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Huge Chinese steel producer inks Hawsons Supergrade® LOI

Highlights

- **LOI with major Chinese steel maker Shagang International for purchase of 2.5 million tonnes per annum of Hawsons Supergrade® pellet feed**
- **Hawsons initial planned production now oversubscribed, with LOIs totalling 11.4 Mtpa agreed with blue-chip buyers from Asia and Middle East**
- **Global steel industry showing increasing demand for high quality ore amid growing price differentials between high and low grade products**
- **Potential to investigate more than 10mtpa production at Hawsons based on strong buyer support**

International demand for Hawsons Supergrade® product now exceeds planned initial supply, with Carpentaria Exploration Limited (ASX:CAP) as managers and majority owners (64%) of the Hawsons Iron Project JV announcing today the signing of a non-binding Letter of Intent (LOI) for sale and purchase of Hawsons Supergrade® with China's largest privately-owned steel producer, Shagang Group.

The LOI comprises 2.5 million tonnes per annum (Mtpa) of Hawsons Supergrade® pellet feed from Carpentaria's flagship Hawsons Iron Project to supply Shagang's steel making complex based at the port city of Zhangjiagang near Shanghai.

One of the world's largest producers of high quality steel, with annual production capacity of 39 million tonnes, Shagang also has one of the world's largest blast furnaces and extensive port and pelletising facilities.

Significantly for Carpentaria's plans for a major new magnetite mine near Broken Hill, LOIs for Hawsons Supergrade® product now comprise 11.4 Mtpa, more than the rate that is being studied for the purposes of the current Hawsons prefeasibility study (PFS), which is due for release by the end of this quarter.

Carpentaria's Managing Director, Quentin Hill, welcomed Shagang's intent as demonstrating the strength of blue-chip international interest in the Hawsons project.

"Shagang is a major, established integrated steel producer, which is already a significant investor in Australia's magnetite industry. The company is known for its preference for high quality ore, and this LOI recognises the unique properties of Hawsons Supergrade® product and its benefits for major steel makers. We are delighted to have Shagang as a future customer," Mr Hill said.

The LOI with Shagang follows recent agreements with a range of blue-chip international buyers from across Asia and the Middle East, comprising Bahrain Steel, Emirates Steel, Kuwait Steel, Formosa Plastics, Gunvor Group and Mitsubishi Corporation RtM.

“The offtake oversubscription for Hawsons Supergrade® product clearly demonstrates the increasing demand for high-grade pellet feed and is recognition by international steel makers of the need for new supply sources in a concentrated global market. We look forward to continuing our engagement with our international partners, with a view to converting these LOIs into binding offtake agreements which can support project financing during the bankable feasibility stage,” Mr Hill added.

Recent iron ore pricing has shown growing market segmentation, favouring high quality iron ore products, with 65% Fe products attracting double the price of 58% Fe products on the back of increasing demand.

The Hawsons project has demonstrated its capacity to produce a product that is the highest-grade seaborne quality at 70% Fe, with excellent physical and iron making properties. The Hawsons Supergrade® product is expected to attract a premium price across a number of sophisticated markets, as reflected by the range of LOIs already agreed prior to the anticipated start of production around the end of the decade.

Carpentaria also plans in later studies to investigate an increased scale of production at Hawsons, with the current PFS on track for completion before the end of June 2017.

“Hawsons continues to build momentum, with this latest LOI yet again verifying the international demand for our Hawsons Supergrade® product. With the PFS set to demonstrate the project’s economic potential, we are confident of building a long-term, low cost premium iron business near the birthplace of Australia’s mining industry, for the benefit of all stakeholders,” Mr Hill said.

Hawsons LOIs

The below table provides an update concerning the current range of LOIs for Hawsons Supergrade® product, from blue-chip international companies across Asia and the Middle East:

Company	Volume	Market
Shagang	2.5 Mtpa	Pellet feed
Bahrain Steel	3.0 Mtpa	Direct reduction (DR) pellet feed
Formosa Plastics	2.0 Mtpa	Supergrade concentrate
Mitsubishi Corporation RtM	1.0 Mtpa	Supergrade pellet feed
Gunvor	1.0 Mtpa	Supergrade concentrate
Kuwait Steel	1.0 Mtpa	DR pellet feed
Emirates Steel	0.9 Mtpa	DR pellets
Total	11.4 Mtpa	

About Shagang International

Shagang International is part of the Jiangsu Shagang Group, is one of China’s National Industrial Enterprises, the largest private steel maker in China, with its headquarters in Zhangjiagang City, Jiangsu Province. The Group currently has more than 30,000 employees, with annual production capacity of 31.9 million tons of iron, 39.2 million tons of steel and 37.2 million tons of rolled products. For more information, please see <http://www.sha-steel.com/eng/>.

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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.

The data in this report that relates to Mineral Resource Estimates for the Hawsons Magnetite Project is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) 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 Tear is a director of H & S Consultants Pty Ltd.