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ASX ANNOUNCEMENT

Port study cuts Hawsons cost assumptions, boosts development prospects

Highlights

- Hawsons supply chain studies successfully completed to prefeasibility study (PFS) level
- All project elements now ready for bankable feasibility study (BFS)
- Product transport cost assumption from mine site to free on board (FOB) ship cut to USD\$13/t from USD\$16/t*
- Potential for 80 new jobs at Port Pirie, with substantial community benefits
- Carpentaria's project assumptions re-affirmed, improved
- Hawsons BFS to target FOB costs of USD39-47/t* for 69.5% Fe product

*exchange rate 1.00 AUD buys 0.78 USD

Carpentaria Exploration Limited (ASX:CAP) announced today the successful completion of a supply chain prefeasibility level study for its Hawsons Iron Project, offering the potential for further cost savings at the Company's flagship project near Broken Hill.

Funded jointly with Port Pirie operator Flinders Ports, the study has increased confidence in the project's economics and technical delivery by bringing the supply chain solution from the conceptual to the pre-feasibility stage, allowing for a near 20% reduction in the supply chain cost assumptions for the Hawsons Project to USD\$13 per tonne from USD\$16/t previously (refer ASX Announcement 28 April, 2014).

The results demonstrate that a 20 million tonne per annum (Mtpa) export facility at South Australia's Port Pirie is both technically and economically feasible, providing increased certainty to the project and boosting the prospects for the development of eastern Australia's biggest iron project (Figure 1).

The Company's development plans seek to maximise community benefits, with the potential creation of over 80 direct jobs at Port Pirie and design choices that are sensitive to the community expectations.

Commenting on the study, Carpentaria's Managing Director Quentin Hill said: "These results are hugely significant for the Hawsons project. The study's successful completion provides the final plank from which to launch a BFS.



Figure 1 Aerial view of Port Pirie

“Further, the substantial reduction in the transport cost assumption of USD\$3/t is also very significant, potentially increasing our competitiveness and boosting the prospects of development. Our studies will now target an all in FOB cost range of USD 39-47/t for a 69.5%Fe concentrate product, based on current exchange rates. Given that substantial premiums (circa USD20/t) are being paid for high quality products, the project is highly attractive given current iron ore pricing dynamics and outlook.”

The latest study reaffirms the clear and achievable project pathway and Hawsons infrastructure advantage. The port study builds on recent successful pilot plant work that confirmed the process method to produce a high value product and other studies confirming the Company’s power and water assumptions.

Welcoming the study’s findings, Stewart Lammin, General Manager of Flinders Ports, said: “We are pleased that the study has identified a feasible option for getting this material to port. Flinders Ports has viewed Port Pirie as a potential export option for iron ore, and this study demonstrates how our port could competitively move up to 20 million tonnes of bulk commodities per year.”

Carpentaria management is now focussed on early stage discussions with others regarding funding options, product specifications, and infrastructure agreements.

Rail–Port–Marine supply chain study

The Port Pirie Iron Ore Export Facility Pre-feasibility Study Report produced by GHD investigated rail unloading, product storage, transfer to existing berths, barge loading and delivery to cape size vessels in the Spencer Gulf.

Rail unloading and storage

The product would be unloaded utilising “straight loops” in the existing rail corridor, minimising new construction and cost. The product would be transferred to an adjacent storage shed of over 300kt capacity. Capacity for 20mtpa would result in acceptable utilisation rates of 69% for unloading infrastructure.



Figure 2 Pipe conveyor system at Port Pirie

Transfer from Storage to Wharf

A pipe conveyor was selected over a conventional conveyor for transfer of product from storage shed to the wharf because it is sealed, has tighter turning capability and a more quiet operation (Figure 2).

The conveyor would largely run along the existing rail corridor to Port Pirie Berth 2.

Barge loading and ship loading

A new quadrant loader would be installed at Port Pirie with a capacity of 21mtpa at 70% utilisation. This capacity would result in barge utilisation rates of around 60%.

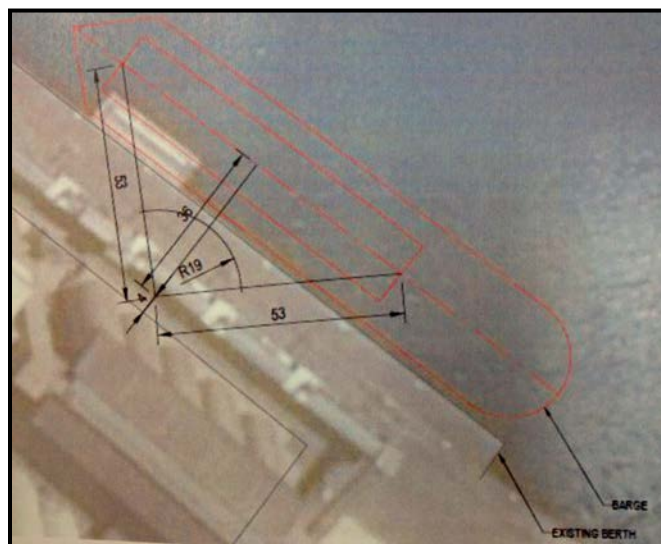


Figure 3 Quadrant loader situated on wharf

The solution assumed standard self-unloading barges with payload capacities of 12,000-17,500t capable of loading a 170,000t ocean going vessel in the Spencer Gulf in under two days (Figure 3).

Cost Estimates

The total capital cost of the works is estimated to $\pm$ 30% accuracy at AUD\$230m plus contingency costs. The capital cost includes landside logistics costs of AUD\$144m (excludes storage shed). Flinders Ports estimates that this cost can be reduced materially with further study and value engineering will be conducted to further reduce costs during the next phase of the project.

The transport cost assumption from mine to port has been revised to incorporate the new work to USD13/t using an exchange rate of 1 AUD buys 0.78 USD.

Options

GHD investigated a number of options before focussing on two options for the supply chain. The options were assessed based on engineering and approval assessments.

The two options selected for detailed study were favoured because of the proximity to an existing transport corridor, favourable land zoning and maximising the community benefits for Port Pirie. Meeting these criteria also provided the best case for cost, approval timeframes and environmental and community outcomes.

“Carpentaria continues to consult closely with local and state governments regarding its plans, with increased community engagement scheduled during the project’s next phase,” Mr Hill said.

“As the project progresses, we are confident we can meet community and government expectations and provide overwhelmingly positive benefits for Port Pirie and the broader region.

Carpentaria is focused on developing Hawsons into a long-term, low cost source of premium iron products for export markets, delivering long-lasting benefits for all stakeholders.

About Hawsons Iron Project

The Hawsons Iron Project joint venture (Carpentaria 60%, Pure Metals P/L 40%) is currently undertaking 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.

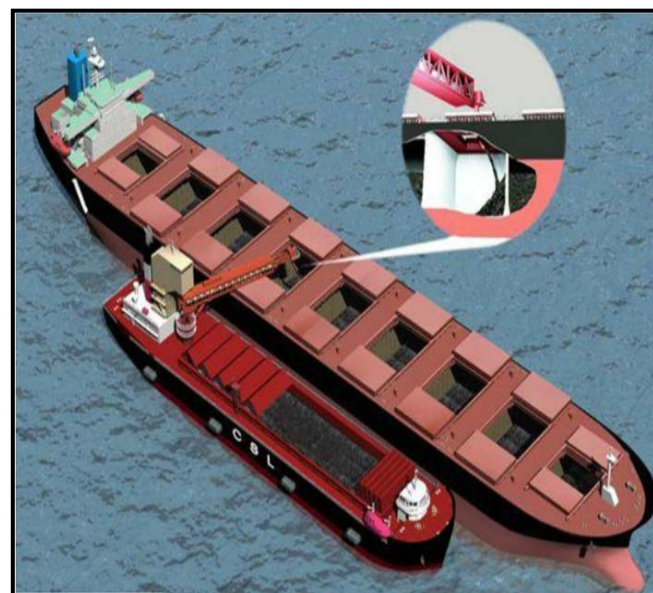


Figure 4 Transhipment from Port Pirie

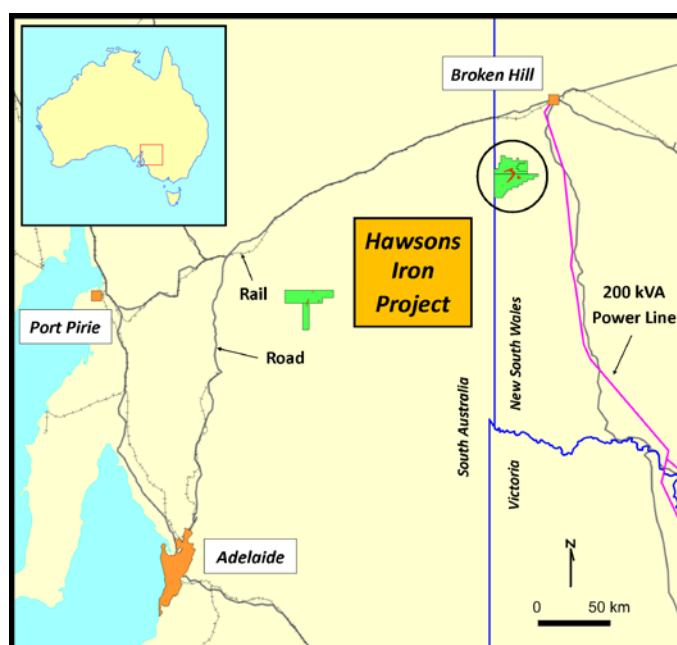


Figure 5 Location of Hawsons Iron Project and Port Pirie

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 premium magnetite product without complex and expensive processing methods. The Company is targeting the growing premium high grade product market that 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 1).

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 1 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.