgrade and mining lease approval as Hawsons advances further towards production.

DEMAND RISING

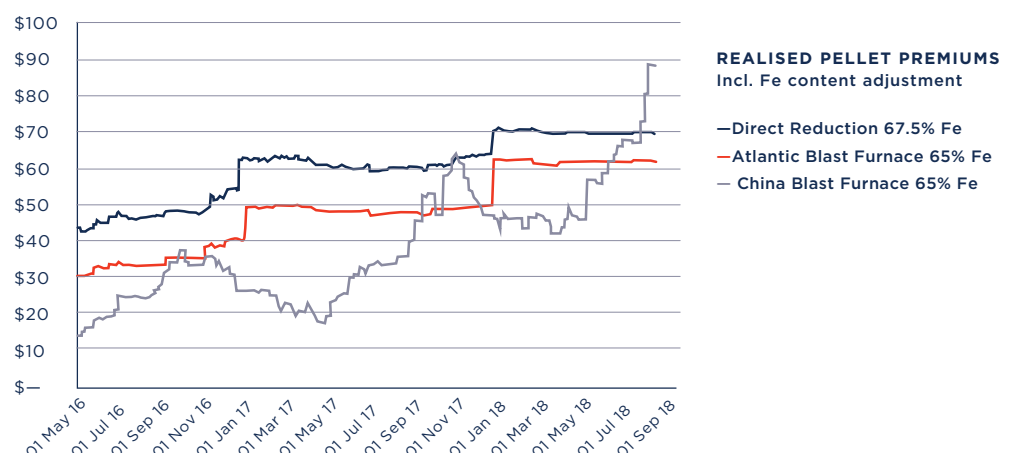
Importantly, the Company's future success is being underpinned by rising demand for high-grade iron ore products of the kind the Hawsons project is targeting for production.

Evidence of this rising demand includes recent statements by major iron ore producers such as BHP Billiton, Rio Tinto and Vale. This has been driven by a structural shift in China, the world's biggest steel producer, which is seeking to reduce overcapacity and also curb emissions.

High-grade raw materials provide considerable benefits in increasing productivity and reducing pollution and therefore attract a higher price. Currently, high quality products from fines to pellets are attracting a US\$27 to US\$75 per tonne premium over the benchmark price.

With both the direct reduction (DR) and pellet feed markets needing new supply, Hawsons is perfectly placed to deliver and we have the right people in place to ensure success.

**PELLET PREMIUMS HEADING UP:
PLATTS PREMIUMS ABOVE BENCHMARK IODEX CFR CHINA 62% FE**



PROFILE

JON PARKER Non-Executive Director

Jon Parker was appointed as an independent Non-Executive Director of Carpentaria in June 2018.

A mining industry veteran, Mr Parker has more than 40 years' industry experience. This includes 26 years with leading iron ore producer Rio Tinto, where he served as General Manager, Business Analysis and General Manager Commercial for its iron ore division, among other executive roles.

Following his successful career with Rio Tinto, Mr Parker joined Felix Resources as Managing Director. Under his leadership, Felix grew its market capitalisation from around \$17 million to more than \$500 million, prior to its ultimate takeover for around \$3.5 billion.

More recently, he served as Managing Director of Norton Goldfields and as a non-executive director of Sphere Minerals (majority owned by Glencore), owners of Mauritanian magnetite assets.

1. As an experienced resources industry executive, what attracted you to Carpentaria?

I've known Carpentaria for three to four years. The Company has a world-class undeveloped magnetite deposit and a strong commitment to moving it up the development curve. I see that I can add value in helping the Company get a great result for the project.

2. What makes Carpentaria different compared to other mining companies?

Carpentaria has a quality deposit and it has a small Board with diverse capability that is strongly committed to making this development come into fruition.

3. What are your personal goals for the Company?

To make best use of the assets under its custodianship and create value for shareholders.

4. What do you see as your key role as a Non-Executive Director?

My key role is to provide support in the areas of strategy development and governance, bringing the experience and expertise that I have in iron ore developments specifically and mining projects generally to bear in getting a great result.

5. You've been involved in the resources sector for your whole career - what have been some highlights?

The development of two iron ore mining joint ventures for Rio Tinto, namely the Channar Project, which was of national importance, and the BaoHI Western Range Project, both in the Pilbara.

And more recently, my work with Felix Resources and its predecessor Aurion Energy in transforming a company with no future into one that created exceptional value for shareholders.

6. What lessons have you learned from your career?

Getting good people involved in projects and having a strong outcome focus can make a huge difference.

7. Do you have any hobbies/interests - what do you do in your spare time?

I'm very interested in travel and world affairs and enjoy reading widely. I also have a strong interest in the lives of my grandchildren.

8. How are you seeing the outlook for the resources sector?

There are always opportunities for companies that are well run that can put their hands on a quality project, where there is potentially great reward. However it is a high-risk area, so we need to be very thoughtful about how we invest and how we move things forward.

9. Finally, how are you seeing the outlook for Carpentaria?

Carpentaria has potentially a very bright future, but there's hard work to be done and that's one of the reasons I've joined the Board.

Hawsons will move up the development curve and we will get it developed or someone else will get it developed. It's a very good project that will create a lot of value, not just for the Company and the shareholders, but also for Australia and those who want a quality feed of high-grade iron ore material.



AGM REMINDER

Carpentaria shareholders: we need your vote!

A friendly reminder to CAP shareholders to exercise your rights and cast your vote in our upcoming Annual General Meeting, scheduled for Monday, October 15 in Brisbane.

Shareholders who elected to receive information electronically should have already received an email on September 13 from Carpentaria Resources Limited, with a link allowing you to cast your vote.

If however you haven't received the email, you can enter your voting instructions online via Link Market Services, or alternatively contact them via telephone (1300 554 474) or mail (Locked Bag A14, Sydney South, NSW, 1235).

The Directors recommend voting **yes** for all resolutions (except that each Director abstains from making a recommendation in relation to any resolution in which he has a material interest).

We would love to see you in Brisbane if you are able to attend the meeting, which will be held from 11am in the Mayflower Room, Christies Building, 320 Adelaide St, Brisbane.

The agenda and other information regarding the AGM are available via Carpentaria's website.

Carpentaria's Managing Director, Quentin Hill will provide an update at the AGM on the Company's latest activities concerning its flagship Hawsons Iron Project near Broken Hill and the outlook for 2018/19, which is certain to be of interest to all shareholders.

World steel output on the rise

World steel output is continuing to increase, with higher-grade iron ore remaining in strong demand from buyers.

For Carpentaria's Hawsons Iron Project, which offers the world's highest-grade iron ore products, the market trends add to the strong momentum behind the project's development.

In its latest monthly update, the World Steel Association reported that global crude steel output from its 64 member nations totalled 151.7 million tonnes (Mt) in August 2018, up 2.6% compared to the prior year.

Meanwhile, Chinese steel mills and traders are continuing to chase higher-quality iron ore products, reflecting the structural shift in China's industry towards productivity.

A Reuters report published September 21 noted that "China, the world's biggest consumer of the steelmaking ingredient, needs higher-quality, less polluting grades of iron ore as it battles to clear its notoriously smoggy skies. That demand

highlights how China's prolonged war on pollution is shaking global markets for iron ore, the world's most heavily traded bulk commodity."

The price of 65% Fe grade Brazilian-origin iron ore had risen by a fifth since March to US\$96.80 a tonne, according to the newswire, with its premium over 62% Fe grade iron ore fines hitting a record US\$29 in September.

For Carpentaria, the healthy global output and increasing demand for higher-grade iron ore have increased the attractiveness of its flagship Hawsons project, as evidenced by the recent agreement with Japanese giant Mitsui & Co.

On the conference trail

Carpentaria has been active on the conference trail, engaging with investors and other stakeholders at the Noosa Mining and Exploration Investor Conference (July 18-20) and the South Australian Resources & Energy Investment Conference (SAREIC) in Adelaide (July 30-31).

This year was the Company's first appearance at the Noosa event, which according to organisers attracted a record of more than 1,100 registrants.

SAREIC also had an influential audience of government, investors and other stakeholders from South Australia, which is progressing its "Magnetite Strategy" aimed at generating \$10 billion in investment.

"It's important for Carpentaria to get our message across to investors and other stakeholders in eastern and southern Australia," Carpentaria's Hill said.

"Presenting at these events and gaining first-hand feedback is invaluable and we have been delighted by the response."

Mr Hill presents at the Noosa mining conference



CARPENTARIA IN THE NEWS

ABC Radio Broken Hill

Interview re Mitsui announcement (August 8, 2018)

Adelaide Advertiser

"Japanese financial deal for Broken Hill iron ore project" (August 7, 2018)

Australian Mining

"Mitsui makes \$86m deal with Carpentaria on Hawsons iron project" (August 8, 2018)

Barrier Daily Truth

"Rio man joins Hawsons" (June 13, 2018)

Courier Mail (QBM)

"Asia in focus" (September 28, 2018)

Mining Chronicle

"Carpentaria eyes iron ore quality gulf" (May, 2018)

Southern Cross GTS /BKN Broken Hill

Interview re Mitsui announcement (August 7, 2018)

INVESTOR CALENDAR

Key upcoming dates for shareholders include:

OCTOBER

15 - Annual General Meeting, Brisbane

31 - September quarterly report due

JANUARY

31 - December quarterly report due



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