

15 October 2018

## **Managing Director's AGM Presentation**

A copy of the Carpentaria Resources Managing Director's AGM presentation is appended hereto.

**For further information please contact:**

Bob Hair  
Company Secretary  
+61 7 3220 2022

Carpentaria Resources Limited  
ABN : 63 095 117 981  
ASX : CAP

Level 6, 345 Ann Street  
Brisbane Qld 4000

PO Box 10919, Adelaide St  
Brisbane Qld 4000

[info@capex.net.au](mailto:info@capex.net.au)

[carpentariares.com](http://carpentariares.com)

October 15 2018

# ANNUAL GENERAL MEETING

## Managing Director's review of operations

Quentin Hill



**Carpentaria**  
**RESOURCES**

WORLD'S  
BEST IRON  
ORE PRODUCT

## Cautionary Statement

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## Your Company

- + continues to direct expenditure to attract and maximise bankable feasibility study (BFS) funding terms
- + is best positioned to benefit from the transformation of the iron ore market
- + has the expertise to secure funding, continue development and create value

## Presentation content

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1. Expenditure summary
2. Strategy and BFS funding
3. Commodity outlook
4. Company outlook



## CARPENTARIA IS DELIVERING

### Delivered

1. Product offtake LOIs
2. Resource upgrade
3. PFS
4. Mitsui commit

### Corporate

- + Shares 214m
- + Cash (Sept. 30) \$1.65m
- + Hawsons 68.7%

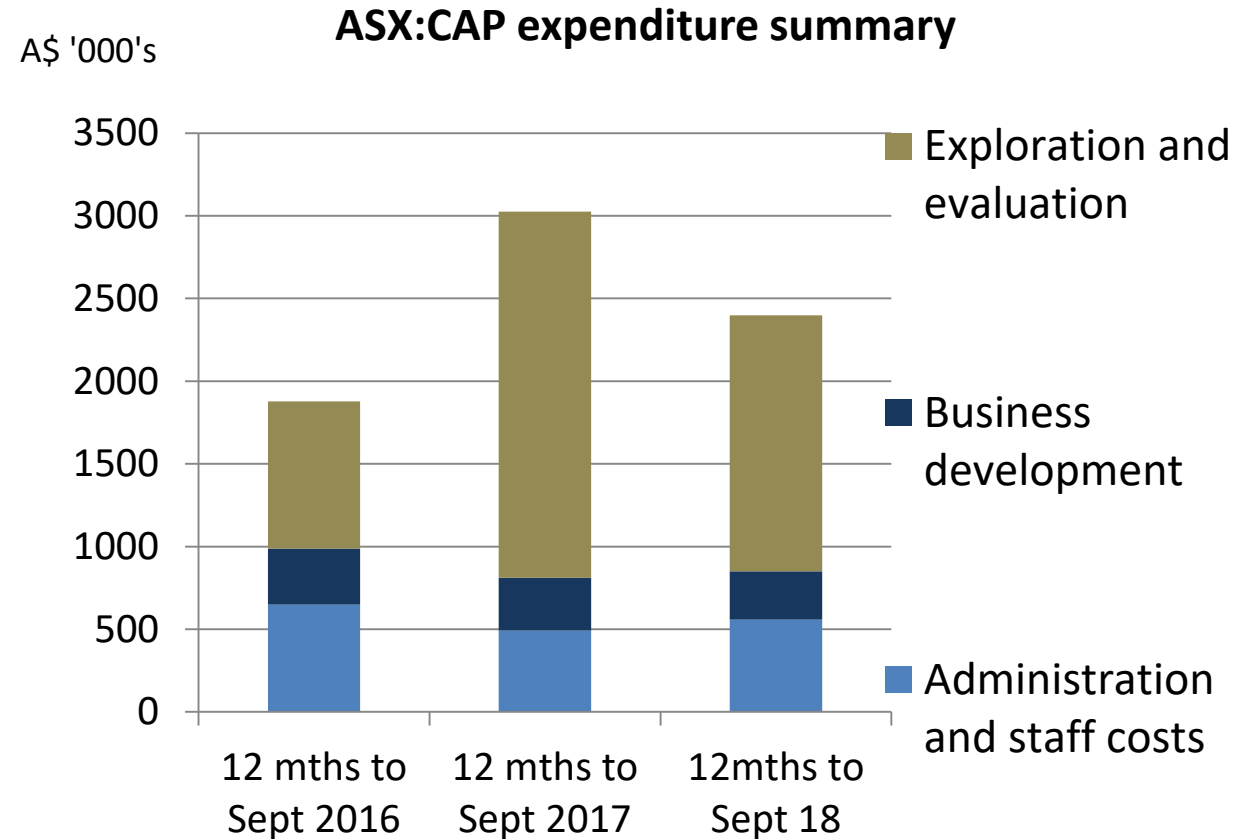
### Top Shareholders

- + Silvergate Capital 9.8%
- + S.G. Hiscock 8.2%
- + Australia Conglin 6.6%



## Expenditure Summary

- High ratio of activity to administration spending 77%
- A\$2.6m capital raised since 2017 AGM
- Last two years, share price up 80%, market capitalisation tripled
- Continued support from institutional shareholders
- Spending focussed to support and attract BFS funding



100% committed to realising the \$1billion value of Hawsons Iron Project , the next milestone is raising the remaining 80% of the BFS funding. CAP has a compelling case.

CAP has a team that can deliver, it has the customer relationships and the team has people that have financed, designed, built and commissioned large scale projects.

CAP has demonstrated it has a credible path to construction finance that is required to convince BFS funding groups to invest.

Our construction finance plan has been developed after consultation with leading project finance banks and the Hawsons PFS results meet the parameters of the plan. Our project finance model is:-

- 65:35 debt to equity split, lenders will also likely require;
  - ~20% cost overrun facility (~US\$300m, Mitsui option price is \$US60m)
  - A large balance sheet company at the project level, therefore a minority asset level sell down is required at the end of the BFS

Iron ore and steel markets have moved in our favour and good returns are forecast



## Project Economics

Outstanding prefeasibility study (PFS) results;

- Cash flow positive at benchmark 62%Fe under US\$30/t
- Excellent returns
- High project value
- 10mtpa production

### PFS COST ESTIMATES

	PFS Price Assumption	August 21 2018 Iron Ore Price Assumption
Operating costs - C1 FOB	US\$33.08	US\$33.08
Operating costs - All in	US\$39.74	US\$39.74
Operating costs - CFR China	US\$48.03	US\$48.03
Supergrade price premium	US\$25.00	US\$38.03
<b>Equivalent 62%Fe CFR cost</b>	US\$23.03	US\$10.00
Capital cost inclusive of contingency	US\$1.40Bn	US\$1.40Bn

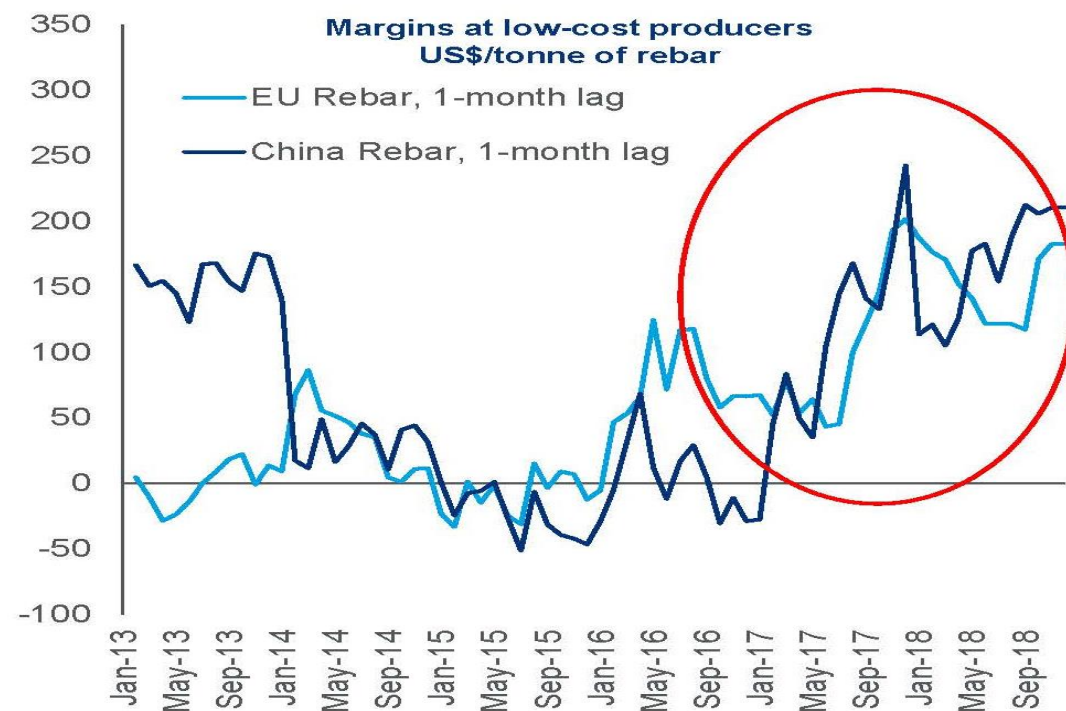
### PFS FINANCIALS

Annual profit margin	US\$401m	US\$569m
<b>Equity IRR</b>	29.9%	43.0%
Equity NPV	US\$1,091m	US\$1,973m
tonne of supergrade (70%Fe)	201m	201m
Mine life / pay back period	20 / 3-4 years	20 / 3 years
62%Fe price assumption	US\$63/t	US\$67.95/t

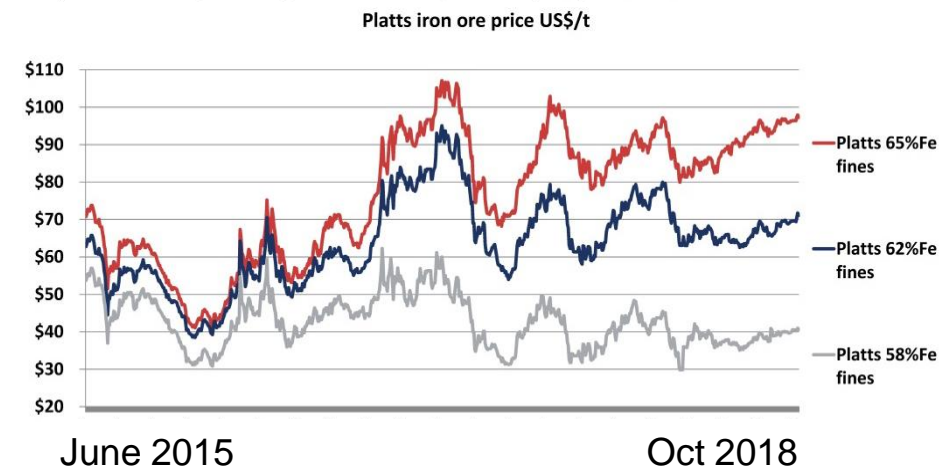
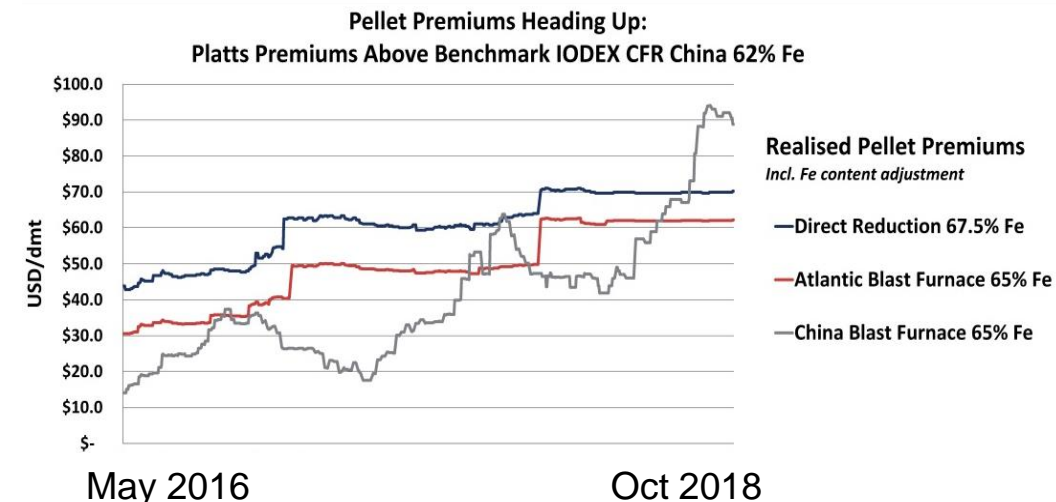
Refer appendix slides 15 and 16 for assumptions

## Iron ore market shift

- + Good steel mill margins spur demand for productivity
- + High grade ore and pellets boost productivity



Source Wood Mackenzie

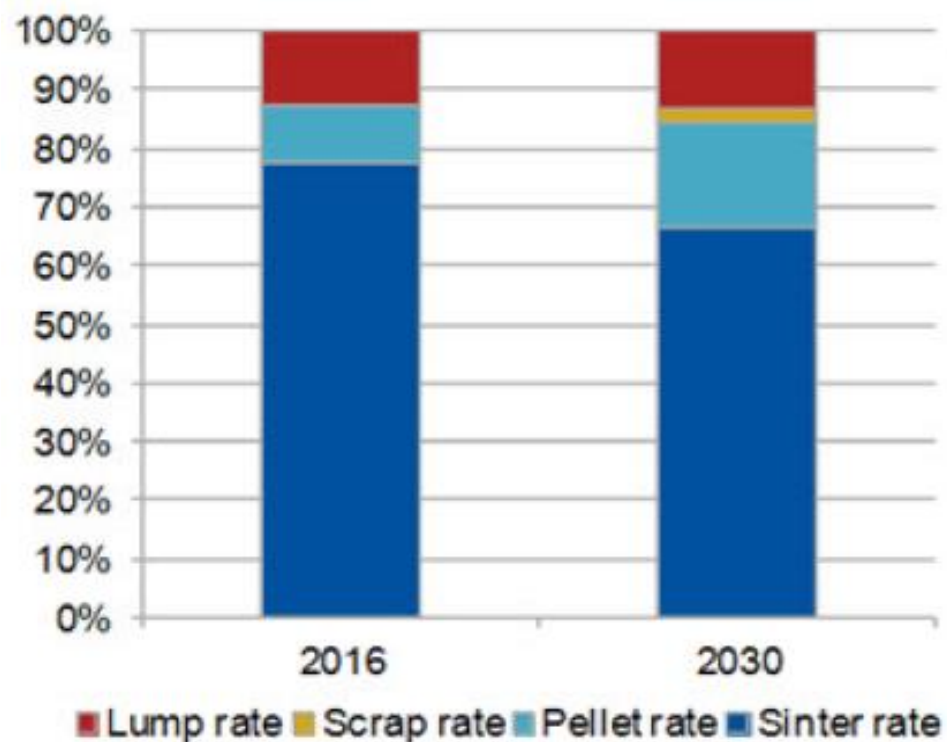


## THE PELLET MARKET NEEDS NEW SUPPLY SOURCES

### Hawsons is the world's leading undeveloped pellet feed project

A push for productivity will see pellet rates increase, at the expense of sinter...

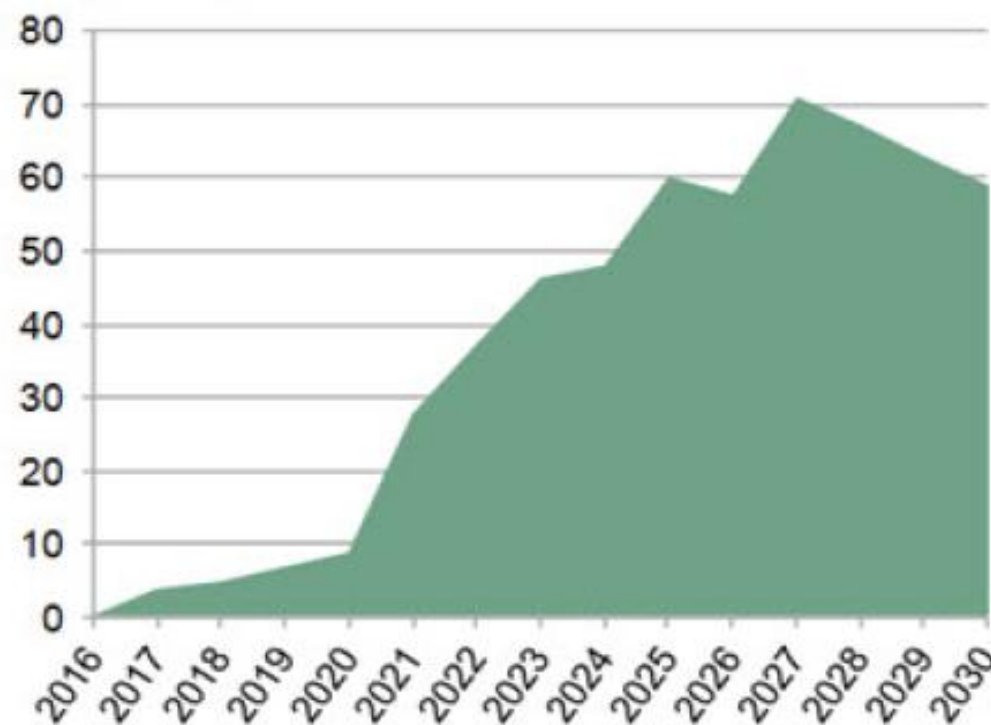
Chinese blast furnace burden rates, % of burden



Data: CRU

...creating additional demand for imports of pellet feed into China.

Imports of pellet feed above 2016 level, Mt



Data: CRU



## Hawson's a standout project

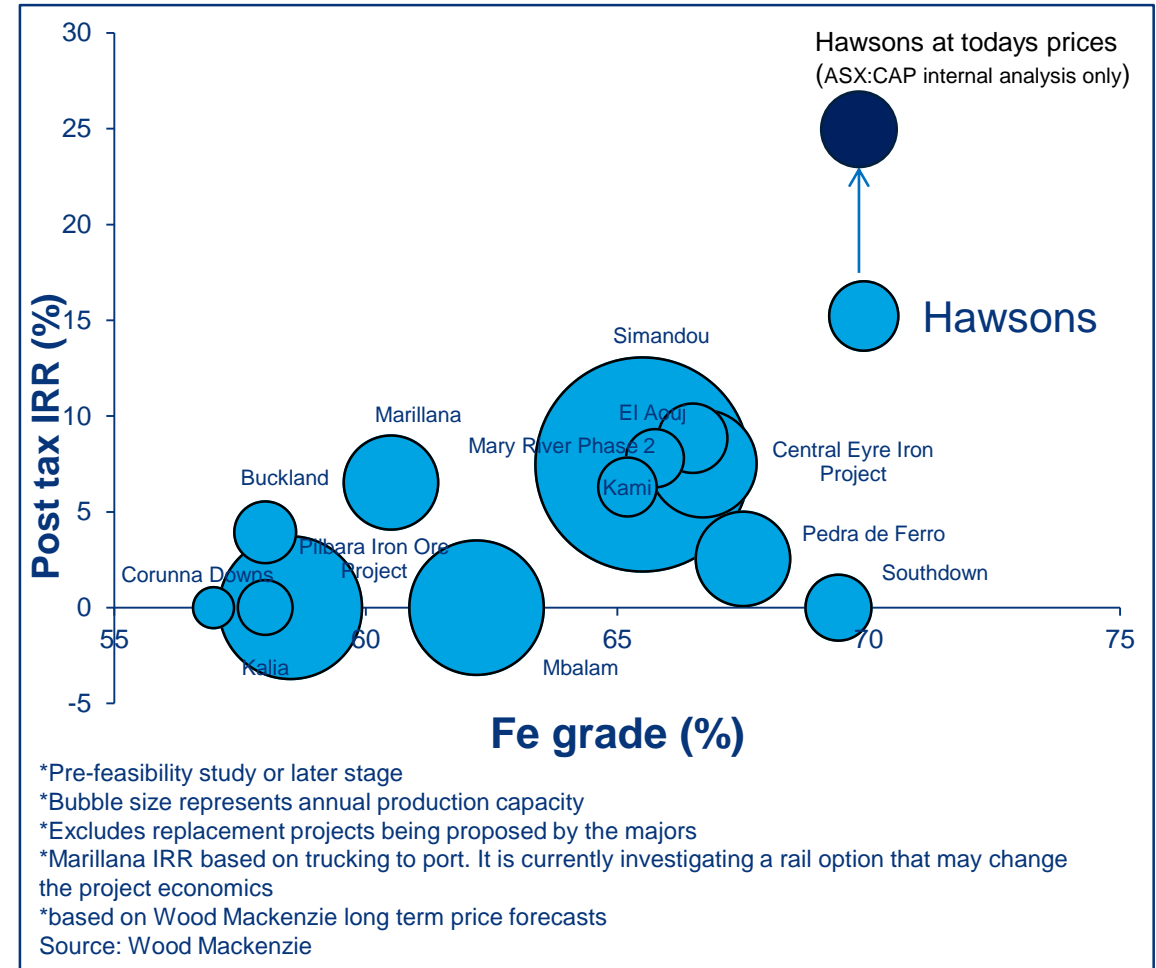
- + High grade projects show higher rates of return

- + Wood Mackenzie says they

*“expect high grade concentrate and pellet feed projects to be the focus of project finance in the near term” (Tokyo August 2018)*

- + Wood Mackenzie data shows Hawsons is the leading pellet feed project of its type in the world

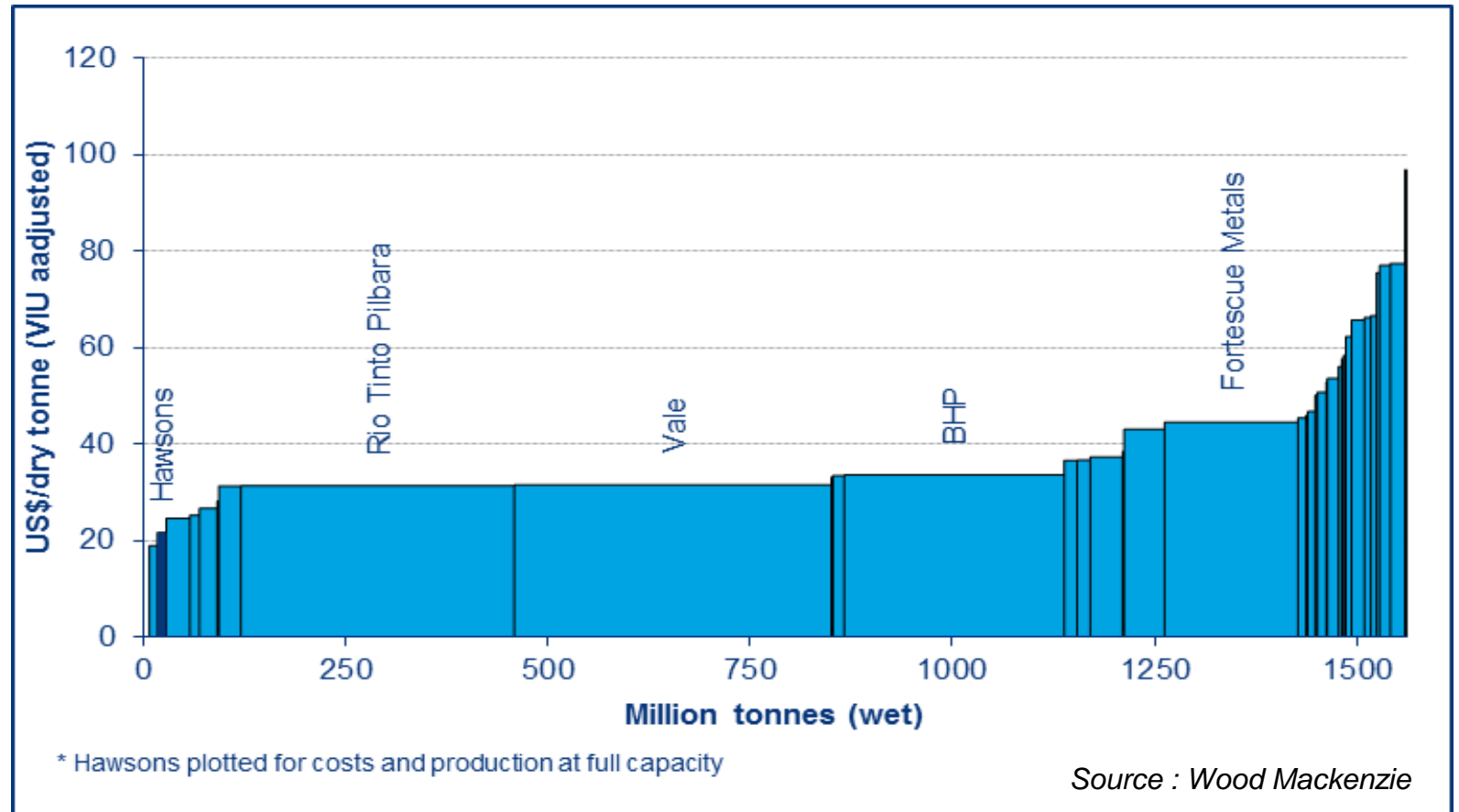
## IRR and product grades for unfinanced projects



## Quality makes the difference

- + Hawsons near the front of today's quality adjusted cost curve
- + Hawsons 70%Fe product is forecast to have a premium of ~\$30/t longer term over the 62%Fe benchmark
- + Today's premium (not reflected on this curve) is closer to \$35/t

Seaborne iron ore cash costs by operator 2018  
(CFR China, 62% Fe fines equivalent)



- + Mitsui agreement generated additional interest, validating CAP's market position
- + Recent marketing trip leads to progress in BFS funding negotiations
- + Parties agreed to work towards and within certain timeframes
- + Prospects of construction funding also promoted





## Your Company

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# Carpentaria

**RESOURCES**

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Quentin Hill Managing Director

[www.carpentariares.com](http://www.carpentariares.com)

Email [quentin.hill@capres.net.au](mailto:quentin.hill@capres.net.au)

Phone +61 7 3220 2022

Mobile +61 4 2396 8786

A decorative graphic consisting of a grid of white-outlined hexagons, some of which are filled with a dark, textured image, located in the bottom right corner of the slide.



## PROJECT PREFEASIBILITY STUDY RESULTS

Hawsons PFS preproduction costs (yr 1-2)	USD (m)	Hawsons operating and sustaining costs (after prestrip, ~YR 3-22)	USD/dmt product
Preproduction mining costs including pre-strip	194	Mining	12.14
Mining	242	Processing	8.23
Processing	398	Infrastructure and admin.	1.48
Infrastructure and administration	359	rail and port	11.23
Rail and port	208	<b>Total C1 FOB</b>	<b>33.08</b>
<b>Total<sup>1,2,3</sup></b>	<b>1401</b>	sustaining capital <sup>4,5</sup>	3.48
<sup>1</sup> incl EPCM 12.5% / contract management 3% of US\$127m		royalties	3.18
<sup>2</sup> incl. contingency and design growth (av. 16.5%)		<b>Total all in FOB</b>	<b>39.74</b>
<sup>3</sup> excludes finance costs		sea freight	8.29
		<b>Total CFR China</b>	<b>48.03</b>
<sup>4</sup> excludes new in-pit conveyor in yr 5 of US\$120m		less Supergrade premium	25.00
<sup>5</sup> net of salvage		<b>62%Fe equivalent total CFR</b>	<b>23.03</b>

Base case 10mtpa Hawsons Supergrade® production exported through Port Pirie

The Company confirms that all assumptions and technical parameters underpinning the resource and reserve estimates continue to apply and have not materially changed since first reported on 28 July 2017.



## PROJECT PREFEASIBILITY STUDY RESULTS

Hawsons PFS key economic results	Base case	at August 20, 2018 prices 65%Fe fines
		US\$94.55/t 62%Fe price US\$67.95
Equity IRR (post tax, geared)	29.90%	43.04%
Equity NPV (10%) (post tax, geared)	US\$1,091m	US\$1,973m
Project IRR (post tax, ungeared)	17.80%	25.63%
Project NPV (10%) (post tax, ungeared)	US\$867m	US\$1,793m
Life of mine ave. annual revenue	US\$881m	US\$1059m
Life of mine ave. annual all in costs	US\$480m	US\$490m
Life of mine annual margin (EBITDA)	US\$401m	US\$569m

Base case 10mtpa  
Hawsons Supergrade®  
production exported  
through Port Pirie

The Company confirms that all assumptions and technical parameters underpinning the resource and reserve estimates continue to apply and have not materially changed since first reported on 28 July 2017.

Key Hawsons PFS assumptions					
total ore mined	1423mt	62% Fe fines benchmark*	US\$63/t	AUD:USD	0.75
total waste mine	717mt	65%Fe fines benchmark*	US\$75/t	debt:equity	65:35
total product	201mt	plus 5 x Fe 1% US\$1.10	US\$5.50/t	corporate tax	30%
product specification	70%Fe	plus magnetite premium	US\$7.50/t	loan term	10.5 yrs
annual production	10mt	product revenue (dmt)	US\$88.00/t	delivered rebated diesel price	A\$0.89/L
moisture	8%	*ave. (mean) price forecast for 2020-2030 (real 2016)		delivered power price	A\$95/MW hr



**MR QUENTIN HILL**  
MANAGING DIRECTOR (~5yrs)

Geologist, >20 years' experience  
Integral part of Hawsons  
discovery team, driving  
development, formerly Delta Gold



**RAY KOENIG**  
PROJECT DIRECTOR

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

- Technical feasibility
- Risk reduction



**ADAM WHEATLEY**  
PROJECT FINANCING DIRECTOR

(Past projects, 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 lead iron ore technical  
marketer

- Marketing saleable product
- Offtake arrangements

### **Carpentaria Resources Board of Directors**

**Dr Neil Williams** Chairman- Former - Chief Geologist Exploration MIM, CEO Geoscience Australia

**Mr Paul Cholakos** NED - Mining Engineer, currently Executive General Manager, Technical Services Oil Search (ASX:OSH)

**Mr Jon Parker** NED - Former General Manager Commercial Rio Tinto Iron ore, MD Felix Resources, MD Norton Goldfields

**Mr Quentin Hill** – Managing Director

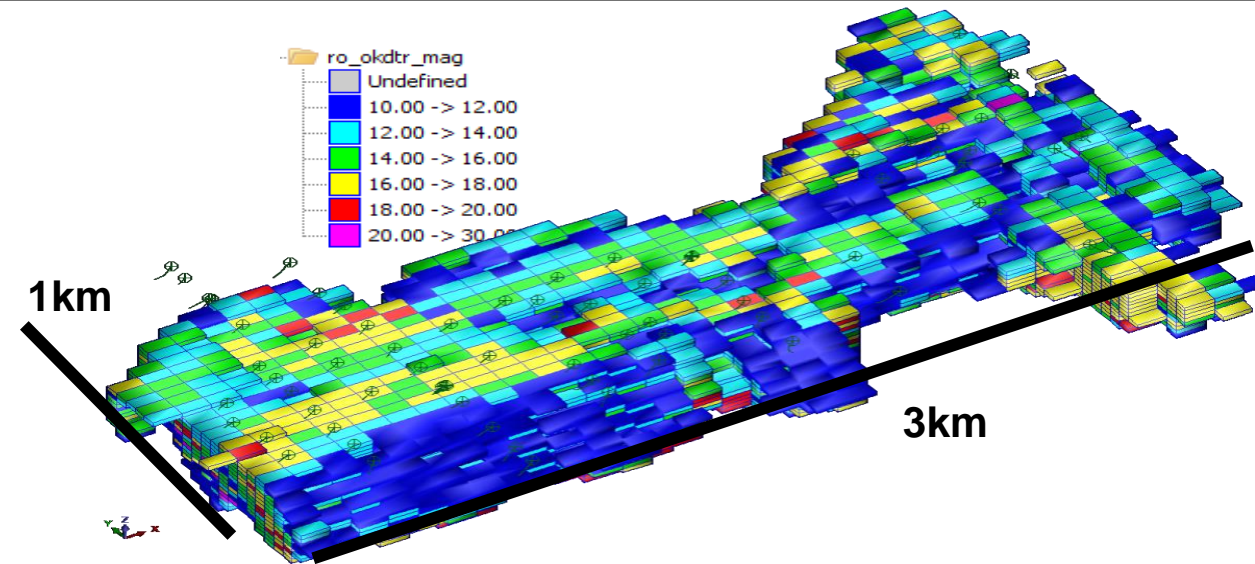
COMPANY	VOLUME
Mitsui & Co	2.0 Mtpa*
Formosa Plastics	2.6 Mtpa
Bahrain Steel	3.0 Mtpa
Shagang	2.5 Mtpa
Mitsubishi Corp. RtM	1.0 Mtpa
Gunvor	1.0 Mtpa
Kuwait Steel	1.0 Mtpa
Emirates Steel	0.9 Mtpa
<b>Total</b>	<b>14.0 Mtpa</b>

- Companies signed letters of intent (LOI) with ASX:CAP
- Combined annual revenue >US\$170 billion
- 150% of remaining 8mtpa under LOI
- Competition for offtake to drive development

\* Secured option



- Total resources >330mt concentrate
- 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



Category	Mt	DTR %	DTR Mt	Fe Head %	Concentrate Grades						
					Fe %	Al2O3 %	P %	S %	SiO2 %	TiO2 %	LOI %
<b>Probable Reserves</b>	<b>755</b>	<b>14.7</b>	<b>111</b>	<b>17.5</b>	<b>69.9</b>	<b>0.19</b>	<b>0.003</b>	<b>0.002</b>	<b>2.60</b>	<b>0.03</b>	<b>-3.03</b>
Indicated (incl. Reserves)	840	14.5	121	17.4	69.9	0.19	0.004	0.002	2.61	0.03	-3.04
Inferred	1,660	13.6	227	16.8	69.7	0.20	0.004	0.003	2.91	0.03	-3.04
<b>Total</b>	<b>2,500</b>	<b>13.9</b>	<b>348</b>	<b>17.0</b>	<b>69.7</b>	<b>0.20</b>	<b>0.004</b>	<b>0.002</b>	<b>2.81</b>	<b>0.03</b>	<b>-3.04</b>

*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 28 July 2017. Reported at a 9.5%DTR cut off grade, and 38micron grind.*

## HAWSONS SUPERGRADE® PRODUCT

+ World's best pellet feed,

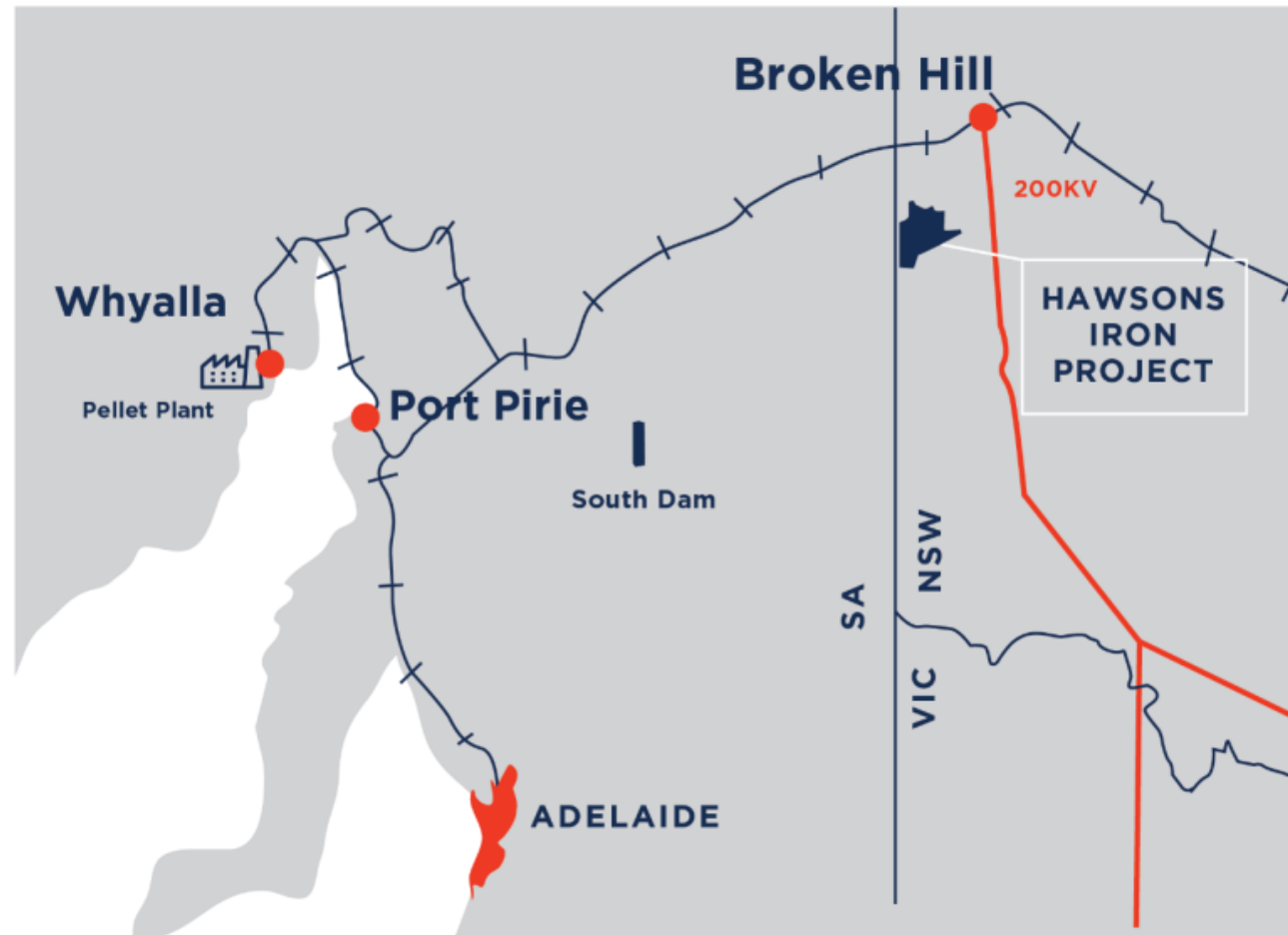
- + Highest iron content,
- + DR spec. - 70%Fe,  
<2% Silica
- + Ideal physical properties
- + Excellent metallurgical properties

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 <sub>2</sub>	1.99	2.39	
	Al <sub>2</sub> O <sub>3</sub>	0.29	0.44	
	SiO <sub>2</sub> + Al <sub>2</sub> O <sub>3</sub>	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 <sub>2</sub>	0.11	0.10	0.15 max.
	Na <sub>2</sub> O	0.032	0.056	
	K <sub>2</sub> O	0.05	0.054	
Physical Properties	Blaine Index (cm <sup>2</sup> /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.°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

## PROJECT SUMMARY

- + Located 60km SW of Broken Hill
- + Power from reliable eastern states grid
- + Water from defined high yield saline aquifer 90km south
- + Mine and process on site for 10mtpa concentrate production
- + Hawsons' unique soft ore makes the difference on cost and product quality
- + Workforce in Broken Hill





## Logistics and approvals

- + Slurry product 55km in pipeline to Broken Hill
- + Rail to Port Pirie or Whyalla on existing rail (12 mtpa spare capacity) we have engagement with all the infrastructure owners
- + Transshipment to Capesize vessels to customers in Asia and Middle East
- + Product quality 70% Fe, (tested by customers)
- + Federal Govt. Major Project Status March 2018

