

6 August 2018

Japan's Mitsui & Co., Ltd. secures Hawsons off-take providing financial support for BFS

Highlights

- **Blue-chip Japanese trading house Mitsui & Co., Ltd. secures off-take from Carpentaria's Hawsons Iron Project in 2 stage financing package**
- **Mitsui to obtain an option of securing off-take by contributing A\$5.4m to Hawsons bankable feasibility study, which cost is estimated to be A\$27.0m**
- **Mitsui to exercise the option and to secure 2 million tonnes per annum of Hawsons Supergrade® product off-take for 20 years by contributing US\$60 million to Hawsons construction funding**
- **Deal significantly reduces the project's funding risk and is expected to accelerate discussions with other potential off-takers and funding parties**

In a major advance for Broken Hill's next new mine, emerging iron producer Carpentaria Resources Limited (ASX:CAP) announced today an agreement with Mitsui & Co., Ltd. (Mitsui) to drive development of its flagship Hawsons Iron Project (Hawsons).

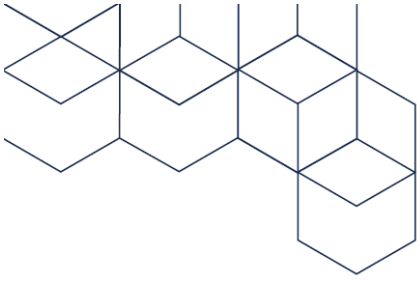
Under the agreement, the blue-chip Japanese trading house will contribute A\$5.4 million towards the cost of the project's bankable feasibility study (BFS) for an option over 2 Mtpa of Hawsons Supergrade® product off-take.

Significantly, the BFS funding A\$5.4 million provided is non-dilutive to shareholders and is equivalent to 20% of the estimated BFS funding requirements.

This off-take will be secured by Mitsui subject to Mitsui's option exercise with a US\$60 million (at current exchange rates, A\$81 million) contribution to the debt funding package for the construction of a new magnetite mine just 60km south-west of "the Silver City."

CAP's Managing Director, Quentin Hill, said Mitsui's financing provided a major vote of confidence in Hawsons as the world's leading high-quality iron ore concentrate/pellet feed project.

"We are delighted to welcome Mitsui to the project, given its status as one of the largest international investors in Australia's resources industry, including major iron ore developments. This investment confirms Hawsons' position as the world's leading undeveloped high quality iron ore project and supports our view that the Hawsons can satisfy the demand from customers in the high quality, high-value and high-growth iron ore markets of direct reduction iron (DRI) and pellet feed," Mr Hill said.



“Importantly, the financing reduces the project’s financing risk and enhances its bankability, combining binding investment grade off-take with funding support. This model is highly beneficial to CAP shareholders, as it avoids dilution, addresses key project delivery risks and adds significant value to the project. We have a clear plan for development that is on track and we will continue to pursue non dilutive arrangements where possible.

“We now expect our current discussions with blue-chip off-takers and fund managers to accelerate ahead of securing the remaining BFS funding and develop Hawsons into a major new mine.”

The Hawsons BFS is targeted to be completed within the next 12-15 months.

Deal summary

- Binding A\$5.4m payment to the Hawsons joint venture directed to BFS works, available once the balance of BFS funding is secured by the joint venture
- Mitsui gains option to secure 2.0 million tonnes per annum (Mtpa) of Hawsons Supergrade® pellet feed off-take for a 20-year period and exclusivity to sell the pellet feed product in Japan
- Product price to be in line with market practice at the time, which today is consistent with CAP’s pricing formula in its PFS and based on the 65% Fe index, plus additional value for extra iron units and then adjusted for chemical and physical properties, which are subject to negotiation (refer ASX announcement 28 July 2017)
- Option exercise condition is for Mitsui to commit a US\$60m mezzanine debt facility for Hawsons construction following the BFS

Mr Hill said: “CAP has previously secured 120% demand for Hawsons’ initial planned production of 10 Mtpa from steelmakers and trading houses across Asia and the Middle East. Mitsui is the first-mover with a funding commitment, and the additional competition for the product is expected to drive development, raising the stakes for those seeking to secure Hawsons off-take.

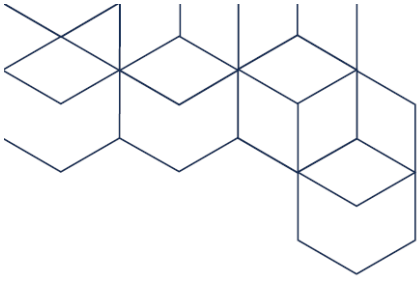
“Today’s announcement demonstrates that Hawsons is capable of winning international investment. From our successful PFS announced last year, to our recent award of Major Project Status by the Federal Government, and the recent appointment of a highly-credentialled resources industry Director, CAP and Hawsons are building significant momentum towards development.

“This is another well planned step in our off-take led strategy that exploits the global long term flight to high quality iron ore. For Broken Hill, the new investment and creation of jobs would be a real boost this heritage-listed mining city, and we look forward to securing additional strategic partners,” he added.

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About Mitsui & Co., Ltd.

Founded in 1947, Tokyo-based Mitsui & Co., Ltd. is one of the world's most diversified trading, investment and services enterprises. The company is a leading exporter of natural resources and agricultural commodities from Australia, accounting for around \$8 billion in total exports annually as the nation's fourth largest exporter.

In the past decade, Mitsui group companies have invested around \$15 billion in Australia, backed by its network of 137 offices in 66 countries/regions.

For more information on Mitsui & Co. (Australia), see:

<https://www.mitsui.com/au/en/company/profile/index.html>

About Hawsons Iron Project

The Hawsons joint venture (CAP 68.69%, Pure Metals Pty Ltd 31.31%) 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, including the direct reduction (DR) market.

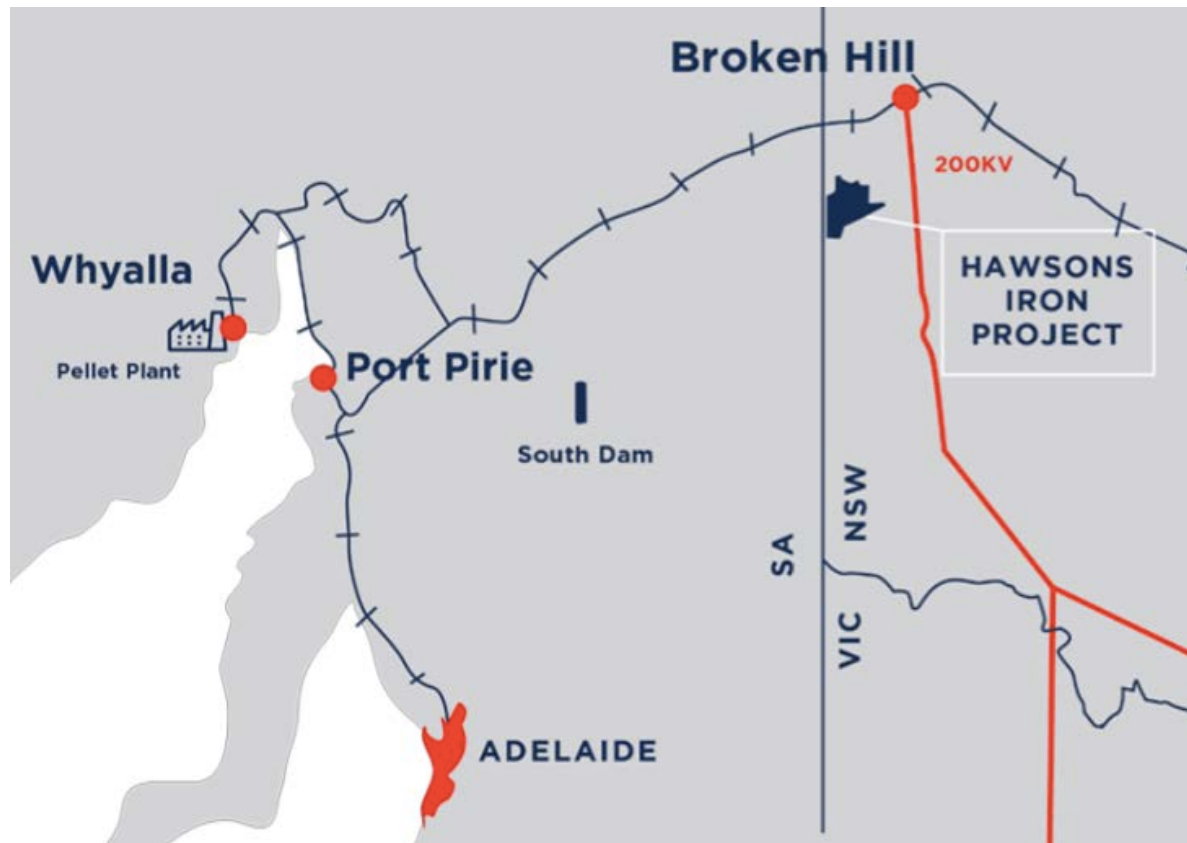
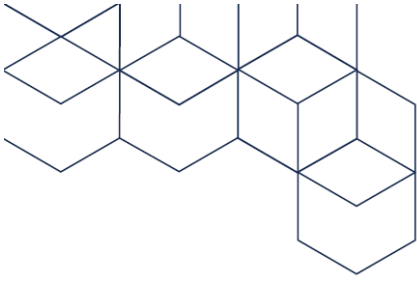
The project has a clear technical and permitting pathway. It is located 60km south-west of Broken Hill, an ideal position for mining operations with existing power, port, rail and road infrastructure sufficient for a 10 Mtpa start-up operation. A mining lease application has been lodged with the NSW Government.

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 product of rare quality without complex and expensive processing methods.

The Company is targeting the growing premium high-grade product market, both pellets and pellet feed, which is separate to the bulk fines market and its prefeasibility study has shown its targeted cost structure is very profitable at consensus long-term price forecasts for this sector.

CAP has secured off-take intent from blue-chip companies comprising Taiwan's Formosa Plastics; China's Shagang Steel; Japan's Mitsubishi Corporation RtM; Bahrain Steel, Emirates Steel and Kuwait Steel from the Middle East; and trading house Gunvor Group.

In April 2018, the Hawsons was awarded Major Project Status by the Federal Government, one of only 14 projects nationwide to receive such recognition, in a move expected to expedite regulatory approvals and increase investor confidence.



The Hawsons Iron Project is located 60km south-west of Broken Hill, NSW, an ideal position for mining operations with existing port, power, rail and road infrastructure suitable for a 10 Mtpa start-up operation