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**27 March 2013**

CARPENTARIA EXPLORATION LIMITED

www.capex.net.au

#### FINANCIAL

Cash and cash equivalents on hand as at 27/03/13  
A\$3,655,827.75

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ASX ANNOUNCEMENT

# *Carpentaria and Pure Metals agree new joint venture to develop Hawsons Iron Project*

## Highlights

- A Terms Sheet signed with Pure Metals provides for a new joint venture for the Hawsons Iron Project near Broken Hill, NSW.
- Pure Metals will contribute \$5 million towards the Bankable Feasible Study (**BFS**) and reimburse CAP \$3.8 million (subject to an audit) for past expenditure on Hawsons.
- Pure Metals will require its associated Company Silvergate to withdraw its requisition of CAP to hold the General Meeting scheduled to be held today.
- Pure Metals will purchase the 40% joint venture interest of Bonython Metals Group Pty Ltd (In Liquidation) in the Hawsons Iron Project (**BMG Joint Venture Interest**) from the liquidator (subject to court approval).
- CAP will waive its pre-emptive right to acquire the BMG Joint Venture Interest in favour of Pure Metals (subject to court approval).
- CAP will maintain its existing 60% interest in the Hawsons Iron Project.
- Mr Wilson Cheung will be invited to join the board of CAP.

Carpentaria Exploration Limited (ASX:CAP) announced today it has agreed a conditional binding Terms Sheet with Pure Metals Pty Ltd to progress its flagship Hawsons Iron Project, speeding the completion of a Bankable Feasibility Study (BFS) for NSW's biggest magnetite iron ore project.

Under the Terms Sheet, Pure Metals and CAP have agreed to work together to continue the Hawsons BFS and to secure a development partner for the Hawsons Iron Project. Pure Metals will contribute \$5 million towards the BFS and an estimated \$3.8 million cash to CAP (subject to audit) to reimburse the company for past expenditure.

Silvergate Capital Pty Ltd as trustee for the Silvergate Capital Unit Trust (**Silvergate**) is a party closely aligned with Pure Metals. Accordingly, the Terms Sheet aligns the interests of CAP with its major shareholder in achieving the best possible outcome for all stakeholders concerning Broken Hill's largest proposed new mine.

Subject to Federal Court approval concerning the sale to Pure Metals of the BMG Joint Venture Interest and other conditions, the Terms Sheet provides:

- Pure Metals will acquire the BMG Joint Venture Interest (40%);
- CAP will waive its pre-emptive right to acquire the BMG Joint Venture Interest and will maintain its 60% joint venture interest in the Hawsons Iron Project;



## ASX ANNOUNCEMENT

- Pure Metals and CAP will form a new joint venture to progress the Hawsons Iron Project before CAP's preemptive right over the BMG Joint Venture Interest expires;
- Pure Metals will fund \$5 million towards the cost of the BFS and an additional \$3.8 million cash to CAP to reimburse the company for past expenditure on the project (subject to an audit by Pure Metals by 15 April 2013);
- Mr Wilson Cheung, the beneficial owner of Silvergate, will be invited to join the board of CAP.
- Pure Metals will require Silvergate to withdraw its requisition notice requiring CAP to hold the General Meeting scheduled for today.
- Each Party will have the option to benefit pro rata from any new investment by a third party into the Hawsons Iron Project.

Carpentaria's Executive Chairman, Nick Sheard, said the new agreement was a win for all shareholders. The agreement preserves company capital and provides substantial BFS funding and cash to CAP in a difficult investment market.

"Carpentaria has maintained a philosophy of preserving shareholder capital and we have again delivered on this for shareholders. Today's agreement with Pure Metals and, through them, with Silvergate, offers benefits to all parties. For Carpentaria shareholders it gives access to additional funding in the short term and allows critical project momentum to be maintained. It also allows both parties to commit maximum efforts to securing the significant development partner that a project of Hawsons scale needs." Mr Sheard said.

"I firmly believe that with this agreement, Carpentaria and Pure Metals/Silvergate can now work cooperatively on the common goal of moving Hawsons from "studies" into a profitable mine for Broken Hill, our shareholders and the nation."

The agreement will also allow Carpentaria to increase exploration on other projects in its portfolio, including the growing gold prospects in NSW and the Broken Hill Tin-Tungsten Project, potentially allowing for additional discoveries and development.

Mr Sheard said the opportunity to secure substantial BFS funding for Hawsons and cash into the company in a time of very tight capital markets on favourable terms makes this agreement a very good one for all shareholders.

Mr Sheard went on to say, "We sincerely hope Silvergate's Mr Cheung accepts the Board seat, given his experience in Asian capital markets and his company's contacts in China, an obvious customer for the valuable, high quality iron concentrate to be produced at Hawsons."

Pure Metals and Silvergate Director Mr Ed McCormack in Brisbane confirmed "we are very pleased to sign this agreement with Carpentaria and believe this marks a significant milestone in the company's development. Hawsons Iron is, in our opinion, the key to securing Carpentaria's long term future and we look forward to working with the company to advance this key asset. We also welcome the resolution of the recent disagreement, fuelled by each party's commitment to and passion for the project. All shareholders are now very well placed to benefit from this refreshed unity and reinvigorated partnership.

With the addition of Mr Cheung, Carpentaria's Board would comprise three independent, non-executive directors, (Paul Cholakos, Bob Hair and Dr Neil Williams), two nominees (Mr Cheung and Conglin Group's Bin Cai) and the chairman, Nick Sheard, in line with the Company's Constitution and ensuring that the interests of minority shareholders are protected.



“Carpentaria is focused on making the transition to a mid-tier mining house, based on our range of valuable projects across eastern Australia. Combining the Board’s resource industry expertise with the investment capital and Asian networks of Silvergate will give the Company maximum ability to deliver continued growth in shareholder value,” Mr Sheard said.

### **About Hawsons Iron Project**

Located 60 kilometres south-west of Broken Hill, the Hawsons Iron Project includes an Inferred magnetite Resource of 1.4 billion tonnes (Bt) at a Davis Tube Recovery (DTR) of 15.5% (12% cut-off) for 220 million tonnes of high grade (69.9% Fe) iron concentrate and an Exploration Target<sup>1</sup> of 6-11 Bt at 14-17% DTR for over 1,000 million tonnes of concentrate (refer ASX Announcement 23rd May, 2011).

Results of a Pre-Feasibility Study (PFS) were updated following a mining optimisation study and were released to the ASX on 21st November 2011. The results were very positive and, as such, Carpentaria has continued to develop the project, increasing its value.

The project is favourably located with existing power, water, rail and port infrastructure available for a 5-10 mtpa start-up operation. In November 2012, the New South Wales Government declared Hawsons a ‘State Significant Development’ project, also providing the Director General’s Requirements for an Environmental Impact Statement.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Sheard'.

**Nick Sheard**  
Executive Chairman  
Carpentaria Exploration Limited

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*The information in this announcement that relates to Exploration Results and Resources is based on information compiled by S.N.Sheard, who is a Fellow of the Australian Institute of Geoscientists and has had sufficient experience which is 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. S.N.Sheard 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.*

<sup>1</sup> The term “Target” should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.