

Investor Presentation

August-September 2016



Carpentaria EXPLORATION
LIMITED

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

SUPERGRADE IRON

First of the next wave



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Hawsons Iron Project – First in the queue for development

Right project– competitive cost targets and existing infrastructure

Right product – Supergrade, the world's best pellet feed one of the few products that meet the trends of the steel industry

Right strategy –

- develop end user support for the Supergrade product
- increase confidence in project to attract end user investment
- secure end user support to build the project and meet the market demand for new iron ore



Carpentaria - Snapshot



ASX : **CAP**

Listed: **2007**

SHARES: **124 M**

CASH : **\$1.68 M June 30, 2016**

Dr Neil Williams - Chairman

Mr Quentin Hill - Managing Director

Mr Bin Cai - Director (non-exec.)

Mr Paul Cholakos - Director (non-exec.)

Mr Robert Hair - (Company Secretary)



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

Low overheads

Major Shareholders


Silvergate Capital 18.2%

Australia Conglin Int. Group 11.4%

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

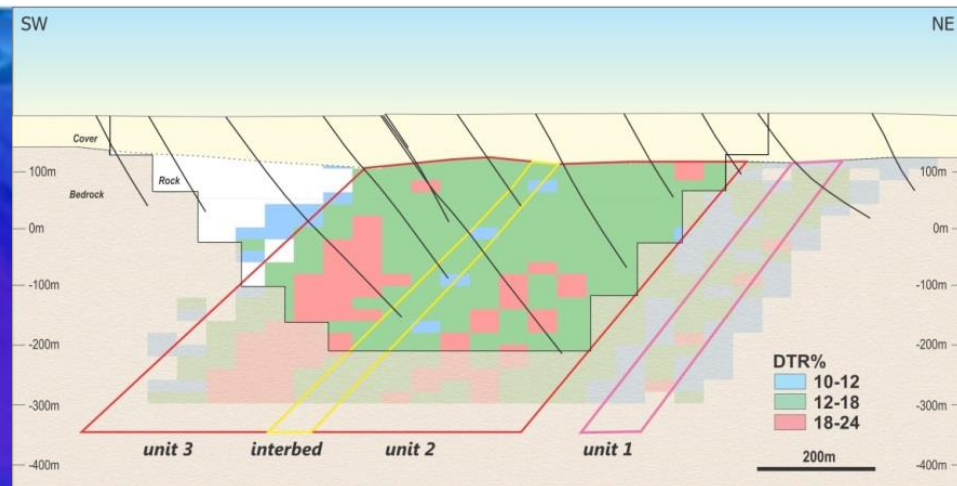
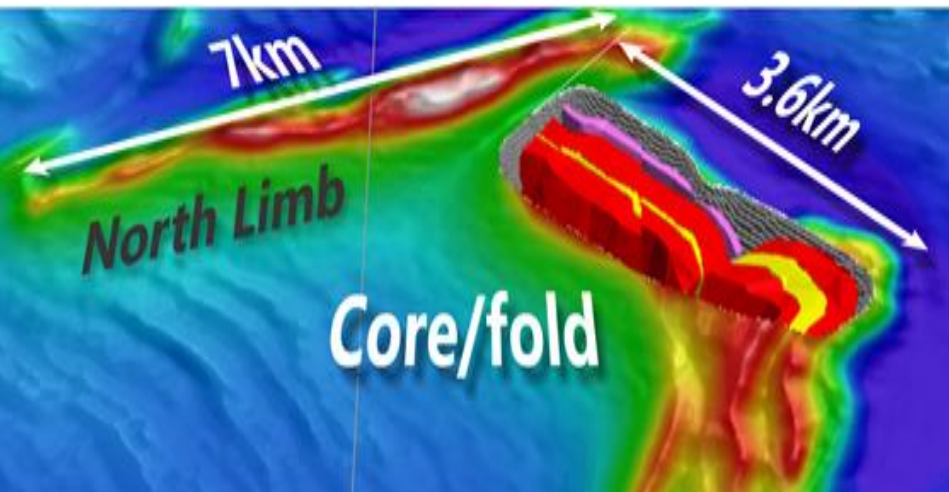
Lou Jelenich – Product Marketing Director

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

- 
- Marketing saleable product
 - Offtake arrangements

Right project for development - Long term reliable supply, soft ore

Hawsons Iron Project Cross Section



Long life Resource JORC Inferred (88%) plus Indicated (12%)

- 1.8 Bt at 15% mass recovery for 263 Mt of 69.7% Fe concentrate*

* See appendix slide 24

Simple Mining:

- Low strip ratio 0.47:1 waste:ore, falling to near zero by year 8
- Low cost bulk mining methods

Simple low energy processing sets it apart from other iron projects

- Bond Work Index 6-7kwh/t compare with 20-30 kwh/t**
- Abrasion Index – 0.12 compare with ~0.40**
- Rock strength 50-90Mpa compare with ~200-300+**

Targets US\$40/t
higher margin for
mining and
processing than
typical magnetite
projects
(see Appendix)

**typical magnetite projects

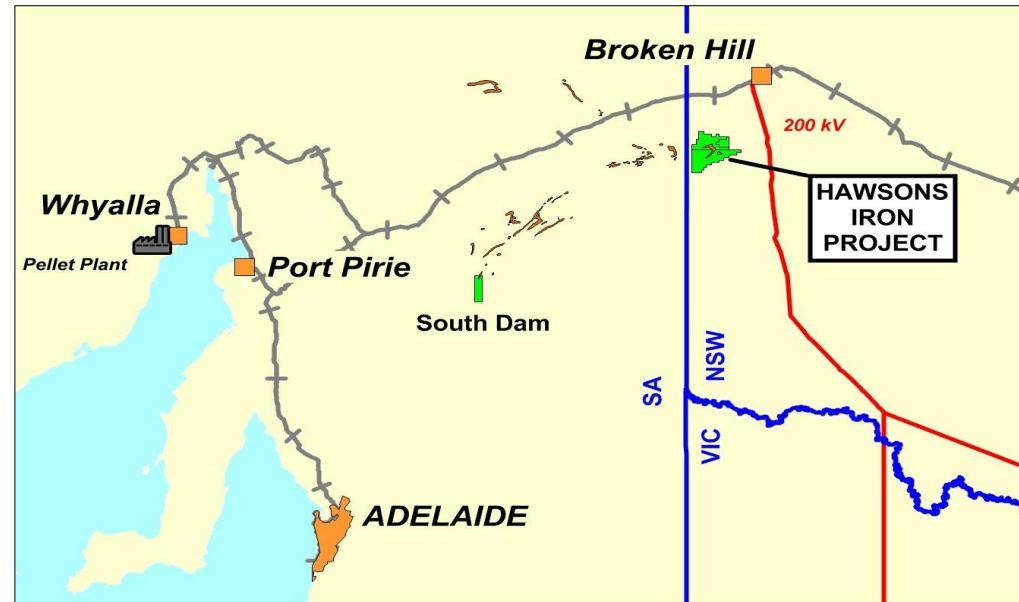
Right project for development - Low development risk

Location 60km south-west Broken Hill

- Power existing, water identified
- Rail - 13 Mtpa spare capacity
- Port options-
 - Port Pirie – 1st right for 12 mtpa
 - Whyalla – spare capacity*
- Pelletising – Whyalla ~2.2mtpa pellet plant capacity, significant value add*
- Environmental surveys – no issues identified
- Dry climate, politically stable

Compare with others where approvals, infrastructure, weather and distance are significant hurdles and costs.

* Investigating use on commercial terms and/or via acquisition



Right project for development - Attractive cost targets

Cost targets and price premiums \$US

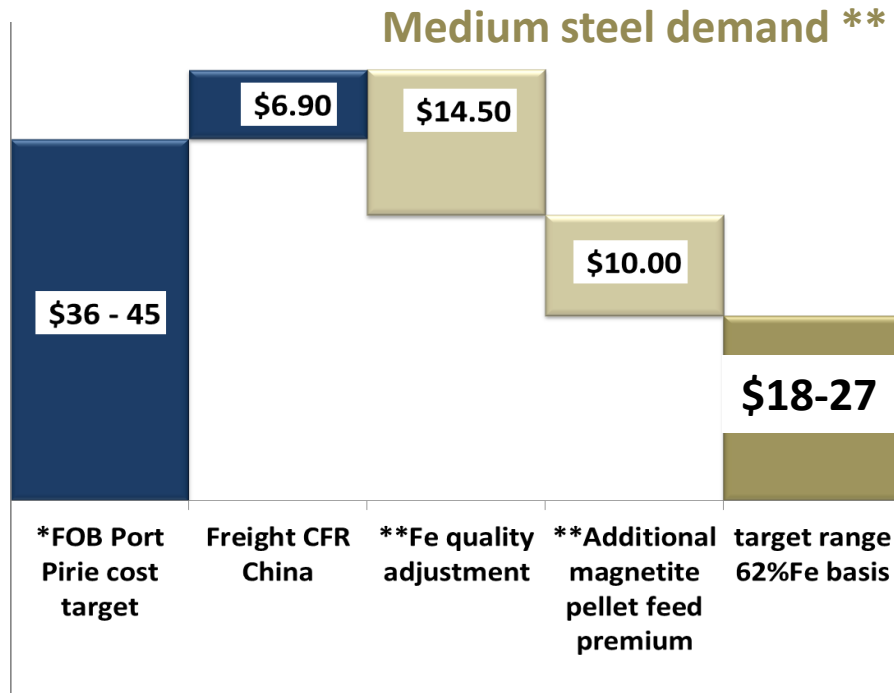
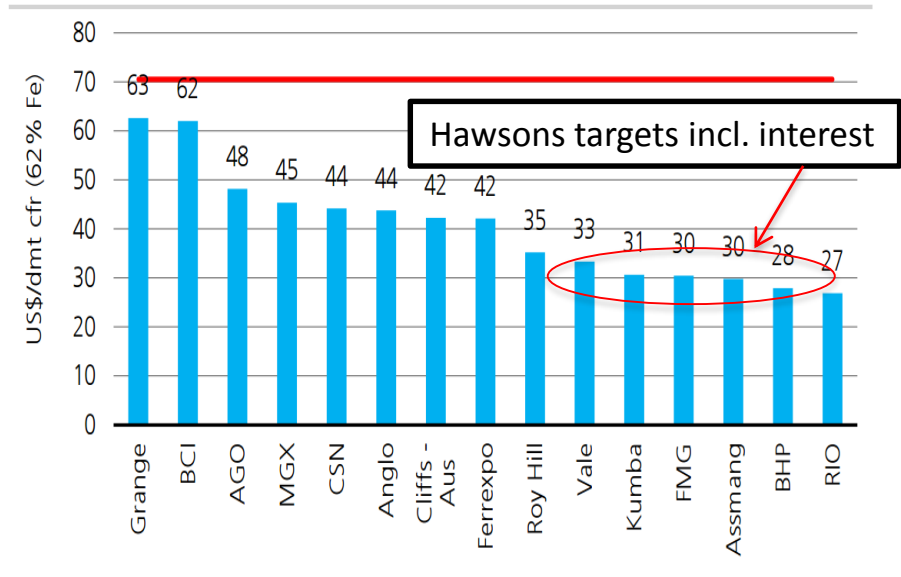


Figure 1: Breakeven price analysis pre interest (US\$/dmt cfr 62% equiv.)



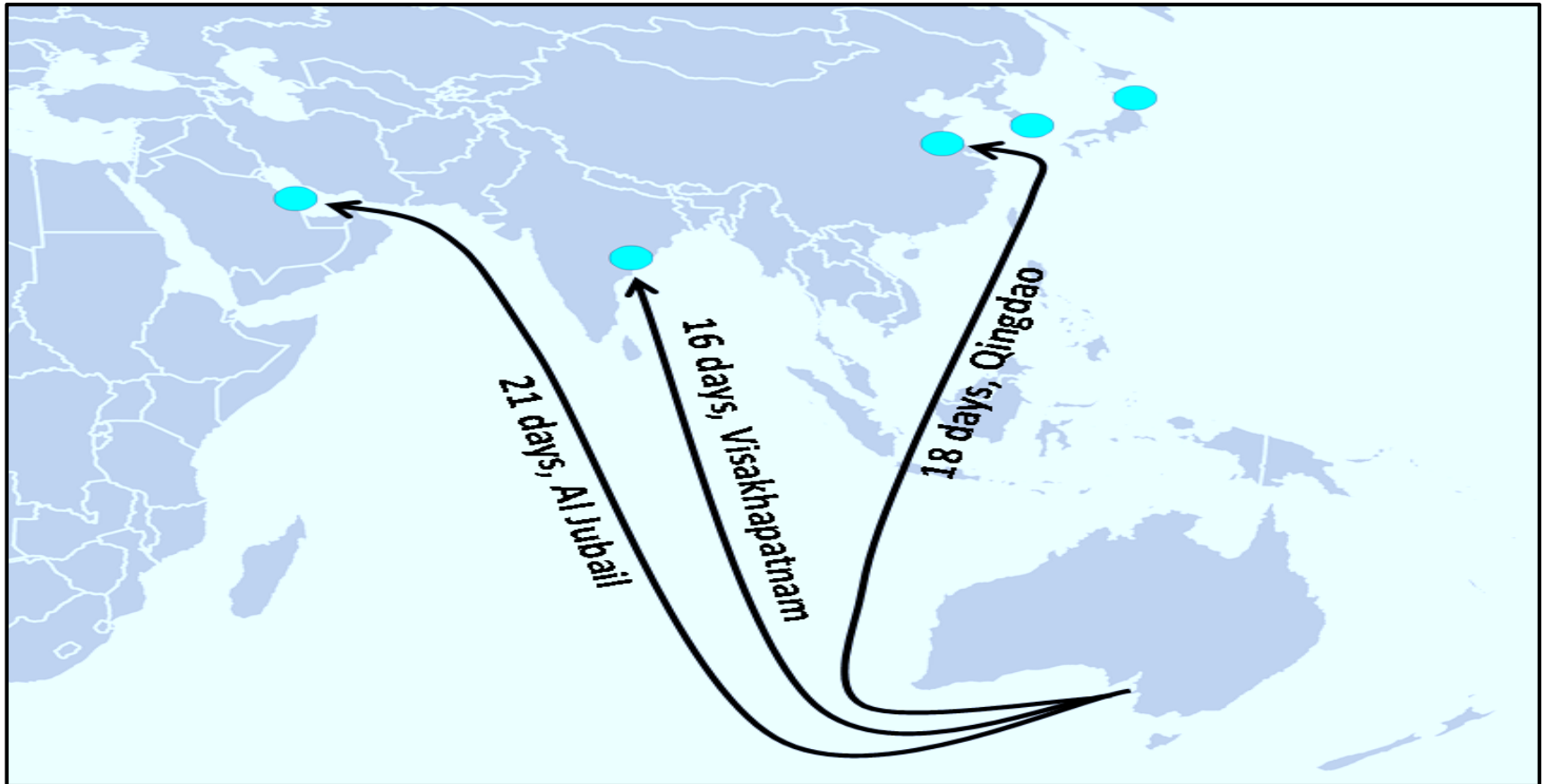
Source: Company Reports, UBS estimates. Spot price as at 21 Apr 16

- Product to attract a premium - ~US\$24/t** for pellet feed and ~US\$47/t for DR pellets
- Based on PFS level engineering and Inferred Resources
- Competitive capital cost target of USD1.4-2.0bn (inclusive of preproduction cost and contingency)
- CFR China cost target in normal market conditions, adjusted to 62%Fe, US \$18-27

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

**Shanghai Metals Market, May 2015 see appendix

Right project for development - best located high grade project



Main global high grade feed competitors are in Brazil and Canada (Hawsons US\$2-8/t freight advantage)

As oil price rises, currency appreciation and freight costs cause cost rises to our competitors

Some forecasts *Brazilian Real up 15-20%, Canadian Dollar up 8-12%, Australian Dollar down 8-12%

*2018 forecast source - *longforecast.com* ** *Shanghai Metals Market*

Right product for development - Hawsons Supergrade 70%Fe

**Highest iron grade in the seaborne trade
supports premium prices**

Very high iron: slag ratio

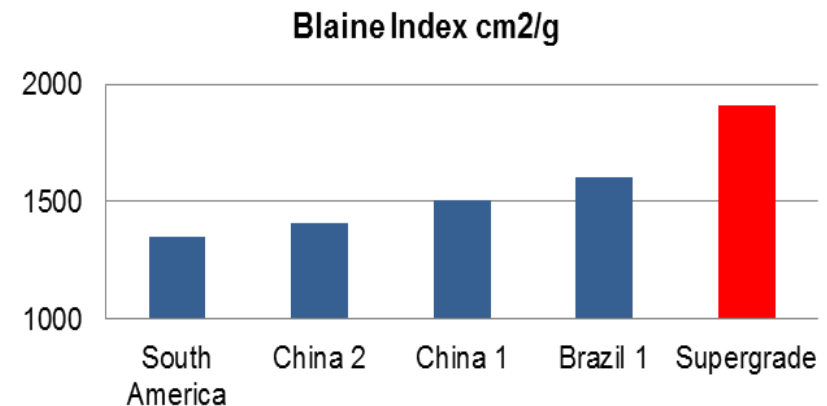
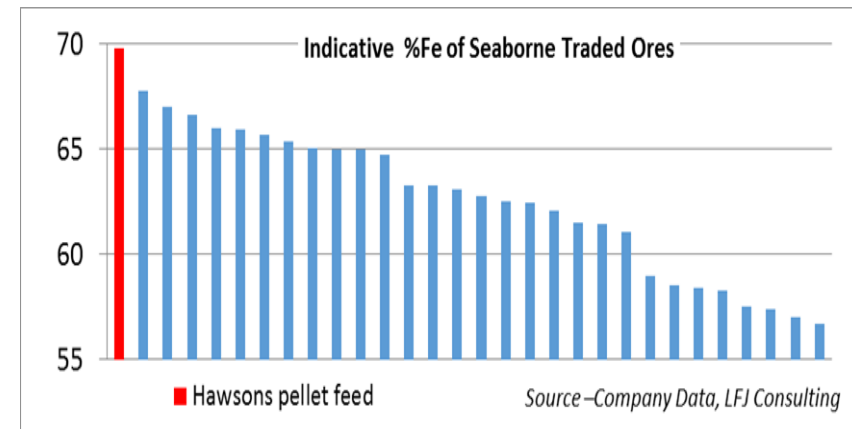
70.3% Fe (~97% magnetite : ~3% waste)

- 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, ** see appendix,*

Right product for development - meets environmental and technological trends

Higher carbon price supports Hawsons long term value

Super high grade magnetite pellet feed value estimate of ~\$3.50/t for each \$10/t CO₂ carbon tax *

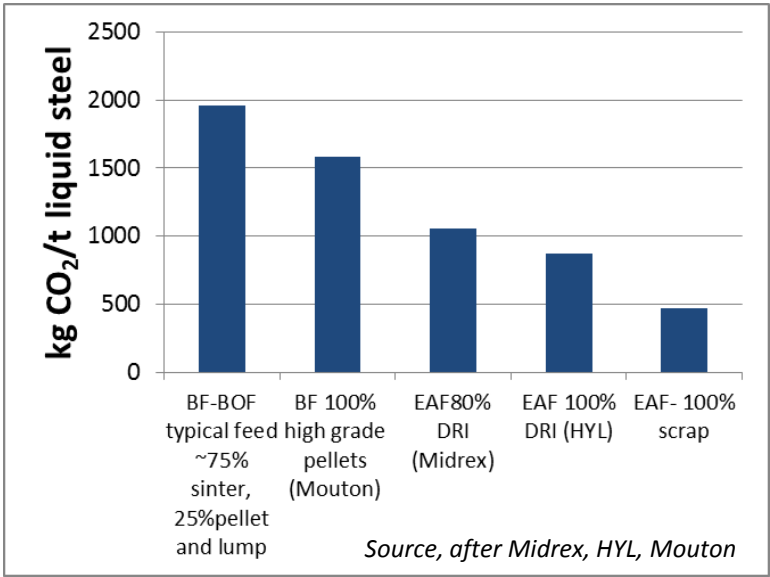
- Steel making produces 7% of global CO₂ emissions
- Over 40 countries have a carbon tax/trading system
- China to begin in 2017, will apply to steel
- DRI – electric arc furnace (EAF) steel making route ~50% less emissions

Hawsons Supergrade

- Amongst the most effective ways to reduce CO₂ emissions in BF (potential for up to ~25%)
- Controls risk of increasing carbon price
- Meets the alternative DRI-EAF steel making trend

* Mouton, 2015,

Note mining, processing, transport to FOB ~10-40kg/t CO₂, shipping from Australia ~50-80kg/t



See appendix for more detail

Right product for development – Blue chip offtake support

- 50% of planned production under letters of intent (LOIs) demonstrates strategic value of product
- Bahrain Steel, 3mtpa direct reduction pellet feed
- Mitsubishi, 1.0mtpa of Supergrade pellet feed
- Gunvor, 1.0mtpa of Supergrade concentrate for smaller Chinese mills to replace domestic magnetite
- market fundamentals that drove early, failed investment in magnetite remains
- Hawsons has attractive capital intensity and higher quality product, therefore potential for better returns than earlier projects



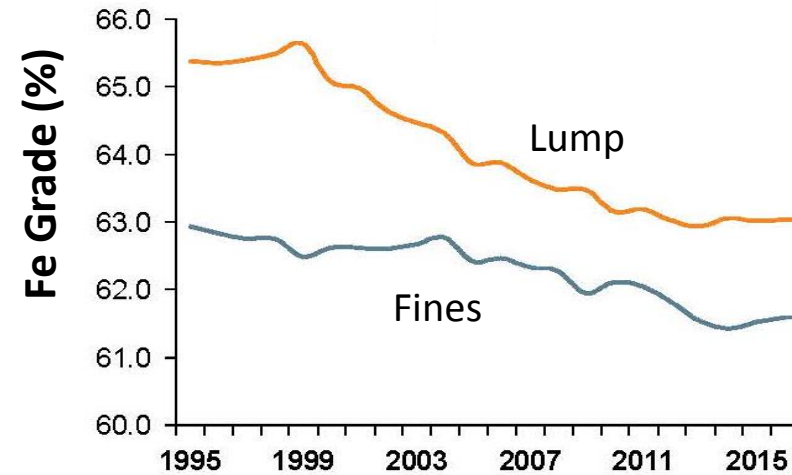
Right strategy for development - More markets from which to attract support

For Chinese, Japanese, Korean and other blast furnace (BF) steel producers Supergrade would be amongst the best raw material to

- lower fuel rates (coke price is increasing)
- increase productivity
- balance impurities from low quality ores
- In the case of pellets, substitute for diminishing sources of lump ore
- offset falling grades to maintain productivity over the long term
- commercialise low grade domestic pellet feed in China

Underpinning its strategic value and premium price

Iron ore Fe Content evolution - global average



Source AME

	PCI coal kg/t hot metal	Slag kg/t hot metal	Coke kg/t hot metal
65.7% pellet	140	134	322
Base case 74% sinter	160	286	353
Improvement	13%	53%	9%

Source - Mouton, 2015, note CAP plans >67.5%Fe pellets

Right strategy for development - More markets from which to attract support

Direct reduction (DR) market

- supply concentrated by four majors (~90%)
- supplied by ~ 10 projects **

Hawsons offers

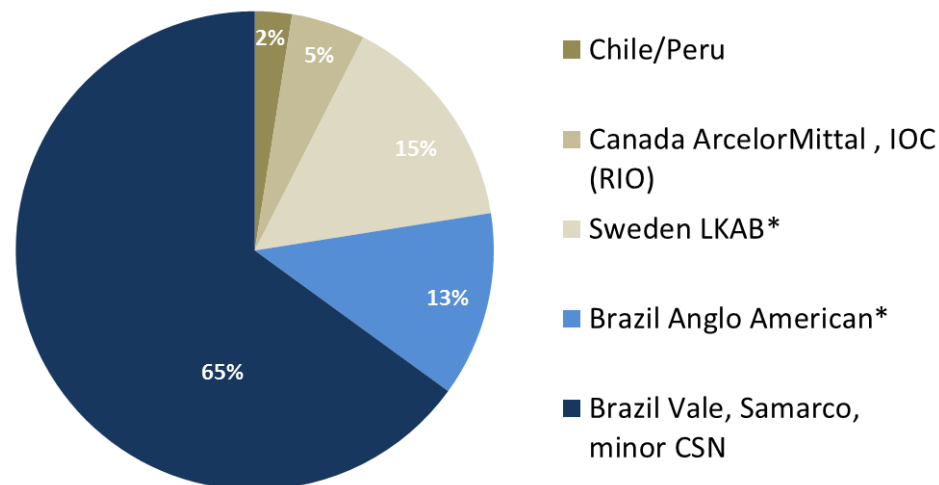
- rare, cost competitive, large volume, independent supply option to balance pricing power through the cycle
- equity supply opportunity (cf. majors)
- potential to blend with Indian ore reserves to optimise Indian DR production

Outlook

- DR demand is growing in particular markets esp. Middle East +15mtpa to 2020* and India
- increasingly competitive as coking coal prices set to increase BF costs

DR Summary in Appendix

2015 Seaborne DR-pellet/feed supply source



Source: After Wood Mackenzie, * minor others



* Wood Mackenzie, 2015, **MBR, 2015

Hawsons targets production in 2020, the right time

The road ahead

 Negative






















 No change

 Positive



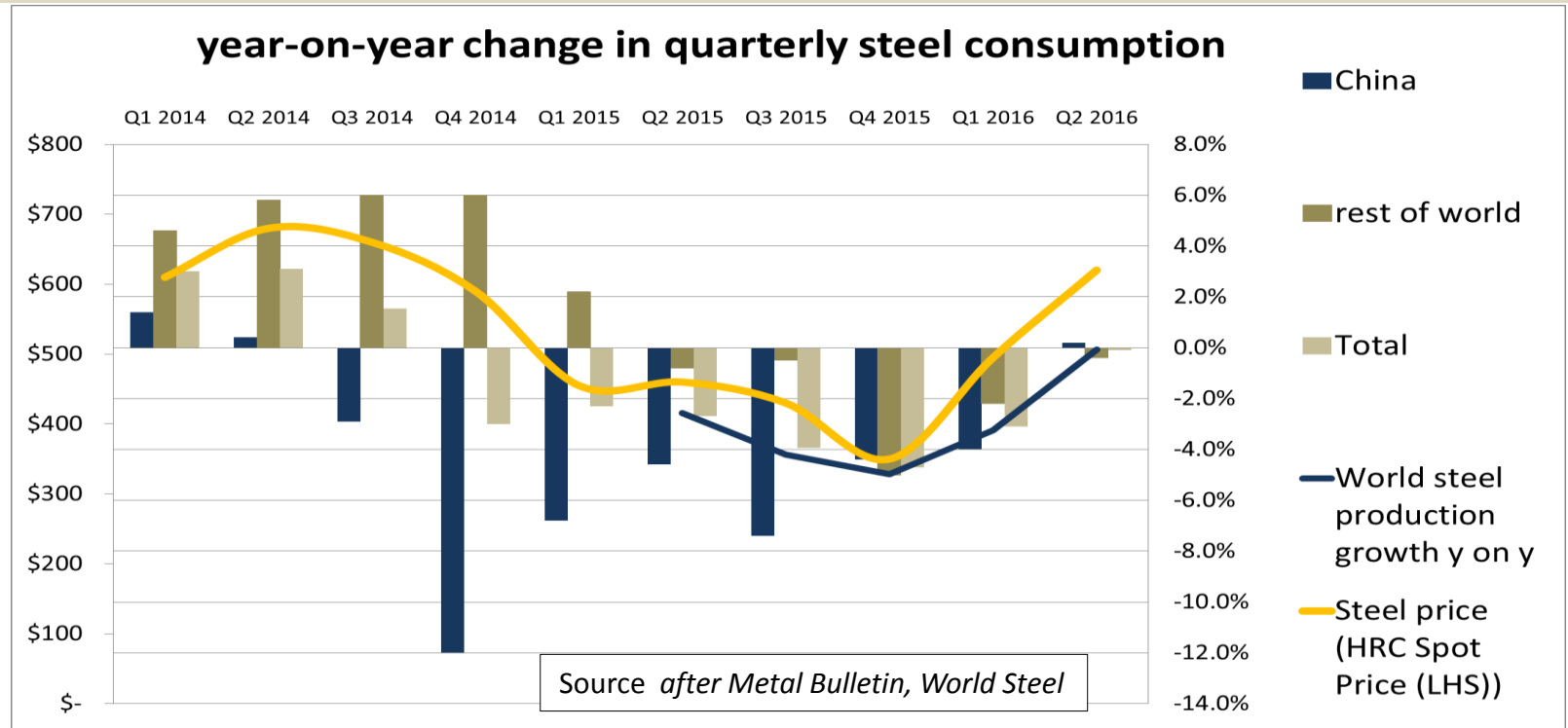
Effect on costs/prices

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 

Steel consumption – returning to growth

Capacity closures in China to accelerate



- Steel production matches consumption and set to expand for first time in two years
- China set to reduce steel capacity by 120mt by 2018* ~21mtpa cut this year so far**
- Demand growth and steel capacity cuts to support steel prices and price premiums

*State-owned Assets Supervision and Administration Commission as reported by Global Times July 13 2017.

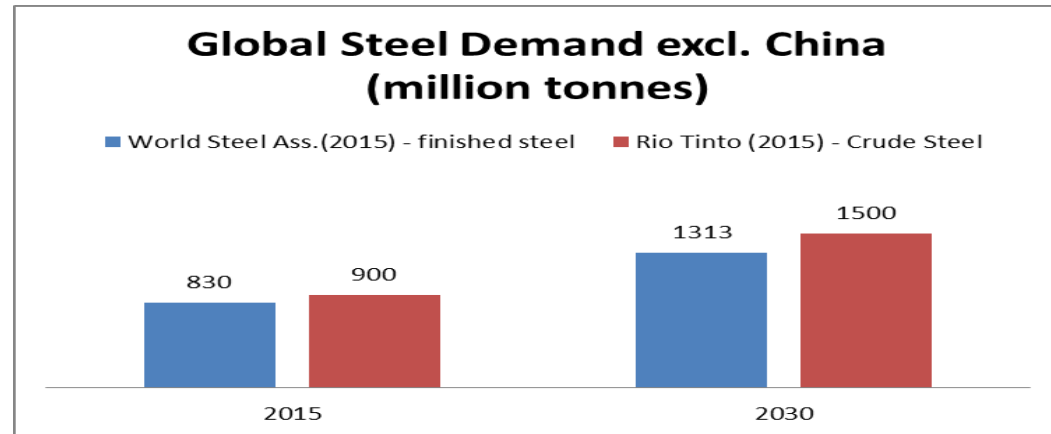
**NDRC as reported by Peoples Daily August 8 2016

Global long term steel demand fundamentals are good

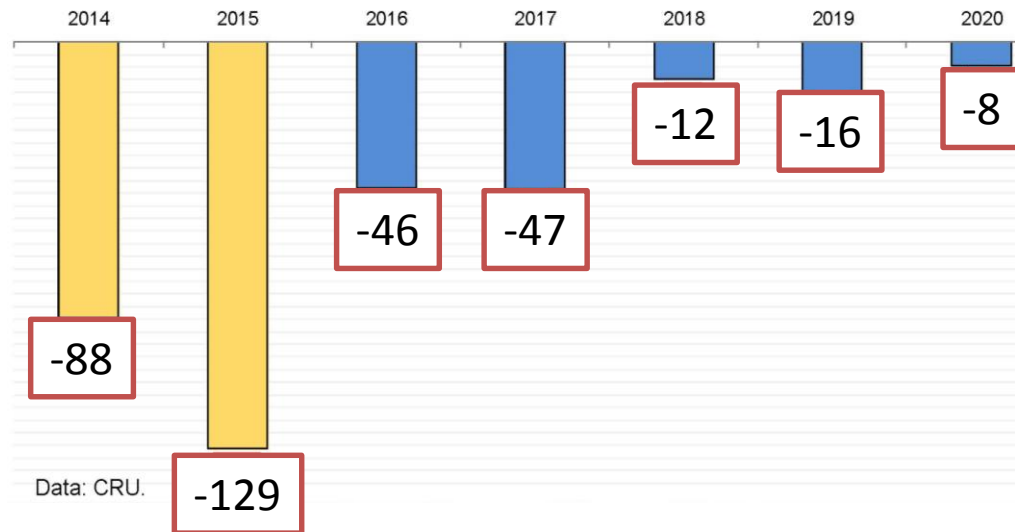
- 480-600mtpa of new steel (and iron ore) are required to 2030 (excl. China)
- BHP put forth similar figures (approx. ~600mtpa just this month 16 August 2016 (incl. China))
- That's 30-40mt demand growth each year
- New projects will be required to meet demand

Supply fundamentals are well understood

- ~100mt of new supply over the next two years, diminishing from 2018
- production exits required, likely mostly from China
- market to plan development of new projects ~2018 for 2020 production



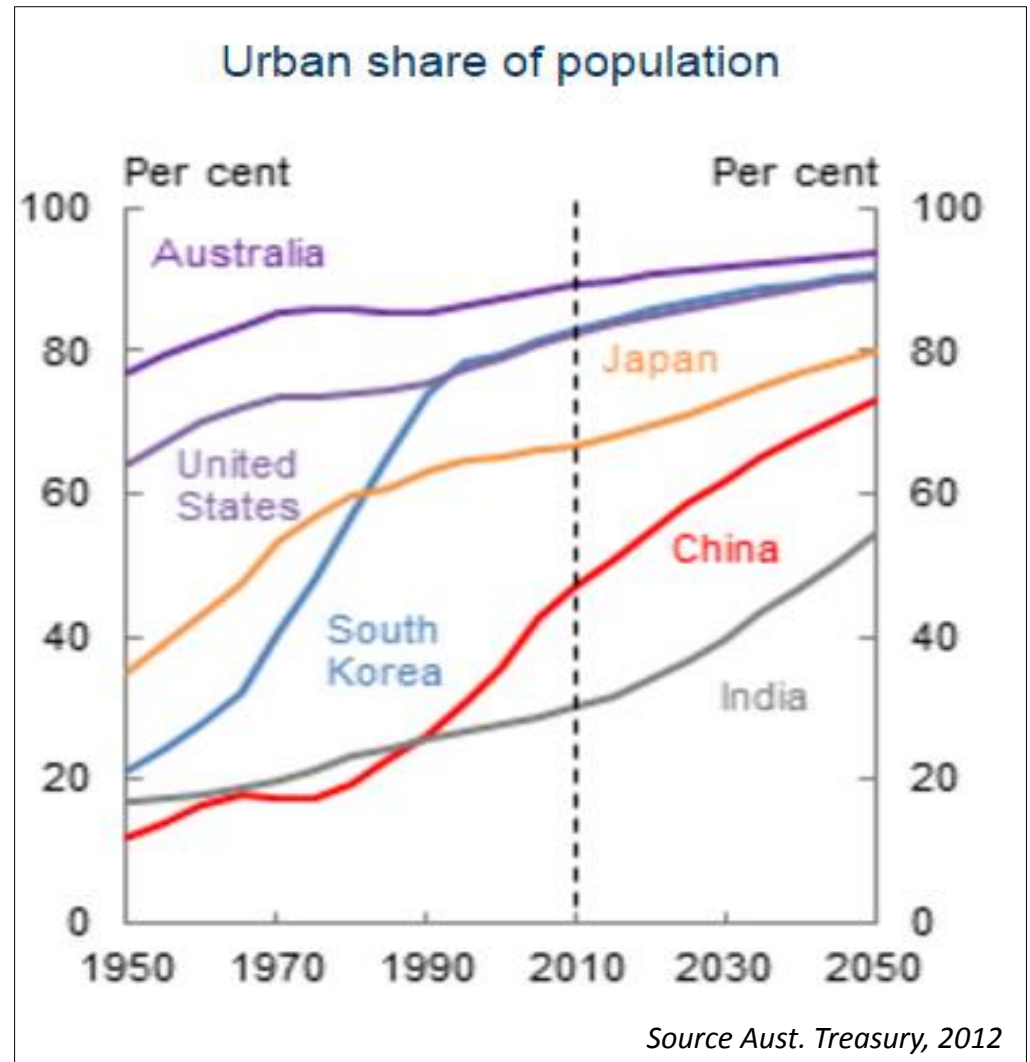
DISPLACEMENT NEEDED TO BALANCE MARKET, Mt



Source : World Steel Association, May and October 2015, Rio Tinto, March 2015, CRU March 2016

Strong fundamentals for steel and iron ore demand

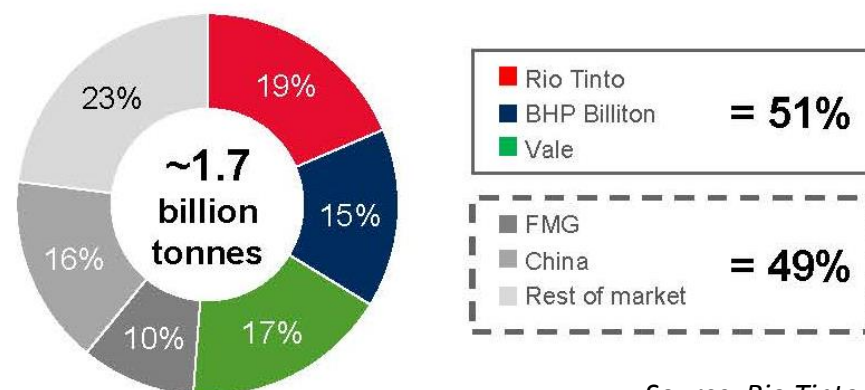
- China set 60% urbanisation target by 2020, or 72 million people from today (more than UK population)
- Trend to 70% by 2030 for over 200m people
- Chinese demand is becoming clearer as the Chinese steel industry reforms – steel stocks a long way to run



Forecast Iron Ore Price

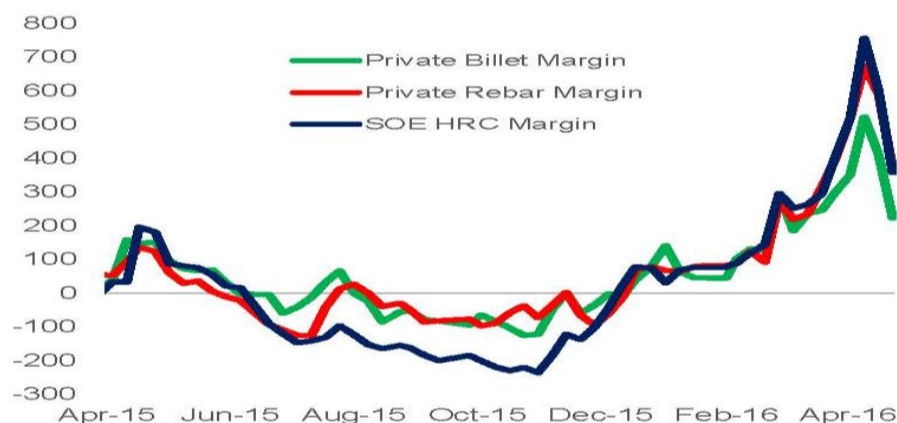
- RIO, Vale, BHP and FMG account for 61% of the contestable seaborne market
- That means there is another ~660Mtpa to contest
- Long term prices to reflect the long run marginal cost of production
- On the delivered to China cost curve this is **~US\$65/t** (90th percentile see FMG Metalytics cost curve August 2016)
- Consensus long term 62%Fe fines long term iron ore price is **US\$60/t ***
- High grade premiums to maintain strength as coking coal prices remain strong and steel mill profitability remains strong

Majors accounted for ~51% of 2015 supply
Percentage of contestable iron ore market



Source Rio Tinto

China steel mill profit margins
RMB/tonne



Source: Mysteel, RTIO Analysis

*Source <https://www.vuma.com/public/consensus/rio> July 2016

Attract strategic investment to drive development by targeting-

- additional buyer support from Middle East, Indian, Asian and Chinese steel mills
- significant improvements in resource confidence, economic attractiveness and the release of pre-feasibility study results through
 - additional resource definition drilling
 - mine plan and engineering optimisation
 - infrastructure optimisation

Proceed with strategic support to -

- completion of bankable feasibility study (inside two years)
- production by early 2020

Examples of project optimisation potential

Local infrastructure cost reduction potential ~US\$220m

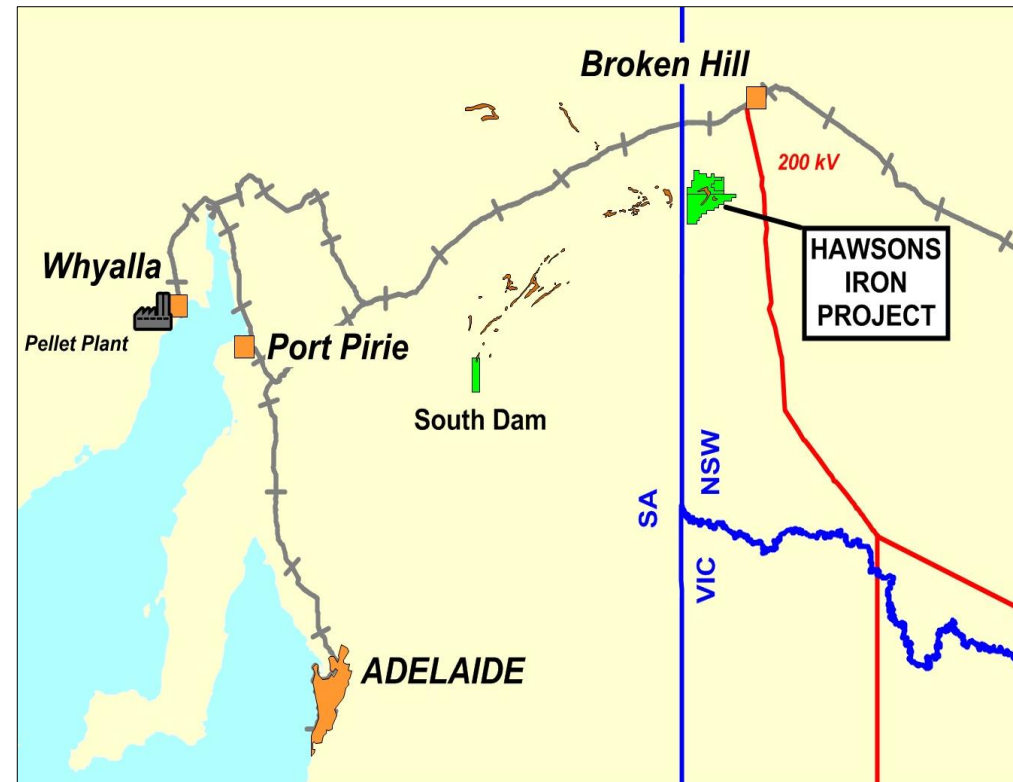
Port and pellet plant

Investigate the benefits of

- use of Whyalla as a port
- value adding by pelletising at Whyalla

Potential to

- improve revenues with DR pellet sales
- improve Hawsons product offering
- reduce port associated capital costs



Electricity – Hawsons large constant load is ideal for generators

- Solar and wind projects could benefit from additional local load potentially share infrastructure

Water – NSW govt. to secure Broken Hill water supply. Releases contingency costs from Hawsons

Possibility to investigate different production options

Right project– competitive cost targets and low development risk

Right product – Supergrade, the world’s best pellet feed one of the few products meeting the current and future trends of the steel industry

Right strategy and right time

- developing end user support for the Supergrade product
- work program to increase confidence in project as market conditions improve adding value for shareholders and attracting end user support
- secure end user support to build the project and meet the market demand for new projects

Thank you for your attention

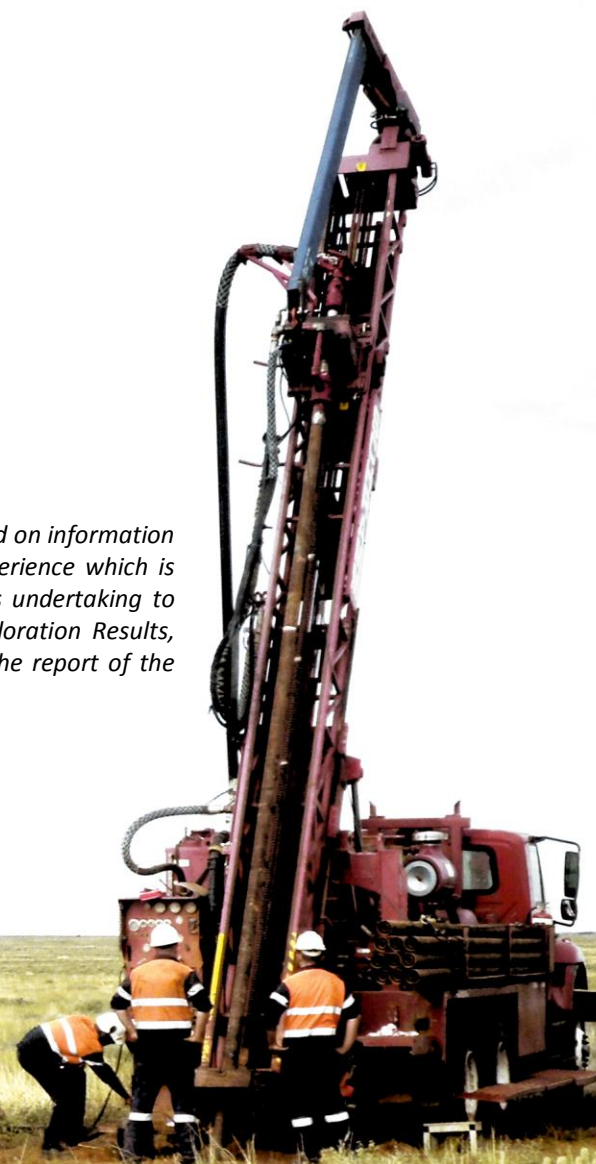
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www.capex.net.au



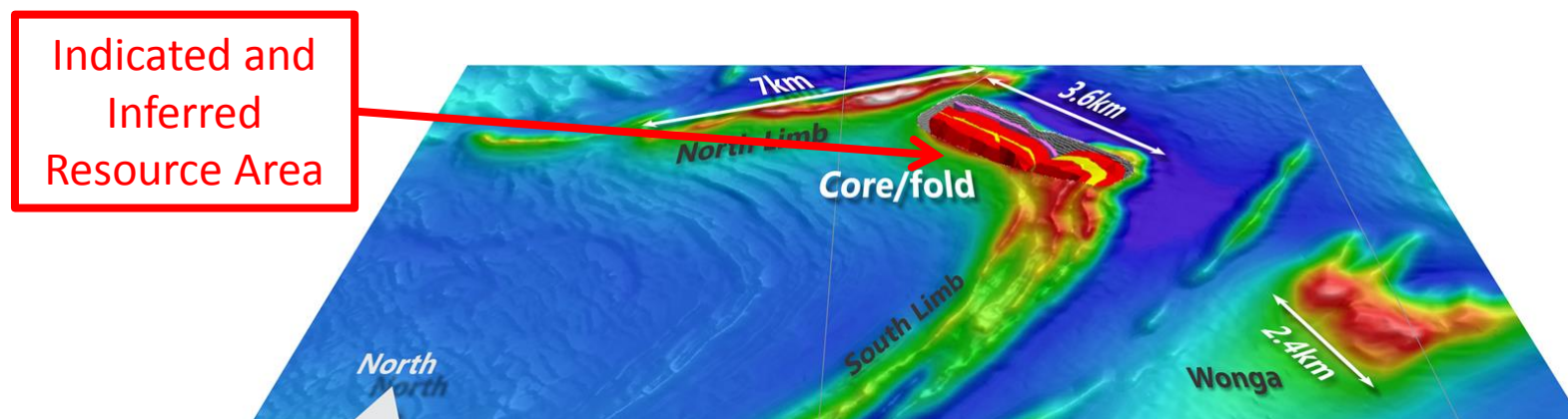
@CARPEXPLORE

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 - Resources – Long life, high capacity, over 260 Mt concentrate defined

			Concentrate Grades					
Category	Billion Tonnes	Magnetite DTR%	Fe%	Al ₂ O ₃ %	P% ¹	Si ₂ O ₂ %	LOI%	Contained Concentrate (Mt)
Inferred	1.554	14.7	69.6	0.20	0.004	2.9	-3.0	228
Indicated	0.215	16.2	69.8	0.20	0.005	2.8	-3.0	35
Total	1.769	14.9	69.7	0.20	0.004	2.9	-3.0	263

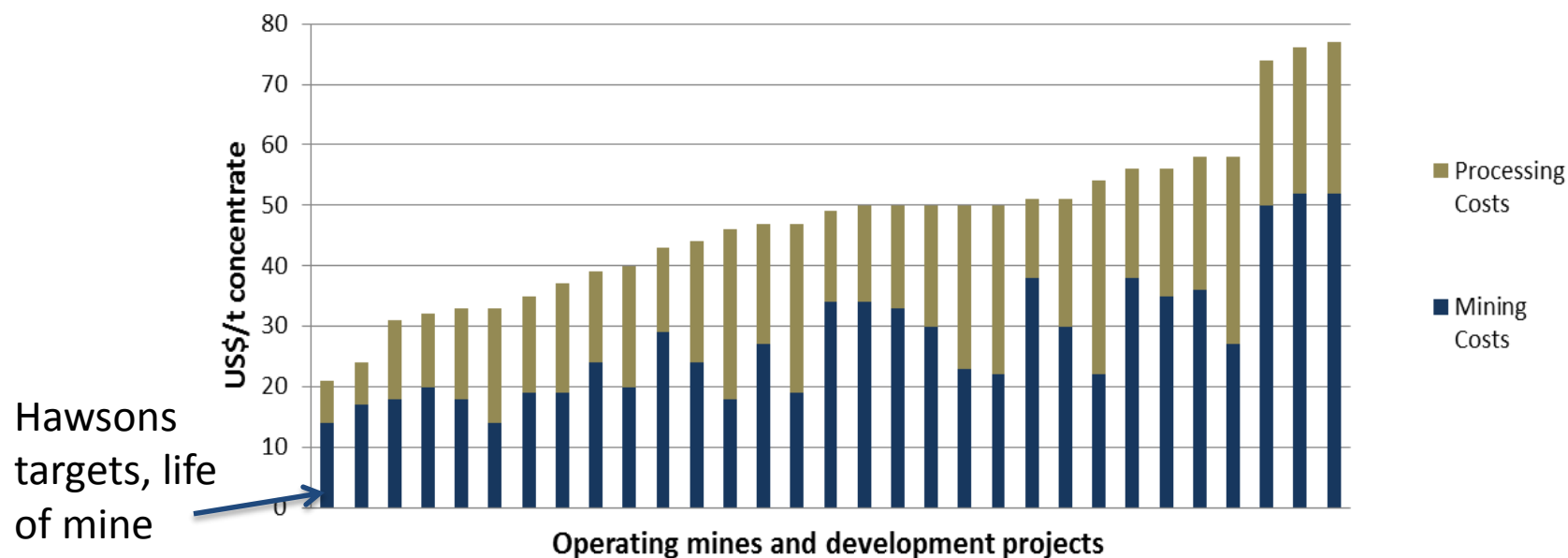


The Company confirms that all assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed since first reported on 26 March 2014.

Unique and soft ore provides

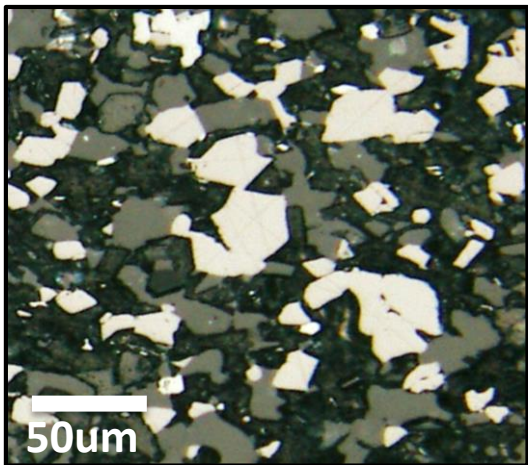
- mining and processing cost targets ~US\$25/t less than average magnetite project
- Supergrade (70%Fe) to attract ~US\$15/t more than average 66%Fe concentrate
- Therefore target US\$40/t better margin

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

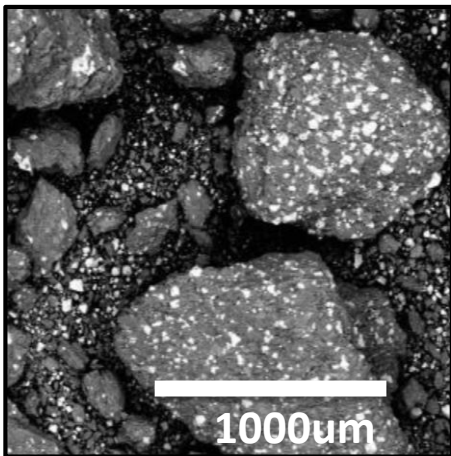


Source after Metalytics, company data

Appendix - Supergrade from unique siltstone ore



Natural grain size <50um easily achieved



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



45% rejection at first magnetic separation

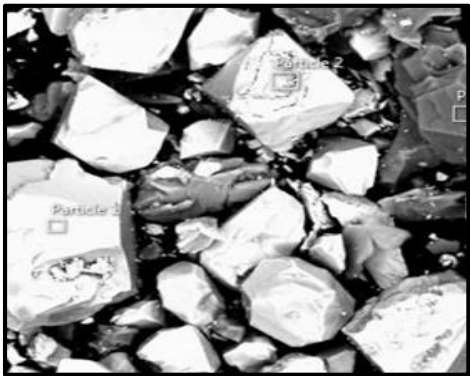
➡

Ball Milling
100% <40um
7kwh/t

 ➡



After second magnetic separation 66%Fe



Elutriation removes free silica upgrade > 69%Fe

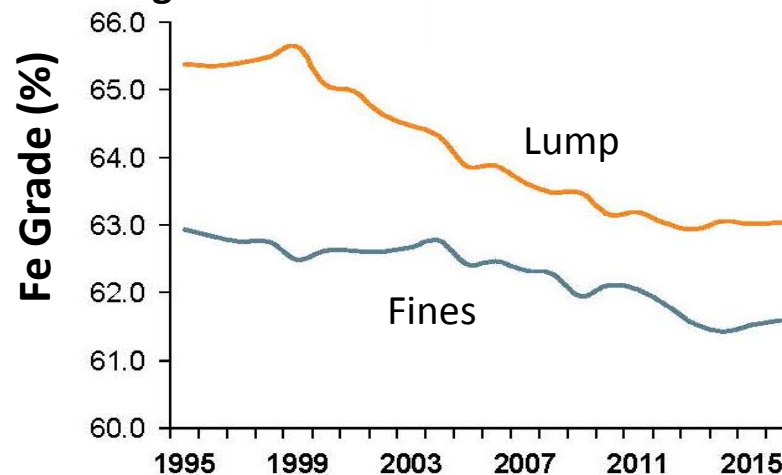
Appendix - Global iron ore quality is falling

Mine depletion is real with over 2.5bnt iron ore mined every year

BHP and Rio Tinto are planning to open new mines to replace depletion

Rio Tinto published resources and reserves indicate a fall in grade from 1.32bt at 62.5%Fe to 6.2bt at 60.6%Fe for its 8 Hammersley Pilbara Blend mines in the next decade based on current production rates.

Iron ore Fe Content evolution - global average



Source AME

Additional premiums over 62%Fe index boosts project economics

Direction reduction

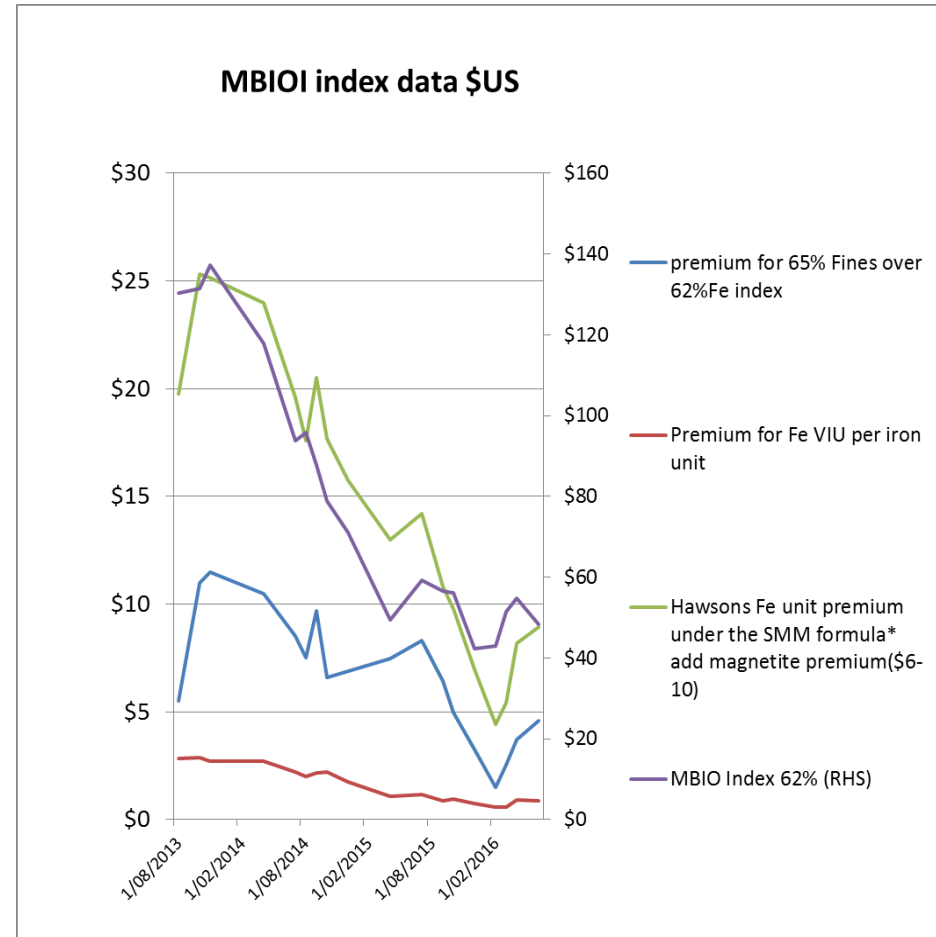
- DR pellet premiums are ~47/t for pellets **
- DR pellet feed price is negotiated

Blast furnace

- premiums vary according to productivity requirements
- Hawsons Supergrade pellet feed was set to attract US\$24.50 over the Platts 62% Fe index ref. price of US\$60/t (May 2015, SMM)*

Premium value supported by

- high grade, low slag
- superior pelletising characteristics
 - fine grain size
 - magnetite vs hematite
- superior pellet characteristics
 - strength
 - steelmaking properties



* Platts 65%Fe + 5 x Platts Fe VIU + individual magnetite concentrate

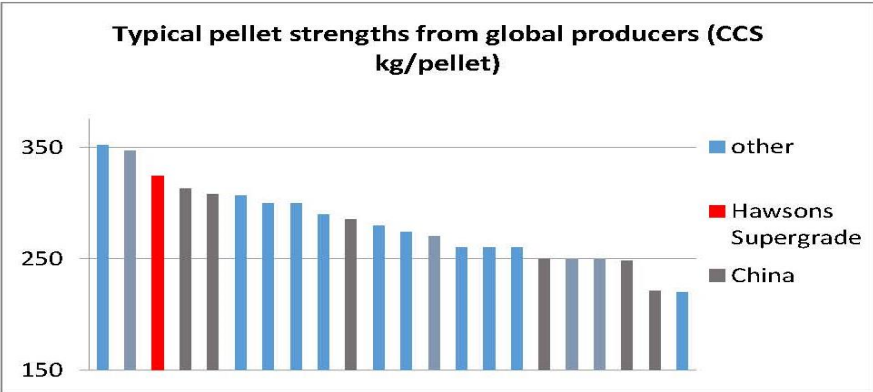
** Platts 65%Fe + Platts DR pellet premium

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	

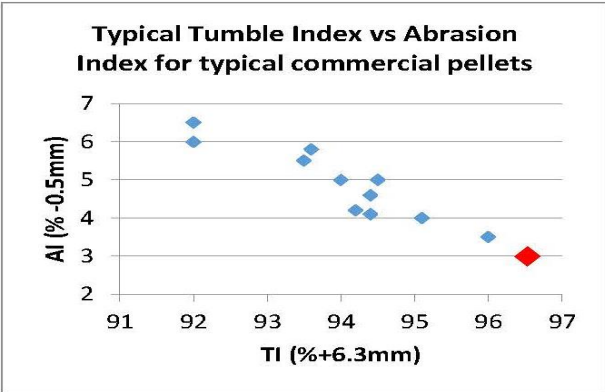
Hawsons indicative specifications based on bulk pellet feed test work (ASX Announcement, 14 October 2015) and China Iron and Steel Research Institute test work (CISRI) in Beijing February 2016). *P8 The Midrex Process by Midrex 2015

Appendix - Hawsons pellet making results

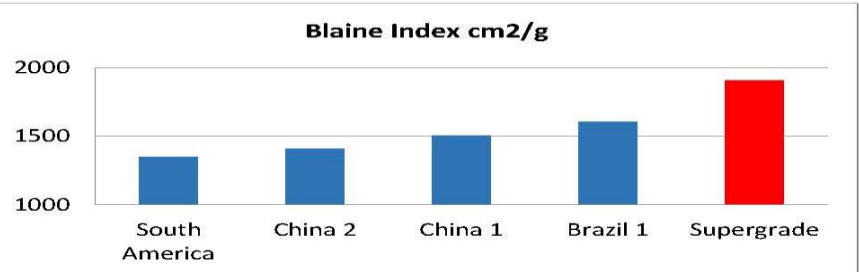
Physical Characteristics and pelletising properties



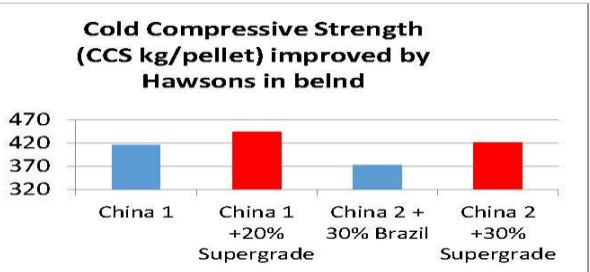
Pellet strength is important during transportation and handling to preserve optimum size for iron making productivity and high feed yields. Feedback from end users indicates over 280 is preferred, and over 300 is very good. Carpentaria has chosen pellet firing conditions to achieve over 300. *Data source, Company data, lab data, Poveromo 2015*



High tumble index (TI) and a low abrasion index (AI) is preferred because this minimises losses and preserves optimum size for iron making during transportation, handling. Supergrade pellets (red) are shown as outstanding. *Data source, Company data, lab data, Poveromo 2015.*



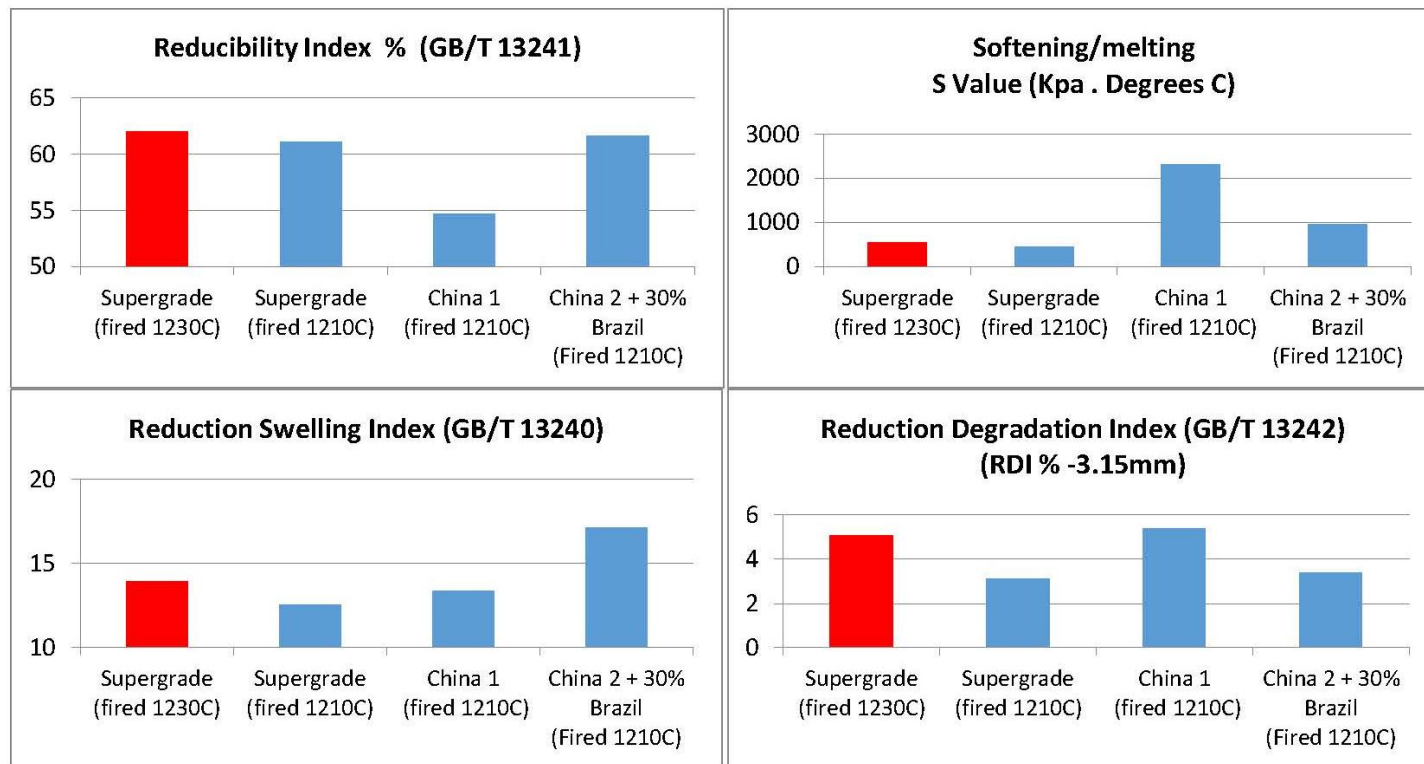
Blaine Index is a measure of grain surface area and the finer the grain size the higher the Blaine index. Generally a higher Blaine Index will deliver better pelletising properties. Hawsons high Blaine Index is achieved with little energy and reflects the natural size distribution of the magnetite within the ore. Typically others have to grind their ore much more to reach this grain size *Source, Lab and company data*



This chart shows that the exceptional Supergrade feed, when added to others improves the strength. It also reduces the amount of binding agent required. *Source Lab Data*

Appendix - Hawsons iron making results

Iron making properties



The parameters above are related to efficient iron making in a blast furnace. Supergrade performs very well on all factors. High numbers are preferred for reducibility index while lower values are preferred in softening and melting, reduction swelling and degradation indices. Addition of Supergrade into the China 1 blend significantly improves China 1 performance.

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



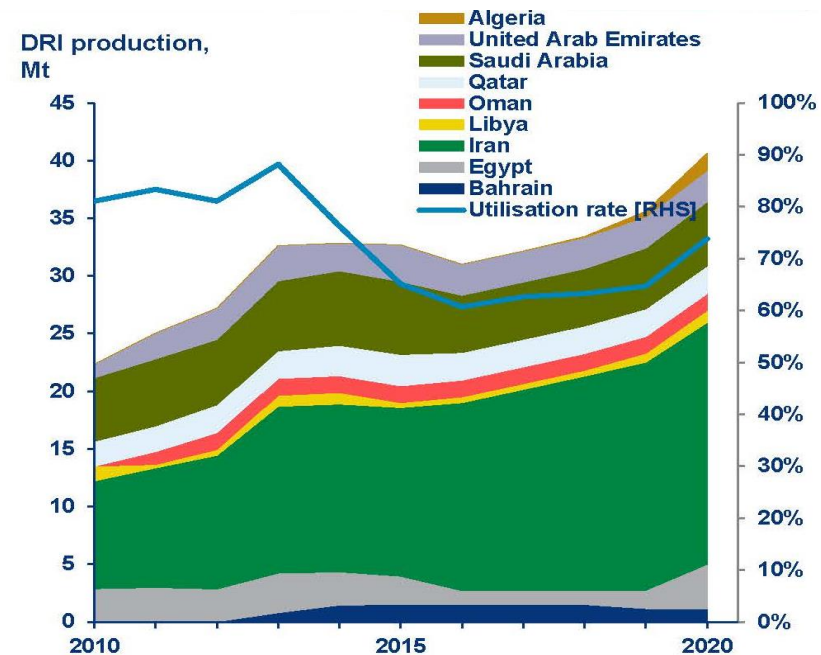
Beijing Carbon Market,
source ChinaCarbon.net

Benefits of DRI / EAF vs blast furnace

- less capital investment
- lower 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
- lower 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

Largest producers of DRI 2015 World Steel Assoc.

Country	Production 2015 mt
India	18.1
Iran	14.6
MENA	14.1
Mexico	5.6
Total 2015	~66

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%

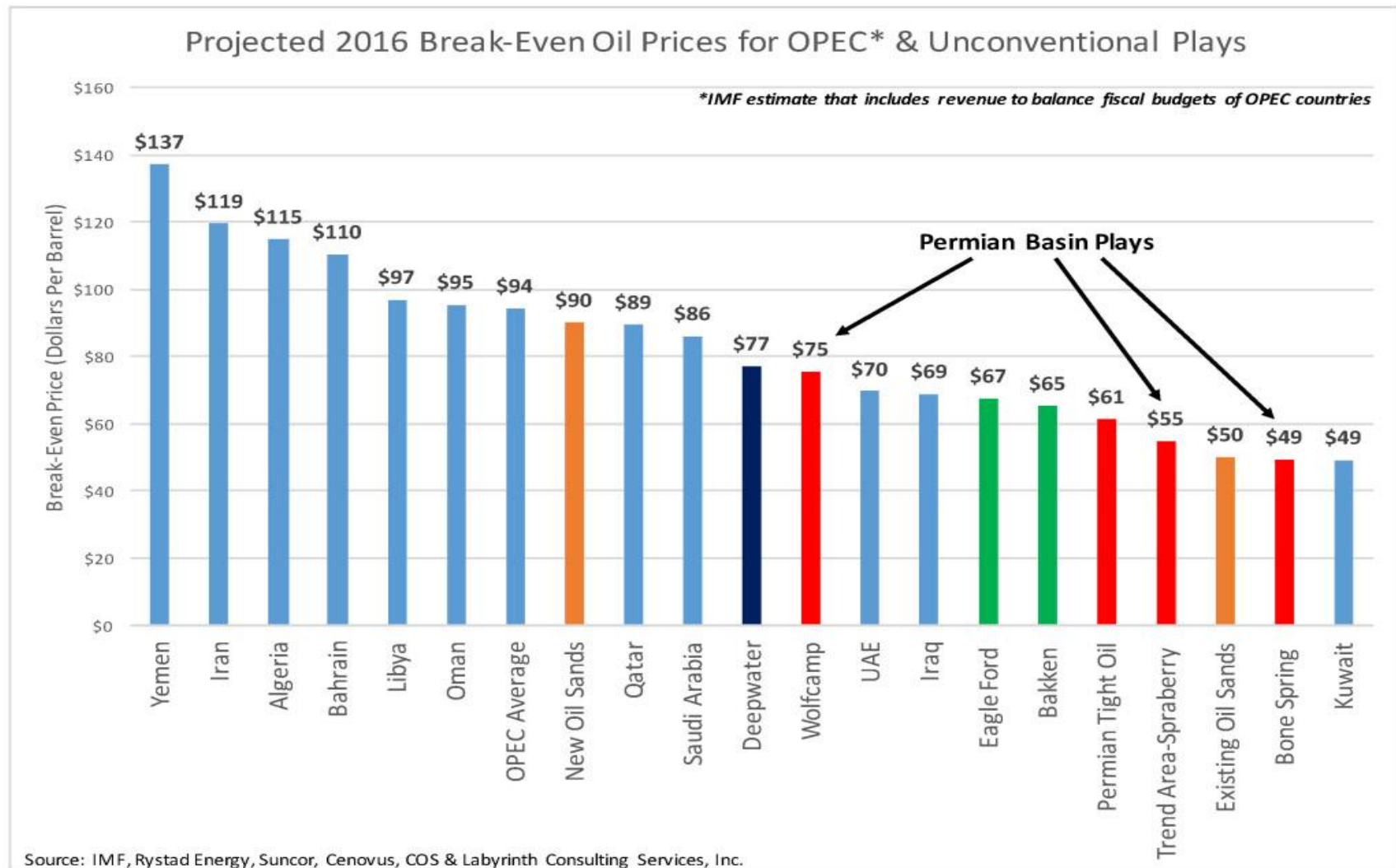
Benchmark Price (\$/dmt)	Fe Adjustment			Pellet Premium (\$/dmt)	Price (\$/dmt)
Platts 65%	Fe Differential against Benchmark	Unit Fe adjustment (\$/dmt)	Total Fe Adjustment		
68.75	3	1.2	3.6	30	102.35

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

Appendix - Oil price – set to rise? Improves Hawsons' comparative advantage on location and currency



High grade competitors from Brazil and Canada to experience appreciating currency and higher freight charges as the oil price recovers