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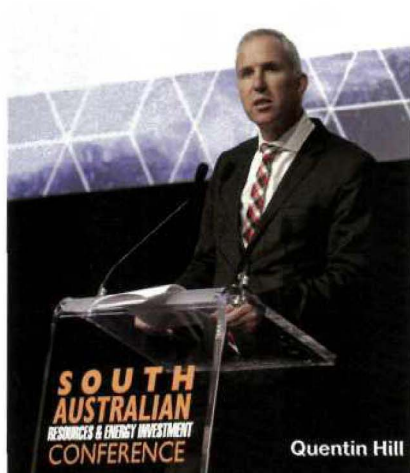
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## SAREIC REVIEW

# Carpentaria bridges the market

**F**ortescue Metals Group Ltd's recent decision to commit \$3.6 billion to development of its Iron Bridge magnetite project is the market signal Carpentaria Resources Ltd managing director Quentin Hill has been looking for.

For several years now, Hill has promoted the development case for his company's Hawsons iron project, 60km south-west of Broken Hill, on the back of rising demand for higher quality ores.



Hawsons is capable of producing a 70% Fe product which is a desired input for the global pellet feed and direct reduction markets.

"The market has shown its preference for higher grade ores, with the Platts 65% Fe index currently more than \$US100/t," Hill said.

"It is the demand for high quality ores that has led to the development of the Iron Bridge magnetite project. It is, I believe, a signal that their higher quality ores will displace their lower quality ores. This idea has been the foundation of our business model.

"The decision by Fortescue shows, as ever, market supply and demand fundamentals are working to get the best projects developed. Our financial metrics compare favourably with Iron Bridge – and at a smaller scale – so you would expect market fundamentals to pull Hawsons to development. And we are talking to the right people to make that happen."

Carpentaria has already partnered with Japanese trading house Mitsui & Co to complete a BFS on Hawsons, having also signed non-binding agreements

with eight interested parties for up to 14 mtpa of proposed production. A base-case production scenario of 10 mtpa was used in the PFS.

Mitsui has committed to funding \$5.4 million of the overall BFS cost for an option over 20% of the offtake. Hill said his company was seeking similar deals to protect shareholder value.

"Fortunately customers look at project and market fundamentals, not at our company's market value," Hill said.

"The project fundamentals are strong and the financial metrics outstanding. Our PFS results show an all-in landed China cost of \$US48/t and, using consensus iron ore price forecasts and premiums, it shows a \$40/t profit margin. Today that margin is over \$65/t with an equity rate of return of more than 43%. Our assumptions are looking a little conservative at the minute."

Leading research firm Wood Mackenzie has rated Hawsons as the world's best high-grade iron ore development project outside of those held by the majors.

– Michael Washbourne