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Hawsons Project builds momentum with new LOI for Chinese market

Highlights

- Carpentaria (CAP) and global trading house Gunvor Group sign non-binding letter of intent (LOI) for the purchase of 1 million tonnes per annum (mtpa) of Hawsons Iron Project "Supergrade" product
- New LOI means 50% of initial planned production from the Hawsons Iron Project is set to supply high value feed to blast furnace markets in China and the Asia-Pacific and direct reduction (DR) markets in the Middle East
- Gunvor Group is one of the world's largest independent commodities trading houses, with US\$64 billion turnover in 2015
- LOI follows those with Japan's Mitsubishi Corporation RtM (1 mtpa) and Bahrain Steel (3 mtpa), demonstrating strength of international demand for high-quality Hawsons magnetite product.

Demonstrating the strength of international demand for its high-grade product, emerging iron producer Carpentaria Exploration Limited (ASX:CAP), as Manager and 62% owner of the Hawsons Iron Project, announced today a non-binding letter of intent (LOI) with independent commodities trading house Gunvor Singapore Pte Ltd for the purchase of 1 million tonnes per annum (mtpa) of Supergrade from its flagship Hawsons Iron Project.

The new LOI targets supply to smaller Chinese steel mills and follows recent LOIs with blue-chip Japanese trading house Mitsubishi Corporation RtM and Middle Eastern DR pellet maker Bahrain Steel (refer ASX announcements dated 14 March and 18 April 2016) meaning that 50% of initial planned production from the project has been assigned to high value direct reduction (DR) markets in the Middle East and to blast furnace markets in China and the Asia-Pacific.

Under the LOI, the parties intend to develop binding offtake arrangements, initially for a 10-year term, with first supply targeted in 2020.

Established in 2000, Europe-based Gunvor Group is one of the world's largest independent commodities trading houses, with turnover of US\$64 billion in 2015 and more than 1,500 employees worldwide. Gunvor trades a range of products including iron ore, refined products and energy, operating in Asia, Europe and the Americas.

Carpentaria's Managing Director, Quentin Hill said the latest LOI came only months after outstanding pelletising results for the Hawsons Supergrade product (refer ASX announcement 16 February 2016). The early success of the Company's international

marketing campaign highlights that the product is attractive across key markets, buyers are willing to support new independent supply and that future demand will be strong.

“This latest LOI with Gunvor, another international blue-chip company, is another step in project development, product acceptance and investment attraction.

“The addition of this LOI, our first focused on the Chinese market, demonstrates the clear commercial advantages that Hawsons product quality and the location close to key markets provides. It also demonstrates that Hawsons is ideally suited to meet international demand for high grade and DR pellet feed and pellets that is forecast to increase over time as the global steel industry shifts focus to higher productivity and cleaner, more efficient operations,” Mr Hill said.

The Chinese market, target of this LOI, has considerable spare magnetite pelletising capacity because circa 200 mtpa of domestic magnetite production has closed in recent years. Carpentaria’s pelletising results showed that pellets made from 100% Hawsons Supergrade gave outstanding results. Importantly, when added to typical Chinese pellet blends, the Hawsons product provided substantial improvements in the chemistry, strength and iron-making performance of typical Chinese pellets, therefore increasing the attractiveness to Chinese buyers.

Meanwhile, Carpentaria will continue its marketing campaign for the remaining 50% of its planned initial production, targeting other markets in Asia and the Middle East.

“Carpentaria is positioning Hawsons to be the preferred new iron development for international buyers based on the Hawsons Supergrade product, super location and super-competitive cost targets. Hawsons has an increasingly positive outlook to become a long-term, low cost premium iron operation, which can deliver for Carpentaria shareholders and the Broken Hill region,” Mr Hill said.

Located 60km south-west of Broken Hill, the Hawsons project has access to existing rail, road, port and power infrastructure, with its unique soft ore allowing for simple liberation of a Supergrade magnetite product without expensive processing methods

About Hawsons Iron Project

The Hawsons Iron Project joint venture (Carpentaria 62%, Pure Metals P/L 38%) is currently undertaking elements of a bankable feasibility study based on the low cost, long term supply of a high grade, ultra-low impurity iron concentrate to a growing premium iron 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.

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, which is separate to the bulk fines market, and believes its targeted cost structure is very competitive

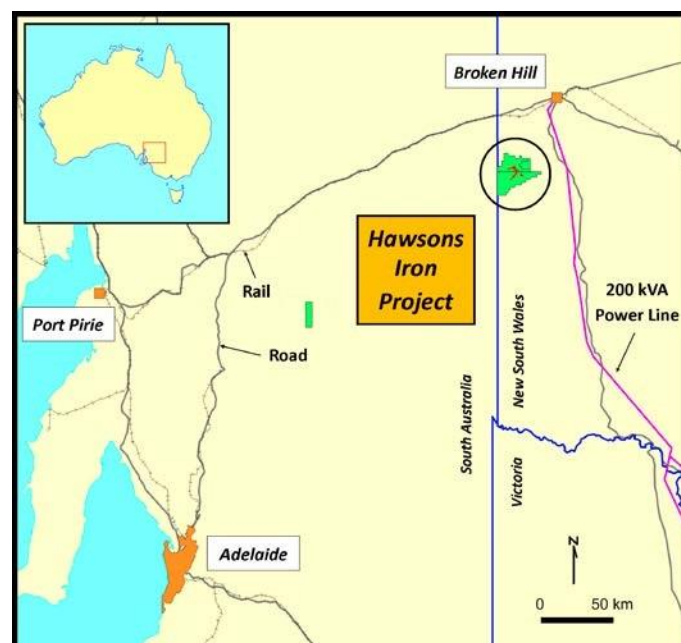


Figure 1 Location of Hawsons Iron Project and Port Pirie

and profitable at consensus long-term price forecasts for this sector.

The project is underpinned by Inferred and Indicated Resources totalling 1.8 billion tonnes at 15% mass recovery for 263 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 (ASX Announcement 26 March 2014 and Table 2).

Category	Billion Tonnes (cut off 12% mass recovery)	Magnetite mass recovery (%)	concentrate grades					Contained Concentrate million tonnes
			Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%	
Inferred	1.55	14.7	69.6	2.9	0.20	0.004	-3.0	228
Indicated	0.22	16.2	69.8	2.8	0.20	0.005	-3.0	35
Total	1.77	14.9	69.7	2.9	0.20	0.004	-3.0	263

Table 2 JORC compliant resources- Hawsons Iron Project

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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.