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Emirates Steel signs LOI for Hawsons DR pellets

Highlights

- Carpentaria (CAP) and leading United Arab Emirates steel producer Emirates Steel sign non-binding letter of intent (LOI) for the purchase of up to 0.9 million tonnes per annum (mtpa) of Hawsons Iron Project direct reduction (DR) grade iron ore pellets
- Nearly 40% of Hawsons initial planned production now set to supply high value DR markets in the Middle East and brings the total under LOIs to nearly 80%
- First LOI signed for Hawsons DR grade pellets and CAP to pursue value adding pelletising options in next stage of works (including, for example, the potential access to Whyalla infrastructure)
- DR grade pellets are the highest value raw material for iron making on the market with Platts premium approx. US\$41/t over 65% Fe index.
- LOI adds to those with Bahrain Steel, Formosa Plastics Group, Mitsubishi Corporation and global trading house Gunvor, demonstrating strength of international demand for high-quality Hawsons magnetite product.

Adding to the strong international demand for its Supergrade product, emerging iron producer Carpentaria Exploration Limited (ASX:CAP) announced today the signing of a non-binding letter of intent (LOI) with leading UAE steel and direct reduction iron (DRI) producer Emirates Steel for the purchase of 0.9 million tonnes per annum (mtpa) of DR grade iron ore pellets from Carpentaria's Hawsons Iron Project near Broken Hill, NSW including the first shipment of DRI pellets from the project.

The new LOI is the first for Hawsons DR grade pellets and adds to recent LOIs with blue-chip buyers comprising Middle Eastern pellet supplier Bahrain Steel, Taiwan's Formosa Plastics Group, Japan's Mitsubishi Corporation, and global trading house Gunvor Group, demonstrating strong international interest in Hawsons Supergrade product extending across China, Taiwan, Japan and the Middle East. It takes planned production now under LOIs to nearly 80%.

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 1998, the Abu Dhabi based Emirates Steel is a subsidiary of SENAAT, the UAE's largest industrial conglomerate. Emirates Steel is a leading DRI manufacturer with around 4mt produced from imported pellets in 2015. The company operates the only

integrated steel plant in the UAE, utilising the latest rolling mill technology to produce a range of finished steel products with capacity of 3.5 mtpa.

Carpentaria's Managing Director, Quentin Hill, said the LOI was another significant step for a project offering buyers amongst the world's best iron making raw materials. "The success of Carpentaria's international marketing programme has resulted in nearly 40% of Hawsons' initial planned production being assigned to high value DR markets. This has increased our confidence in the project's ability to attract further investment and lead the next phase of iron ore development," Mr Hill said.

"Projects capable of meeting the high specifications required in the DR market are rare, and with few existing suppliers, current buyers are highly supportive of new independent projects such as Hawsons. This gives us a potential diversity of funding sources as we target production of this strategic, high quality material by the end of the decade," he added.

DR grade pellets are currently the highest value iron raw materials on the market, with the Platts premium recently reaching as high as US\$41 per tonne over the benchmark 65% Fe index. According to analysts Wood Mackenzie, around three-quarters of current DR feed production is from just four companies, comprising Anglo American, LKAB, Samarco and Vale, with over 90% of supply from Brazil and Sweden.

Hawsons potentially offers a geographically closer and competitive supply for Asian and Middle Eastern buyers, along with the benefit of diversifying supply sources and reducing supply risk. The project's competitiveness is set to increase further, as expected oil price rises over the medium term result in increased freight rates and an appreciation of the Brazilian currency due to its "petro-currency" status, leading to higher US dollar costs for Brazil-based producers.

The LOI is also significant as the first for iron ore pellets. "This is a very exciting development for the project. Hawsons concentrate has proven to be amongst the world's best pellet feeds and Carpentaria now has added purpose to pursue its value adding pelletising options, including the use of spare capacity at the Whyalla pellet plant, which is connected to the project by rail and other stand-alone pelletising options, both local and overseas", Mr Hill said.

The latest LOI follows successful tests conducted in China (refer ASX announcement 16 February 2016), which showed that pellets made from 100% Hawsons Supergrade gave outstanding results based on buyers' criteria, namely high iron and low slag content, superior physical properties and excellent iron-making characteristics.

Carpentaria plans to continue its marketing campaign for the remainder of the project's planned initial production, targeting other markets in Asia and the Middle East, where high grade concentrates and magnetite pellet feed and pellets are increasingly in demand due to their ability to help steelmakers increase productivity and curb pollution.

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 product 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.

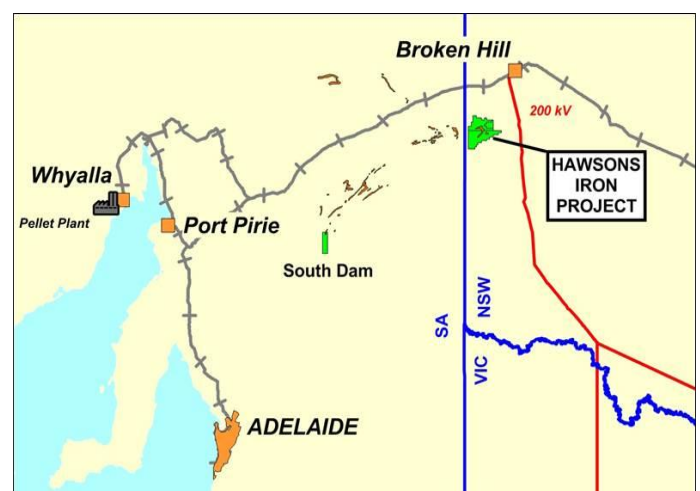


Figure 1 Location of Hawsons Iron Project and Port Pirie

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 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.