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Formosa LOI strengthens Asian demand for Supergrade

Highlights

- **Formosa Plastics Group (Formosa) signs non-binding letter of intent (LOI) for the purchase of 2 million tonnes per annum (mtpa) of Hawsons Iron Project Supergrade iron ore concentrate**
- **70% of Hawsons initial planned production now covered by LOIs with blue-chip companies across Asia and the Middle East**
- **LOI adds to those agreed with Bahrain Steel, Mitsubishi Corporation and global trading house Gunvor, demonstrating strength of international demand for high-quality Hawsons magnetite product.**

Asian demand for the Hawsons Supergrade product continues to increase, with emerging iron producer Carpentaria Exploration Limited (ASX:CAP) announcing today a non-binding letter of intent (LOI) with Taiwanese conglomerate Formosa Plastics Group through its Authorised Representative for Australia.

Already an investor in Australia's iron ore industry, Formosa intends to buy 2 million tonnes per annum (mtpa) of Supergrade iron ore concentrate from the Hawsons Iron Project near Broken Hill, NSW for an initial 10-year period.

Welcoming the announcement, Carpentaria's Managing Director, Quentin Hill said: "We are delighted to welcome Formosa as a potential offtake partner for Hawsons, and this LOI is another important step in the development of our flagship project. It supports our development strategy and provides increased confidence in the project's potential to lead the next phase of iron ore development".

"This LOI is the first with a steel maker and brings the amount of initial planned production from Hawsons under LOI with blue-chip buyers to 70%, all of which is to high value pellet feed and concentrate markets in Asia and the Middle East," he added.

Founded in 1954, Formosa Plastics Group boasts annual sales revenues of more than US\$60 billion, with its current assets more than US\$102 billion and 110,677 employees worldwide. A global leader in petrochemicals and plastics, the company also operates several prominent educational and medical institutions in Taiwan.

Formosa intends to use Australian resources to support its planned growth in steel production, which is expected to reach 7.5mtpa by 2020, with a long-term target for 22.5mtpa of quality steel.

Hawsons Supergrade has attracted strong demand due to its ability to improve productivity and curb pollution. Following pelletising tests in February 2016 which showed the product's excellent iron making characteristics, Carpentaria has announced successive LOIs with Japan's Mitsubishi Corporation (1 mtpa), Bahrain Steel (3 mtpa) and most recently Europe's Gunvor Group (1 mtpa).

Meanwhile, product marketing discussions have continued in key markets, with intentions to broaden the program to China and India. Carpentaria is also at an advanced stage of planning for additional resource definition drilling at Hawsons, following the recent successful \$802,000 placement to professional and sophisticated investors and the opening of a rights issue (refer ASX announcement 12 September 2016).

“Carpentaria has demonstrated it has a super product at Hawsons, with a super location near Broken Hill and established infrastructure. We are confident that our development strategy can deliver a premium, long-term iron business delivering value for shareholders,” Mr Hill added.

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 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.

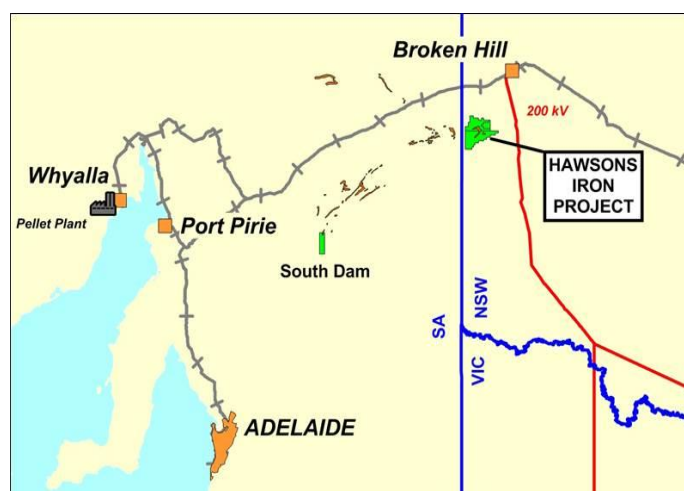


Figure 1 Location of Hawsons Iron Project, Port Pirie and Whyalla

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.