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CARPENTARIA EXPLORATION LIMITED

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Bahrain Steel signs LOI for 3 million tonnes pa offtake of Hawsons Supergrade

Highlights

- Carpentaria (CAP) and Bahrain Steel (BSC) sign non-binding letter of intent for the purchase of 3 million tonnes per annum (mtpa) of Hawsons Iron Project “Supergrade” product
- 30% of Hawsons initial planned production set to supply the high value direct reduction (DR) market
- BSC is the world’s largest independent DR pellet producer, located close to key DR pellet users in the Middle East, North Africa and India, with capacity for over 11mtpa of iron ore pellets
- Hawsons now has 40% of targeted production under LOIs, with established participants in two key markets demonstrating international demand for high-quality Hawsons magnetite product.

International interest in the Company’s flagship Broken Hill project continues to expand, with emerging iron producer Carpentaria Exploration Limited (ASX:CAP), as Manager and 62% owner of the Hawsons Iron Project Joint Venture, announcing today the signing of a non-binding letter of intent (LOI) for the supply of 3 million tonnes per annum (mtpa) of Hawsons’ Supergrade pellet feed to leading international pellet producer, Bahrain Steel.

The first offtake arrangement with an end user and the first with a DR customer, this pellet feed LOI means at least 30% of planned production can be sold to the high value, direct reduction (DR) market, where projects capable of meeting the high specifications required are rare and existing suppliers few.

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 1984, Bahrain Steel is a wholly owned subsidiary of Foulath Holding. BSC is the world’s largest independent producer of iron-ore pellets used in the production of steel. It operates two pelletising plants in the Kingdom of Bahrain, with a total capacity of 11 million tonnes per year, producing DR-grade pellets for customers in the Middle East, India, Far East and South East Asia.

Carpentaria’s Managing Director, Quentin Hill, said he was delighted to have gained the support of Bahrain Steel, the key Middle East producer of DR pellets, with a commitment to providing customers worldwide with the highest quality iron products.

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“Bahrain Steel has a track record of securing high-quality iron ore for its plants and this LOI is another major step forward for the development of the Hawsons project, confirming the demand for independently produced, highest quality iron products. We look forward to becoming a long-term supplier to Bahrain and strengthening both businesses,” Mr Hill said.

The announcement follows test work by Bahrain Steel that showed Hawsons pellet feed meets Bahrain Steel’s current specification requirements, and according to analysts Wood Mackenzie, around three-quarters of current DR production is from just four companies, with current buyers welcoming independent new sources of long-term, low-cost supply.

Following another recent announcement (refer ASX announcement dated 14 March 2016) Hawsons now has 40% of its targeted production under LOIs covering the DR market and the Asian pellet feed market with widely respected market participants.

Meanwhile, Carpentaria will continue its strategic product and market development program for the remainder of its planned 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.

“This LOI demonstrates buyers’ recognition of the qualities of our Supergrade product and we are confident of securing the necessary investment to continue project development, given significant offtake interest for our Supergrade product across different markets and our low cost targets,” Mr Hill said.

“We are positioning Hawsons to be the preferred new iron development for international investors, based on its Supergrade product, super location and super-competitive costs. Hawsons has an excellent outlook to become a long-term, low cost premium iron operation, delivering wealth to shareholders and new jobs and other economic benefits to Broken Hill.”

Located 60km south-west of the silver city, 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,

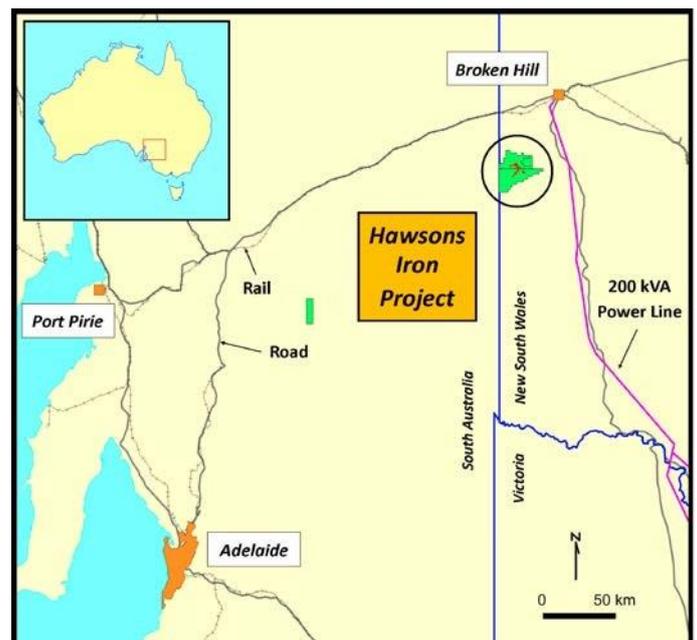


Figure 1 Location of Hawsons Iron Project and Port Pirie

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.