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BUYERS LINE UP FOR HAWSONS SUPERGRADE



Carpentaria's Managing Director Quentin Hill with a sample of Hawsons Supergrade pellet feed

What do Middle East giants Bahrain Steel and Emirates Steel, Taiwan's Formosa Plastics, Japan's Mitsubishi Corporation and trading house Gunvor Group all have in common?

Congratulations if you guessed correctly – they have all joined the queue to buy Carpentaria Exploration's Supergrade product from the Company's flagship Hawsons Iron Project near Broken Hill, NSW.

The blue-chip companies have been quick to recognise the quality of Hawsons Supergrade (now a pre-approved trade mark), following February's announcement of test results showing the product is amongst the world's best iron ore pellet feeds.

Among the blue-chip Hawsons Supergrade buyers, Tokyo-based Mitsubishi was the first off the mark, signing in March a non-binding letter of intent (LOI) to acquire 1 million tonnes per annum (mtpa) of Hawsons Supergrade.

In April, Bahrain Steel signed an LOI for 3 mtpa, the first such agreement with an end user and a potential DR customer. A month later, Gunvor signed for 1 mtpa, targeting the supply of smaller Chinese steel mills.

And just last month, Formosa Plastics signed an LOI for 2 mtpa to support its steel production plans, followed by Emirates Steel, which signed for 0.9 mtpa of DR-grade iron ore pellets, including the first DR pellet shipment from the project.

In total, the LOIs with buyers across Asia and the Middle East have now committed to acquiring nearly 80% of initial planned production at Hawsons – a major vote of confidence.

In September, Carpentaria announced a private placement and rights issue, with the bulk of the funds planned for resource upgrade drilling and the completion of the Hawsons prefeasibility study (PFS).

The placement funds are already being put to work towards a new drilling program set to start in early November, weather permitting. Hawsons is set for a further boost once the PFS is completed, according to Carpentaria's Managing Director, Quentin Hill.

"It'll be great to have the drilling rigs back in Broken Hill and we're looking forward to the results. The milestones of a resource upgrade and PFS are now well within our grasp, depending on the success of our capital raising, giving our investors added confidence as we look towards starting production by the end of the decade," he said.

'HAWSONS A STANDOUT'

Attracting the interest of large steel mills and international trading companies isn't easy. But the quality of Hawsons Supergrade, the project's super location near established infrastructure and its competitive costs have made it a standout, according to Carpentaria's Managing Director, Quentin Hill.

"There's only about 10 projects in the world that can match its quality – what this means is it attracts a significant premium and improves the project economics," he told the *Finance News Network*.

To learn more about Hawsons and how it is best placed among Australian projects to win the race for development, click on this video link:



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Dr Neil Williams
Chairman

NEIL'S NOTES

STRATEGY PAYING OFF

A famous quote often attributed to American Founding Father, Thomas Jefferson says: "I'm a great believer in luck, and the harder I work the more I have of it." After the recent surge in international interest in the Hawsons Iron Project, it is obvious that the hard work is definitely paying off as we work to bring our flagship project into production.

Despite volatile markets, we have stuck to our strategy which aims to ensure Hawsons is first in the queue among the next wave of magnetite projects:

- Developing end user support for Hawsons Supergrade
- Increasing confidence to attract end user investment
- Achieving project milestones to attract end user investment
- Securing end user support to build the project and meet market demand for new, high grade suppliers.

Thanks to the successes of our international product marketing campaign, we now have end user support from some of the world's biggest companies:

- **Bahrain Steel**, the world's largest independent producer of iron ore pellets;
- **Emirates Steel**, a subsidiary of SENAAT, the United Arab Emirates' largest industrial conglomerate and a leading producer of direct reduction iron;
- **Formosa Plastics Group**, a Taiwan-based conglomerate with annual sales revenues exceeding US\$60 billion and an established investor in Australia's iron ore industry;
- **Gunvor Group**, one of the world's largest independent trading houses with annual turnover of US\$64 billion, trading products including iron ore around the world with a history of investment to support its trading activities; and
- **Mitsubishi Corporation Rtm Japan**, a member of the blue-chip Japanese group and a dominant player in the high grade iron ore concentrate market with global networks and a history of investment to support its trading activities, including in magnetite.

With nearly 80% of planned initial production from Hawsons now assigned to these blue-chip buyers, I am confident we will soon have the project fully committed based on the demand from Asia and the Middle East.

The growing end user support is based upon Hawsons' strong fundamentals, including low development risk due to its position near established infrastructure such as rail, road, port, power and water, the Hawsons Supergrade product and competitive cost targets.

Hawsons' uniquely soft rock offers the prospect of significantly lower mining and processing cost targets of around US\$25/tonne less than typical magnetite projects, while the Hawsons Supergrade product (70% Fe) is expected to attract a price premium target of around US\$15/t compared to 66% Fe concentrates, potentially offering a US\$40/t higher margin than comparable projects (refer ASX announcement, August 31).

For pellet feed and DR pellets, the Hawsons Supergrade could attract price premiums of US\$24/t and US\$47/t respectively (source: ibid).

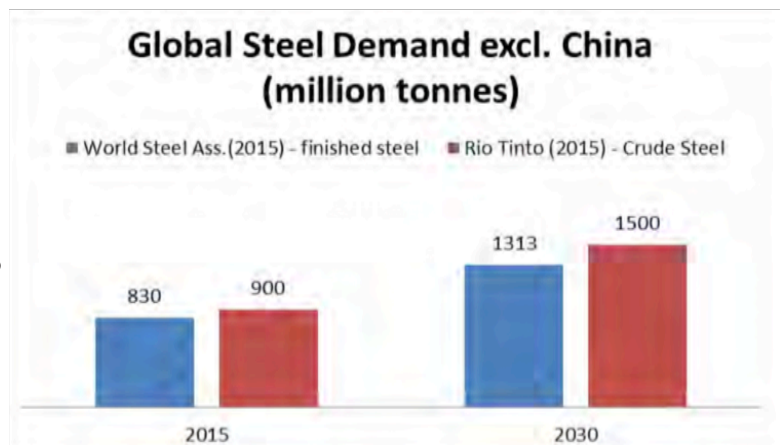
Importantly, Hawsons Supergrade will enable steel makers to best meet the new trend of including more high-grade feed in the raw material mix, thereby reducing emissions and boosting productivity, while offsetting falling Pilbara grades over the longer term.

Globally, long-term steel demand fundamentals remain positive, with an estimated 480 to 600 million tonnes per annum (mtpa) of new steel (and iron ore) required through to 2030, excluding Chinese demand, which equates to 30 to 40 mtpa of demand growth each year. In China alone, an extra 72 million people are set to become urbanised by 2020, with an estimated extra 200 million by 2030 (source: ibid).

Carpentaria is committed to meeting project cost targets following the completion of the PFS, which will include planned resource definition drilling, mine plan, engineering and infrastructure optimisation.

Thanks to our strong offtake support and with the extra support anticipated, we plan to complete the bankable feasibility study and commence production by the end of the decade, delivering wealth to our shareholders and a source of significant economic benefits for Broken Hill and Australia.

With the right project, the right product and the right strategy at the right time, our strategy is on track to deliver.



BROKEN HILL BACKING

CARPENTARIA IN THE COMMUNITY



Left to right: Broken Hill Mayor, Cr Wincen Cuy, with Carpentaria's Quentin Hill and Broken Hill City Council's General Manager, James Roncon

A social licence to operate must be earned, not expected. It is with this understanding that Carpentaria has continued to communicate closely with Hawsons stakeholders across the whole community.

In August, Carpentaria's Managing Director, Quentin Hill, met then Broken Hill Mayor, Cr Wincen Cuy and Broken Hill City Council's General Manager, James Roncon, to provide an update on the latest project developments.

Cr Cuy has been a prominent supporter of the project as Mayor, recognising the benefits for the town and the region. Carpentaria looks forward to continuing its strong relationship with the recently elected Mayor, Cr Dariaea Turley, with the aim of maximising Hawsons' positive impacts for Broken Hill.

The potential benefits to Broken Hill from Hawsons are enormous, including a significant number of new jobs and other economic spin-offs for the city and its surrounding district.

As Mr Hill explained: "Meeting and updating local stakeholders on a regular basis is vital to maintain an open and transparent communication process and ensure everyone is fully informed on the project's development."

"Support from the Broken Hill City Council is extremely important to Carpentaria as we work to bring this project to fruition. It's no less important however to earn the support and understanding of local residents and landholders, and that's why I'll be continuing to visit Broken Hill to receive regular feedback and ensure stakeholders' views are reflected in our project planning."

Australia's first heritage-listed city, Broken Hill has a proud history in the mining industry and projects like Hawsons will be crucial in ensuring this tradition survives.

As described by former federal Environment Minister, Greg Hunt: "When you think of regional Australia, when you think of mining, when you think of the ethos of Australia, you think of Broken Hill."

FINANCING HAWSONS

Adam Wheatley has raised billions of dollars in finance for major iron ore projects across Australia, including Hope Downs, Karara and Koolan Island. Now, the principal of Resource Connections and former Barclays investment banker has turned his focus to ensuring the Hawsons Iron Project secures the necessary financial backing.

According to the trained geoscientist and former project finance banker, it's all about making Hawsons a bankable project – and Carpentaria is making the right moves to join the next wave of projects under development.

"What makes this project is that it will enjoy robust premiums over the existing market due to its very high grade," he said, along with its access to infrastructure and labour.

"In terms of a project, it's similar to previous ones which I've helped finance, but this time we've focused on the end users and particularly the higher grade markets in Asia and the Middle East, and we've been very pleased with the response.

"We've now had enough LOIs to essentially have the offtake required for a starter mine, and because we

don't have to build infrastructure we can look at different sizes of operations in the next phase of work to match product demand."

According to Mr Wheatley, the next step for Carpentaria is completing the prefeasibility study and then progressing the bankable feasibility study, while securing more support for the project from end users.

"It actually could be quite a quick mine to build...Our prospects are good, since it looks to be one of the best undeveloped high grade and simple mining propositions. The steel industry is looking for high grade product, and that's exactly what Hawsons can deliver," he said.



Adam Wheatley

NEW INSTITUTIONAL INVESTOR SECURED

Investor support is critical for Carpentaria's success, particularly longer term institutional investors, as the Company makes the transition from explorer to miner.

With this goal in mind, Carpentaria was pleased to welcome onto the register an institutional investor, SG Hiscock & Company, which became a shareholder following its participation in September's successful placement of \$802,269.

For existing shareholders, on September 12 the Company announced a 1:2.6 pro-rata, non-renounceable rights offer to raise up to \$2.643 million (before costs), pursuant to a Prospectus lodged with ASIC on September 14.

The offer comprises a priority offer and shortfall offer (as defined in the Prospectus) which is open to existing eligible shareholders, and a public offer which is open to both eligible shareholders and the public. For more information, please visit Carpentaria's website (www.carpentariaex.com.au).

Signs of life

Carpentaria's capital raising has come at a time of renewed confidence in the exploration sector, according to accounting group BDO.

BDO's June quarter report found a big jump in companies with positive financing cash flows, with over 50%

able to raise funds through equity markets or borrowings, up from 42% in the previous quarter, with a \$946 million increase in net financing.

Total net investment cash flows grew to \$149 million compared to just \$47 million in the March quarter, with the average cash balance also growing by more than \$1 million.

According to *MiningNews*, there is already evidence of a pick-up, with recent new listings and "a long queue of names conducting IPOs and spin-offs."

Investment banks Deutsche Bank and HSBC have also recently pointed to the "upswing in the mining pendulum, from negative to positive," according to the mining daily.

The upswing has been seen in higher resource prices, with the iron ore spot price (FOB Australia) rallying to average US\$54 a tonne in the September quarter, up 14% year-on-year. Stronger prices will swell Australia's export earnings to \$54 billion in fiscal 2017, according to the Australian Government forecaster's latest "Resources and Energy Quarterly" for September 2016.

For Carpentaria and our investors, the renewed confidence in the sector has come at a crucial time as the Company seeks the support necessary to deliver increased value for all shareholders, whether large or small.

Carpentaria in the news

Carpentaria continues to attract media interest in its activities. Here's some of the latest coverage:

ABC Broken Hill

Interview with Quentin Hill
(July 25, 2016)

Advertiser

"Carpentaria cashes up"
(September 15, 2016)

Barrier Daily Truth

"Iron ore project attracts more custom"
(September 21, 2016)

MiningNews

"Carpentaria targeting lower capex"
(August 25, 2016)

Paydirt

"Super Hawsons steels Carpentaria"
(June 2016)

Southern Cross GTS/BKN Broken Hill

80% of planned production earmarked by buyers
(September 27, 2016)

Investor calendar

Key upcoming dates for shareholders:

October

27 - Rights offer closing date

September quarterly report
(due October 31)

November

Annual General Meeting (date tbc)

January 2017

December quarterly report
(due January 31)

Company updates

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Company contacts

Carpentaria Exploration Limited
PO Box 10919, Adelaide St
BRISBANE QLD 4000

P +61 (7) 3220 2022

F +61 (7) 3220 1291

E info@capex.net.au

W www.carpentariaex.com.au

ASX code: CAP



@CARPEXPLORE

