



7 March 2018

## **Company Update: Discussions progressing over Hawsons as structural shift favours Carpentaria**

Dear Shareholder

Iron ore pricing has undergone a transformation that favours higher quality ores, including iron ore pellets. This has been long forecast by the Company and has highlighted the strategic value of our Hawsons Iron Project to the highest value sections of the iron ore market, namely pellet producers and direct reduction iron makers.

The change is the result of the Chinese steel industry's restructure, which has restored mill profitability, and an increased policy focus on clear skies and clean air in China that has penalised polluters. These two factors have driven mills towards high quality ore, as this is the simplest and most certain way to achieve more efficient and higher productivity steelmaking.

Significantly, iron ore pellets are now the highest growth section of the iron ore market. **Hawsons is the leading undeveloped pellet feed/concentrate project in the world and Hawsons Supergrade® product is the world's best pellet feed.**

Separately, growth in direct reduction iron making (DRI) is constrained by the amount of suitable feed. DRI manufacturing requires gas, not coal, and is currently a highly profitable method of making iron, with about half the pollution of traditional methods. **Hawsons Supergrade® product is one of the very few that can meet the DR specification.**

The Company continues its international engagement and is confident that the iron ore and steel market outlook, the Hawsons Supergrade® product offering, and the project's competitive position will lead to positive funding and value outcomes for shareholders.

Multiple third parties have been and are conducting due diligence on the project data, with the intention to assist in funding the bankable feasibility study (BFS), project construction or both. Carpentaria continues to field and engage additional interest in the project and its Hawsons Supergrade® product.

Some parties have largely completed their technical due diligence assessment; some parties are continuing their technical assessment; and others are at an earlier stage. No party has noted any substantive technical inconsistencies with the material presented in the data room. Importantly, it is consistent with the publicly available material.

The Company is at various discussion stages with these parties about off-take linked funding models for the BFS and construction stages. (It should be noted that there is no guarantee of any transaction).

The Board and management, as ever, continue to focus on maximising shareholder returns. We therefore prefer funding models that enhance the prospects for project finance and facilitate the development of Hawsons into a long life, profitable operation for the benefit of our shareholders and the community of Broken Hill.

Thank you again for your support to date as we work hard to reward your faith in our Company.

Yours sincerely

Neil Williams  
Chairman