



ABN 63 095 117 981

ASX Code CAP

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**CORPORATE DIRECTORY****Board of Directors**

Dr Neil Williams	Non-executive Chairman
Quentin Hill	Managing Director
Paul Cholakos	Non-executive Director
Jon Parker	Non-executive Director

**Company Secretary**

Robert William Hair

<p><b>Registered Office</b></p> <p>Level 6 345 Ann Street Brisbane Qld 4000</p> <p>PO Box 10919 Adelaide Street Brisbane QLD 4000</p> <p>Telephone: +61 7 3220 2022 Facsimile: +61 7 3220 1291 Email: info@capres.net.au Website: www.carpentariares.com.au/</p>	<p><b>Solicitors</b></p> <p>CBW Partners Level 1, 159 Dorcas Street South Melbourne VIC 3205</p>
<p><b>Auditors</b></p> <p>BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000</p> <p>Telephone: 07 3237 5999 Fax: 07 3221 9227 Website: www.bdo.com.au</p>	<p><b>Share Registry</b></p> <p>Link Market Services Limited Level 21 10 Eagle Street Brisbane QLD 4000</p> <p>Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au</p>

**DIRECTORS' REPORT**

Your Directors present their report on Carpentaria Resources Limited for the year ended 30 June 2019.

**DIRECTORS**

The names and details of the Directors of Carpentaria Resources Limited (Carpentaria) in office at the date of this report or at any time during the financial year are:

Name	Position	Period of directorship
Dr Neil Williams	Non-executive Chairman	Appointed 1 January 2012
Quentin Hill	Managing Director	Appointed 1 September 2013
Paul Cholakos	Non-executive Director	Appointed 2 April 2012
Jon Parker	Non-executive Director	Appointed 12 June 2018

**Dr Neil Williams** *PSM BSc Hons (ANU) PhD (Yale) FTSE*  
*Non-executive Chairman*

Dr Williams has had a long and distinguished minerals-related career and in early 2014 was awarded the Haddon Forrester King Medal from the Australian Academy of Science for his contributions to the discovery, evaluation and exploitation of mineral deposits. His served as Chief Geologist – Exploration for MIM, and later for 15 years as the Chief Executive Office of the Australian Government's geoscience agency, Geoscience Australia, where he led and managed up to 750 staff and was responsible for annual budgets ranging from \$72million to \$181million. Dr Williams was a member of the Board of Australian Marine Science & Technology Ltd for 15 years and was Chairman of the Board for 13 of those years. He was also a member for 7 years of the Snowy Mountains Council that had oversight of the running of the Snowy Mountains Hydro-electric Authority and he served as Chairman of the Council for the last 5 of those years.

Dr Williams joined the Board on 1 January 2012 and was appointed Chairman on 1 July 2014. He is also a member of the Carpentaria Audit Committee and the chairman of the Carpentaria Remuneration Committee.

Dr Williams has not been a director of any other listed company in the last three years.

**Quentin Hill** *BSc (Geology)*  
*Managing Director*

Quentin is a geologist with more than 20 years' experience in exploration and development in Australia. He has wide ranging commodity experience including gold, iron ore, coal and base metals. Quentin was Carpentaria's Senior Geologist when the Company listed and was integral in the discovery of the 1.8Bt Hawsons Iron Project, where he also managed the successful resource drilling.

Prior to his 10 years with Carpentaria, Quentin held technical positions with major miners, including seven years with Delta Gold and with Vale's coal division. He also held a senior role in the Queensland Government, where he implemented several exploration funding initiatives. He is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists and holds a graduate certificate in business administration.

Mr Hill has not been a director of any other listed company in the last three years.

**Paul Cholakos** *Bachelor of Engineering (Mining), MBA*  
*Non-executive Director*

Paul has more than 32 years of resources industry experience, successfully managing complex development projects and operations for leading oil and gas and diversified mining companies, including through executive roles at major Australian oil and gas company Oil Search Limited (ASX:OSH) and Exeter Resources and a variety of operational and commercial roles at MIM Holdings. He has worked in North America, South America and Asia-Pacific. He holds Master of Business Administration and Bachelor of Engineering degrees. .

He is also chairman of the Carpentaria Audit Committee and a member of the Carpentaria Remuneration Committee.

Paul has not been a director of any other listed company in the last three years.

**Jon Parker** *BSc (Hons), Grad. Dip Business Management*  
*Non-executive Director*

Mr Parker has more than 40 years' industry experience including 26 years with leading iron ore producer Rio Tinto. He has a distinguished record in executive management and value creation across the resources sector for a range of ASX-listed companies, where he has overseen substantial growth in market capitalisation.

Following a successful career at Rio Tinto, he oversaw as Managing Director the transformation of Felix Resources into a significant resources company. Under his tenure, Felix's market capitalisation expanded from around \$17 million to more than \$500 million through the successful acquisition, expansion and development of mining projects in Queensland and New South Wales, prior to its ultimate takeover for approximately \$3.5 billion.

More recently, Mr Parker has served as Managing Director of Norton Goldfields and as a non-executive director of Sphere Minerals (majority owned by major miner Glencore), owners of Mauritanian magnetite assets.

He is also a member of the Carpentaria Remuneration Committee and of the Carpentaria Audit Committee.

Mr Parker has not been a director of any other listed company in the last three years.

### Interests in the shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and options of Carpentaria Resources Limited are shown in the table below:

<b>Director</b>	<b>Ordinary Shares</b>	<b>Non-Recourse Employee Shares</b>	<b>Options</b>
Quentin Hill	2,413,569	1,500,000	3,750,000
Neil Williams	-	-	2,875,000
Paul Cholakos	-	-	2,305,000
Jon Parker	-	-	2,000,000

### COMPANY SECRETARY

**Bob Hair** *BA (Hons)*  
*Company Secretary*

Bob is by background a lawyer (having been admitted as a barrister in Queensland in 1983) with more than 30 years of experience in the resources sector. He was previously an in-house lawyer, director of subsidiary companies and Commercial Manager and General Manager in the MIM group in Australia, Asia, Europe, North America, South America, and GM Commercial for the ASX-listed Highlands Pacific Limited and was Managing Director of Ferrum Crescent Limited (ASX; LSE; JSE/FCR). He has since worked for and consulted to various listed and unlisted companies in the resources industry.

Bob was a non-executive director of Carpentaria from its listing on ASX until his resignation effective 30 September 2015. He has not been a director of a listed company in the last three years.

### CORPORATE INFORMATION

#### Corporate Structure

Carpentaria is a company limited by shares and incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange (ASX). Carpentaria has prepared a consolidated financial report encompassing the entities that it controlled during the financial year.

## NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the course of the financial year was mineral exploration.

Following listing on ASX on 17 November 2007, the Consolidated Entity has continued exploration activity on its projects in Queensland, New South Wales and South Australia. Its principal focus is completion of the bankable feasibility study into the Hawsons Iron Project (**HIP**) and, if economically and technically viable, the financing, construction and operation of that project.

There was no significant change in the nature of the activity of the Consolidated Entity during the year.

## CURRENCY

The financial report is presented in Australian dollars and amounts are rounded to the nearest dollar.

## OPERATING RESULTS

### Commentary and Comparison with Prior Year

For the year ended 30 June 2019, the loss for the Consolidated Entity after providing for income tax was \$1,847,961 (2018: \$1,183,143). The loss for the 2019 financial year is \$664,818 more than the loss of 2018, primarily attributable to increases in the technical product marketing and other business development costs associated with the promotion of the Hawsons Iron Project.

### Cash Position

The Consolidated Entity's cash position increased from year end 2018 by \$1,971,565 with the Company successfully raising \$4,186,823 in new capital through a private placement in September 2018 and a share placement plan in May 2019.

### Business Strategies and Prospects For Future Financial Years

Work programmes implemented this year have continued to generate significant interest in HIP's potential product offering from buyers of steel making raw materials. The Company on 28 July 2017 announced the results of the prefeasibility study conducted by independent consultants GHD, with the results showing robust project economics for production of 10 Mtpa of the world-leading Hawsons Supergrade® product for steel makers.

The work programmes for the next twelve months will be directed to bankable feasibility study (BFS) milestones. The programmes will be funded by capital raising and investments by end users of HIP product and others to secure offtake and other rights. The cost of the work programmes will be set to maximise the Company's ability to attract additional investment and to maintain a strong financial position.

The Company will continue to monitor commodity markets and review its strategy periodically and adjust as required. This strategy should result in the Consolidated Entity maintaining a strong financial position in future years.

## REVIEW OF FINANCIAL POSITION

### Capital structure

At 30 June 2019 the Company had 275,132,537 shares on issue (including 5,500,000 non-recourse employee shares) and 15,080,000 options on issue.

### Treasury policy

The Board controls the funds, which are handled on a day to day basis by the Managing Director.

### Liquidity and funding

Cash includes cash on hand and at call and term deposits with banks readily convertible to cash and is used in the cash management function on a day to day basis.

### Dividends

No dividends were paid during the financial year ended 30 June 2019 (2018: nil), and no dividend is recommended for the current year.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no matter or circumstance during the financial year that has significantly affected the state of affairs of the Group.

## REVIEW OF OPERATIONS

The Company's focus during the financial year remained on development of the Hawsons Iron Project. Achievements during the period included the securing of an option agreement with Japan's Mitsui & Co., Ltd, whereby Mitsui can earn the right to secure 2Mtpa of Hawsons Supergrade® pellet feed on agreed commercial terms. Mitsui agreed to pay for this option by advancing \$5.4 Million towards the completion of the Hawsons bankable feasibility study (BFS) once the balance of the BFS funding is secured. The option exercise price for this 2Mtpa offtake will be the advancing of US\$60 Million as mezzanine debt towards the construction of the project. The Company following the Mitsui transaction has sought other non-dilutive funding from other tier one offtakers and end users. Extensive negotiations have taken place through the year with these and other potential investors with a view to obtaining the best possible value for shareholders. Though no subsequent non-dilutive transaction was secured in the financial year, those negotiations have continued and a number of site visits has been carried out, and the Company continued to receive unsolicited approaches from credible end users that are attracted by the quality of the Hawsons Supergrade® product. This has particularly been the case following the tragic tailings dam accident in Brazil, and the subsequent shortfall in the supply of direct reduction (DR) grade and other high-quality iron ore pellet feed.

A number of parties have indicated they will be willing to negotiate a role in development at the post-BFS stage and are watching progress closely. The Company remains confident the project can attract strategic investment to unlock value for shareholders, additional to Mitsui's commitment. The steel-making input trends for high quality ore in China, tightness and concentration of DR quality ore supply in Middle East and North Africa (MENA) and long-run decarbonisation of steel-making in Europe continue to support the Hawsons' development case.

Carpentaria is manager of the Hawsons joint venture with Pure Metals Pty Ltd, and Carpentaria's interest in Hawsons stands at 69.8%, with Pure Metals having diluted its interest in the conduct of the annual programme and budget. The project share is now Carpentaria 69.8% and Pure Metals 30.2%.

The Company continues to seek divestment of its remaining projects in the Lachlan Fold Belt, NSW.

### Hawsons Iron Project (HIP) Development Summary

The table below sets out the current range of agreements and/or LOIs for Hawsons Supergrade® product, from blue-chip international companies across Asia and the Middle East.

Company	Volume	Market
Mitsui	2.0 Mtpa	pellet feed
Formosa Plastics	2.6 Mtpa	concentrate/pellet feed
Bahrain Steel	3.0 Mtpa	direct reduction (DR) pellet feed
Shagang	2.5 Mtpa	pellet feed
Mitsubishi Corporation RtM	1.0 Mtpa	pellet feed
Gunvor	1.0 Mtpa	concentrate
Kuwait Steel	1.0 Mtpa	DR pellet feed
Emirates Steel	0.9 Mtpa	DR pellets
<b>Total</b>	<b>14.0 Mtpa</b>	

Iron ore pellets are now the highest growth section of the iron ore market. The board and management of the Company remain confident that Hawsons is the leading undeveloped pellet feed/concentrate project in the world and that Hawsons Supergrade® product will be the most highly sought after pellet feed because of its high Fe content and overall outstanding quality.

*Competent Person Statement: The information in this report that relates to Exploration Results is based on information compiled by Mr Quentin Hill, who is a member of the Australian Institute of Geoscientists and Society of Economic Geologists. Mr Hill is a full time employee of Carpentaria Resources Limited and Mr Hill has sufficient expertise which is 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'. Mr Hill consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**MEETINGS OF DIRECTORS**

The following table sets out the number of meetings of the Company's directors and of the Audit and the Remuneration Committees held during the year ended 30 June 2019 and the number of meetings attended by each director.

	Directors' Meetings		Audit		Remuneration	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Neil Williams	5	5	1	1	1	1
Quentin Hill	5	5	-	-	-	-
Paul Cholakos	4	5	1	1	1	1
Jon Parker	5	5	-	-	-	-

**INDEMNIFICATION OF OFFICERS OR AUDITOR**

Each of the Directors and the Secretary of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company and certain indemnification to those directors and secretary.

The Company has insured all of the Directors of Carpentaria Resources Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

During the financial year, the Company paid insurance premiums to insure the Directors and Officers of the Company against certain risks associated with their activities as officers of the Company. The terms of that policy prohibit disclosure of the nature of liability covered, the limit of such liability and the premium paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wrongful act by the officers. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The Company has not indemnified the auditor.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Company's operations are subject to environmental regulations in relation to its exploration activities. The directors are not aware of any significant breaches during the period covered by this report.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## SHARE OPTIONS

## Issued Options

Details of options issued, exercised and expired during the financial year are set out below:

Tranche	Grant Date	Expiry Date	Exercise Price	1 Jul 2018	Granted in year	Exercised in year	Lapsed	30 June 2019	Vesting Milestone
11	15 Oct 2018	14 Oct 2023	\$0.15	-	2,200,000	-	-	2,200,000	1
12	15 Oct 2018	14 Oct 2023	\$0.25	-	2,500,000	-	-	2,500,000	2
13	15 Oct 2018	14 Oct 2023	\$0.40	-	1,400,000	-	-	1,400,000	3
14	15 Oct 2018	14 Oct 2023	\$0.50	-	3,400,000	-	-	3,400,000	4
				-	9,500,000	-	-	9,500,000	

<b>Milestone 1</b> <b>Any of the following -</b>	Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or \$25 million, whichever is the lesser; Carpentaria having a 20 day VWAP of not less than 20 cents; Carpentaria having secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 2 Mtpa.
<b>Milestone 2</b> <b>Any of the following -</b>	ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project; Carpentaria having a 20 day VWAP of not less than 50 cents; Carpentaria market capitalisation of \$100 million or more; Carpentaria having secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 5 Mtpa.
<b>Milestone 3</b> <b>Any of the following -</b>	Carpentaria market capitalisation of \$300 million or more; Completion of financing arrangements to construct the Hawsons Iron Project; Decision to carry out the Hawsons Iron Project.
<b>Milestone 4</b> <b>Any of the following -</b>	Commencement of commercial production at Hawsons; Carpentaria market capitalisation of \$500 million or more.
<b>Milestone 5</b> <b>Any of the following -</b>	ASX release of information that qualifies as DFS standard in relation to the Hawsons Iron Project; Carpentaria having a market capitalisation of AUD\$30 million or more; Carpentaria having a 20 day VWAP of not less than 30 cents; Carpentaria having secured binding offtake arrangements with one or more end users of the Hawsons Iron Project product or reputable trading houses, in respect of not less than 5 Mtpa.



## REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for the directors and other key management personnel of Carpentaria Resources Limited (the Company).

### Remuneration Policy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Remuneration Committee assesses the appropriateness of the nature and value of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, equity and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of directors and executives are set out in this Remuneration Report.

The Company aims to reward the Executive Director and other key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. With this in mind, a significant part of the remuneration package of executives is based on the performance of the Company, as set out in milestones contained in the relevant contracts, the achievement of which may result in the issue to them of securities in the Company and the payment of cash bonuses.

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive Director and other key management personnel remuneration is separate and distinct except that Non-executive Directors, as well as the Executive Director, participate in incentives involving the issue to them of securities in the Company and a rate of remuneration that rewards the achievement of corporate milestones.

### Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cash cost that is acceptable to shareholders. The Company's specific policy for determining the nature and value of emoluments of board members of the Company is as follows:

In accordance with the Constitution, the existing shareholders of the Company have determined in general meeting the maximum Non-executive Director remuneration to be \$220,000 per annum. This limit excludes the value of equity instruments provided to Non-executive Directors.

The Directors have resolved that each Non-executive Director is entitled to receive fees of \$25,000 per annum plus 9.5% superannuation and the Chairman of Directors is entitled to receive \$45,000 per annum plus 9.5% superannuation. Upon the achievement of one or more corporate milestones, the Non-executive Director rate will change to \$38,000 per annum plus superannuation, and the Chairman's rate will change to \$50,000 per annum plus statutory superannuation. Payments of fees will be in addition to any payments to Directors in any employment capacity. A Director will not be entitled to receive directors' fees if he or she is employed by the Company in a full-time executive capacity.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The remuneration of Non-executive Directors for the year ended 30 June 2019 is detailed below.

### Executive Director and Other Key Management Personnel Remuneration

The Company aims to reward the Executive Director and other key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Managing Director and other key management personnel for the period ended 30 June 2019 is detailed below.

**REMUNERATION REPORT (continued)****Employment Contracts***Agreement with Managing Director*

Mr Quentin Hill is engaged as Managing Director of the Company under the following terms and conditions:

- annual salary of \$240,000 plus 9.5% superannuation payments and reimbursement of all reasonable business expenses;
- the base annual salary will retrospectively increase from \$240,000 to \$340,000, calculated from 1 December 2017, upon the Company achieving one or more of the milestones described in Milestone 1 (see below);
- entitled to cash performance bonuses as outlined in the Milestone table below;
- entitled to receive options to acquire shares as outlined in the Milestone table below, subject to shareholder approval;
- provision for six months' notice for termination;
- the contract is ongoing; and
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

<b>Milestone #</b>	<b>Milestones</b>	<b>Cash bonus if achieved</b>	<b>Options that vest if achieved</b>
<b>1</b> <b>Any of the following:</b>	Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or \$25 million, whichever is the lesser;  Carpentaria having a 20 day VWAP of not less than 20 cents;  Secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 2 Mtpa.	\$100,000	1,000,000 options  \$0.15 exercise price
<b>2</b> <b>Any of the following:</b>	ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project;  Carpentaria having a 20 day VWAP of not less than 50 cents;  Carpentaria market capitalisation of \$100 million or more;  Secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 5 Mtpa.	\$150,000	1,300,000 options  \$0.25 exercise price
<b>3</b> <b>Any of the following:</b>	Carpentaria market capitalisation of \$300 million or more;  Completion of financing arrangements to construct the Hawsons Iron Project;  Decision to carry out the Hawsons Iron Project.	\$200,000	300,000 options  \$0.40 exercise price
<b>4</b> <b>Any of the following:</b>	Commencement of commercial production at Hawsons;  Carpentaria market capitalisation of \$500 million or more.	\$250,000	400,000 options  \$0.50 exercise price

As none of the above milestones was met during the period, no bonuses have been achieved. No bonuses were forfeited during the period.

The performance conditions detailed above were chosen as the Directors believe this appropriately aligns company performance with shareholder wealth.

*Agreement with Company Secretary*

A company associated with Mr Robert Hair is engaged to provide company secretarial, legal, risk management and human resource services to the Company under the following terms and conditions:

- annual fee of \$90,000 and reimbursement of all reasonable business expenses;
- the base fee will retrospectively increase from \$90,000 to \$180,000, calculated from 2 January 2018, upon achieving one or more of the milestones described in Milestone 1 (see below);
- entitled to cash performance bonuses as outlined in the Milestone table below;
- entitled to receive options to acquire shares as outlined in the Milestone table below;
- provision for three months' notice for termination;
- the contract is ongoing; and
- standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Milestone #	Milestones	Cash bonus if achieved	Options that vest if achieved
<b>1</b> Any of the following:	Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or \$25 million, whichever is the lesser;  Carpentaria having a 20 day VWAP of not less than 20 cents;  Secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 2 Mtpa.	\$60,000	500,000 options  \$0.15 exercise price
<b>2</b> Any of the following:	ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project;  Carpentaria having a 20 day VWAP of not less than 50 cents;  Carpentaria market capitalisation of \$100 million or more;  Secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 5 Mtpa	\$90,000	625,000 options  \$0.25 exercise price
<b>3</b> Any of the following:	Carpentaria market capitalisation of \$300 million or more;  Completion of financing arrangements to construct the Hawsons Iron Project;  Decision to carry out the Hawsons Iron Project	\$120,000	150,000 options  \$0.40 exercise price
<b>4</b> Any of the following:	Commencement of commercial production at Hawsons;  Carpentaria market capitalisation of \$500 million or more	\$150,000	200,000 options  \$0.50 exercise price

As none of the above milestones was met during the period, no bonuses have been achieved. No bonuses were forfeited during the period.

The performance conditions detailed above were chosen as the Directors believe this appropriately aligns company performance with shareholder wealth.

## Details of Directors and Other Key Management Personnel

## Directors

Name	Position	Period of directorship
Dr Neil Williams	Non-Executive Chairman	Appointed 1 January 2012
Quentin Hill	Managing Director	Appointed 1 September 2013
Paul Cholakos	Non-Executive Director	Appointed 2 April 2012
Jon Parker	Non-Executive Director	Appointed 12 June 2018

## Key Management Personnel

Name	Position	Detail
Robert William Hair	Company Secretary	Appointed 1 October 2015

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

2019	Short Term				Post-Employment	Share-based Payments	Total	Performance Related %	% consisting equity
	Salary & Fees	Consulting Fees	Accrued Salary*	Leave benefits	Superannuation	Options			
	\$	\$	\$		\$	\$	\$		
<b>Directors</b>									
Quentin Hill	242,269	-	80,000	6,402	20,531	40,363	389,565	-	10.36%
Neil Williams	45,000	-	-	-	4,275	42,171	91,446	-	46.12%
Paul Cholakos	25,000	-	-	-	2,375	30,663	58,038	-	52.83%
Jon Parker	25,000	8,000	-	-	2,375	31,154	66,529	-	46.83%
<b>Key Management Personnel</b>									
Robert Hair	90,000	-	72,000	-	-	33,682	195,682	-	17.21%
	427,269	8,000	152,000	6,402	29,556	178,033	801,260		

\* Payment of accrued salary is conditional upon Milestone 1 being achieved – refer pages 10 and 11 for details. Accrued back pay is calculated from the total commitment accrued at year end and adjusted for the probability that the employee may satisfy vesting requirements.

2018	Short Term				Post-Employment	Share-based Payments	Total	Performance Related %	% consisting equity
	Salary & Fees	Cash Bonus	Accrued Salary*	Leave benefits	Superannuation	Options			
	\$	\$	\$		\$	\$	\$		
<b>Directors</b>									
Quentin Hill	231,667	-	46,247	11,745	22,008	55,272	366,939	-	15.06%
Bin Cai <sup>(1)</sup>	22,917	-	-	-	2,177	(3,099)	21,995	-	(14.09%)
Neil Williams	45,000	-	-	-	4,275	3,078	52,353	-	5.88%
Paul Cholakos	25,000	-	-	-	2,375	2,477	29,852	-	8.30%
Jon Parker <sup>(2)</sup>	1,250	-	-	-	119	2,431	3,800	-	63.97%
<b>Key Management Personnel</b>									
Robert Hair	83,000	-	35,507	-	-	26,774	145,281	-	18.43%
	408,834	-	81,754	11,745	30,954	86,933	620,220		

\* Payment of accrued salary is conditional upon Milestone 1 being achieved – refer pages 10 and 11 for details. Accrued back pay is calculated from the total commitment accrued at year end and adjusted for the probability that the employee may satisfy vesting requirements.

- (1) Resigned 16 May 2018  
(2) Appointed 12 June 2018

**REMUNERATION REPORT (continued)****Shares issued on exercise of remuneration options**

No ordinary shares of Carpentaria Resources Limited were issued during the year on exercise of options granted.

**Equity instruments issued as part of remuneration**

Equity instruments are issued to Directors and executives as part of their remuneration. The equity instruments are not issued solely on performance criteria but are also issued to all Directors and executives of Carpentaria Resources Limited to increase executive retention and goal congruence between executives, Directors and shareholders.

**Director/Key Management Personnel shareholdings (number of shares, including NRE shares)**

2019	Opening Balance	Acquired	On Exercise of Options	Derecognised on resignation	Closing Balance
<b>Directors</b>					
Quentin Hill	3,500,000	413,569	-	-	3,913,569
Neil Williams	-	-	-	-	-
Paul Cholakos	-	-	-	-	-
Jon Parker	-	-	-	-	-
<b>Key Management Personnel</b>					
Robert Hair	2,410,021	312,500	-	-	2,722,521
Total	5,910,021	726,069	-	-	6,636,090

**Director/Key Management Personnel option holdings (number of options)**

2019	Opening Balance	Granted as remuneration	Options Exercised	Options Expired	Closing Balance	Vested and exercisable
<b>Directors</b>						
Quentin Hill	750,000	3,000,000	-	-	3,750,000	250,000
Neil Williams	375,000	2,500,000	-	-	2,875,000	125,000
Paul Cholakos	305,000	2,000,000	-	-	2,305,000	105,000
Jon Parker	-	2,000,000	-	-	2,000,000	-
<b>Key Management Personnel</b>						
Robert Hair	1,780,000	-	-	-	1,780,000	105,000
Total	3,210,000	9,500,000	-	-	12,710,000	585,000

Performance based remuneration granted and forfeited during the year:

	Long term incentive Options		
	Value granted	Value exercised	Value forfeited
	\$	\$	\$
<b>Directors</b>			
Quentin Hill	115,630	-	-
Neil Williams	83,400	-	-
Paul Cholakos	64,715	-	-
Jon Parker	64,715	-	-

**REMUNERATION REPORT (continued)**Fair value of options granted during the year

The assessed fair value at the date of grant of options to be issued is determined using an option pricing model that takes into account the exercise price, the underlying share price at the time of issue, the term of the option, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument. The value of the options was calculated using the inputs shown below:

Inputs into pricing model	Tranche 11	Tranche 12	Tranche 13	Tranche 14
Grant date	15 October 2018	15 October 2018	15 October 2018	15 October 2018
Exercise price	\$0.15	\$0.25	\$0.40	\$0.50
Vesting conditions	Milestone 1	Milestone 2	Milestone 3	Milestone 4
Share price at grant date	\$0.088	\$0.088	\$0.088	\$0.088
Life of the options	5 years	5 years	5 years	5 years
Underlying share price volatility	77%	77%	77%	77%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	2.29%	2.29%	2.29%	2.29%
Pricing model	Binomial	Binomial	Binomial	Binomial
Fair value per option	\$0.0463	\$0.0384	\$0.0299	\$0.0261

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

**Other transactions and loans with key management personnel**

There were no other transactions or loans with key management personnel during the year.

**Relationship between remuneration and Company performance**

The factors that are considered to affect shareholder return during the last 5 years are summarised below:

Measures	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Share price at end of financial year	0.055	0.071	0.061	0.050	0.027
Market capitalisation at end of financial year (\$M)	15.13	14.14	10.34	6.19	3.34
Profit/(loss) for the financial year	(1,847,961)	(1,183,143)	(1,053,145)	(1,381,168)	(2,847,740)
Cash spend on exploration programmes	537,485	1,668,544	1,829,869	1,121,821	1,098,993
Director and other Key Management Personnel remuneration	801,260	620,220	424,634	601,234	736,500

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector, and increases or decreases may occur independently of executive performance or remuneration.

The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

No remuneration consultants were used in the 2019 financial year.

**NON-AUDIT SERVICES**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd and its associated entities) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Taxation services – preparation of income tax return and other services	\$7,717
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**AUDITOR'S INDEPENDENCE DECLARATION**

The attached Auditor's Independence Declaration forms part of the Directors' Report.

**CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in another section of this report.

**EVENTS AFTER BALANCE SHEET DATE**

There have been no events since 30 June 2019 that impact upon the financial report.

Signed in accordance with a resolution of the Board of Directors



**Q S Hill**  
**Director**  
**Dated 25 September 2019**

AUDITOR'S INDEPENDENCE DECLARATION



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Australia

**DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF CARPENTARIA RESOURCES LIMITED**

As lead auditor of Carpentaria Resources Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Carpentaria Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'T R Mann', with a long horizontal flourish extending to the right.

**T R Mann**  
Director

**BDO Audit Pty Ltd**

Brisbane, 25 September 2019

For personal use only



## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Carpentaria Resources Limited (Carpentaria) aims to achieve appropriate standards of corporate governance and has established corporate governance policies and procedures, where practicable, consistent with the ASX Corporate Governance Council's *'Corporate Governance Principles and Recommendation – 3rd Edition'* (ASX *Principles or Recommendation*), which were published on 27 March 2014.

In ensuring appropriate standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical or provide the optimal result given the particular circumstances and structure of the Company. Nevertheless, the Board is committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with best practice and which, unless otherwise stated, were in place during the whole of the period to the date of this statement.

### Principle 1

#### Lay solid foundations for management and oversight

##### 1.1 Roles and Responsibilities of the Board – followed

The Board is governed by the Corporations Act 2001, its formal constitution and by the ASX Listing Rules. The Board's primary role is to set policy regarding the affairs of the Company for the protection and enhancement of long-term Shareholder value.

The Board takes responsibility for the overall corporate governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

##### 1.2 Director appointment – followed

Carpentaria considers the character, experience and skillset as well as interests and associations of potential candidates for appointment to the Board and will conduct appropriate checks to verify the suitability of the candidate, prior to their election. Carpentaria has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director, is disclosed in the notice of meeting provided to shareholders. During the period, Mr Jon Parker was appointed as a Non-executive Director.

##### 1.3 Written agreements of appointment – followed

The roles and responsibilities of Directors have been formalised in letters of appointment, which each Director has entered into. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, and insurance and indemnity entitlements.

Contract details of senior executives who are key management personnel are summarised in the Remuneration Report in the Company's Annual Report.

##### 1.4 Company Secretary – followed

The Company Secretary is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board. All Directors have access to the Company Secretary.

The appointment or removal of the Company Secretary is a matter for the Board. Details of the Company Secretary's experience and qualifications are set out in the Annual Report.

##### 1.5 Diversity policy – not followed

The Company is committed to creating a diverse working environment and culture.

However, given the size of the Company and scale of its operations, the Board is of the view that a written diversity policy with measurable objectives for achieving gender diversity is not required at this time. Further, as the Company has not established measurable objectives for achieving gender diversity, the Company has not reported on progress towards achieving them.

## 1.6 Board Reviews – not followed

The Remuneration Committee meets at least annually, and the recommendations are made in line with the Company's present circumstances and goals to ensure maximum shareholder benefits from the attraction and retention of a high-quality Board and senior management team.

The Board recognises that as a result of the Company's size the assessment of the Board's overall performance and its own succession plan is conducted on an informal basis. Whilst this is at variance with the ASX Recommendations, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place. A more formal process of Board assessment will be considered in the future as the Company develops.

## 1.7 Management Reviews – followed

The Board evaluates the performance of the Managing Director and Company Secretary on a regular basis and encourages continuing professional development. A review was conducted in association with the annual audit.

### Principle 2

#### Structure Board to add value

##### 2.1 Nominations committee – not followed

The Company does not have a Nominations Committee.

The Company's constitution and the Corporations Act 2001 specify that the number of Directors must be at least three. The Board may at any time appoint a Director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for Executive Directors is linked to their holding of executive office.

The Board is of the opinion that the current structure of the Board is appropriate given the size and nature of the Company. The Board considers that all Directors bring an independent judgement to bear on Board decisions and that the Board's expertise and experience add considerable value to the Company.

##### 2.2 Board skills matrix – not followed

The Company does not have a formal Board skills matrix.

The Board Charter provides that the Board will regularly review the appropriate mix of skills and expertise to facilitate successful strategic direction.

In appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgment, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The Company provides details of each Director, such as their skills, experience and expertise relevant to their position, in the Directors' Report in the Annual Report and also provides these details on its website.

##### 2.3 Details of Independent Directors – followed

The Board consists of four directors, three of whom are independent Non-executive Directors. The names of the Directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of the Annual Report.

The Company has no relationships with any of the independent Directors which the Company believes would compromise the independence of these Directors.

##### 2.4 Composition of the Board – followed

The Board consists of four directors, three of whom are independent directors. Mr Cai was not and Mr Hill is not independent.

The Company's constitution and the Corporations Act 2001 specify that the number of Directors must be at least three. The Board may at any time appoint a Director to fill a casual vacancy. Directors appointed by the Board are subject to election by Shareholders at the following annual general meeting and thereafter Directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for Executive Directors is linked to their holding of executive office.

##### 2.5 The Chairman – followed

The Chairman is an independent Director. The role of Chairman of the Board is separate from that of the Managing Director,

who is responsible for the day to day management of the Company. This is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

## 2.6 Board induction and professional development – followed

An induction process including appointment letters exists to promote early, active and relevant involvement of new members of the Board. All Carpentaria Directors are encouraged to further their knowledge through ongoing professional development through professional industry, governance and government bodies.

### Principle 3

#### Act ethically and responsibly

##### 3.1 Code of conduct – followed

The Company aims for a high standard of corporate governance and ethical conduct by Directors and employees.

All Directors have signed deeds with the Company, which require them to comply with all the obligations of a director under the Corporations Act 2001. Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with section 195 of the Corporations Act 2001, a Director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter, subject to the discretion of the Board.

All Directors are required to provide the Company with details of all securities registered in the Director's name or an entity in which the Director has a relevant interest.

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. The Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possesses information that is not generally available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available.

The Company has a code of conduct with which Directors, senior executives and employees must comply. The code of conduct is published on the Company's website.

### Principle 4

#### Safeguard integrity in financial reporting

##### 4.1 Audit committee – followed

Carpentaria had an Audit Committee during the year. The Audit Committee was established to oversee corporate governance, internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

The Audit Committee comprises of three independent, non-executive directors, Dr Williams, Mr Parker and Mr Cholakos and is chaired by Mr Cholakos.

The Committee reports to the Board. The Managing Director, Company Secretary and external auditor may, by invitation, attend meetings at the discretion of the Committee.

##### 4.2 CEO and CFO financial statements declaration – followed

The Chief Executive Officer and Chief Financial Officer are required to provide written declarations under section 295A of the Corporations Act 2001 that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. Both the Managing Director and Chief Financial Officer provide said assurances at the time the section 295A declarations are provided to the Board.

### 4.3 External Auditor attendance at AGM – followed

The external auditor of the Company is invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001, the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

## Principle 5

### Making timely and balanced disclosure

#### 5.1 Continuous disclosure policy – followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half yearly financial report lodged with the ASX and ASIC and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website; and
- disclosure of the Company's corporate governance practices and communications strategy on this Company's website.

The Company has a formal continuous disclosure policy, which is published on its website.

## Principle 6

### Respect the rights of shareholders

#### 6.1 Information on website – followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and aims to ensure that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

#### 6.2 Investor relations programme – not followed

Due to the size of the Company, the Board does not believe that a documented or formalised investor programme is required. The Company actively engages with investors at the Annual General Meeting and responds to enquiries made from time to time.

#### 6.3 Security holder participation at meetings – followed

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

#### 6.4 Facilitate security holder communications – followed

The Company provides its investors the option to receive communications from and send communications to the Company and the share registry electronically.

## Principle 7

### Recognise and manage risks

#### 7.1 Risk committee – not followed

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, title, native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed.

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company and the current Board structure, the establishment of a risk committee in line with ASX Recommendation 7.1 cannot at this stage be justified by the perceived benefits of doing so.

#### 7.2 Risk assessment and management – followed

The Board with the assistance of the Audit Committee conducts a formal review of the risk profile of the Company annually and monitors risk informally throughout the year. A review was conducted in association with the annual audit.

#### 7.3 Internal Audit function – followed

The Company does not have an internal audit function and does not believe that the size and nature of the Company warrants establishment of said function at this time. The Board with the assistance of the Audit Committee conducts a formal review of the risk profile of the Company annually and monitors risk informally throughout the year. A review was conducted in association with the annual audit.

#### 7.4 Economic, environmental and social risks – followed

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, heritage and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risks is presented to the Board.

## Principle 8

### Remunerate fairly and responsibly

#### 8.1 Remuneration committee – followed

The Company has established a Remuneration Committee. The Committee monitors the composition of the Board and reviews the compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance. The Committee makes recommendations to the Board who are ultimately responsible for the Company's remuneration policy.

The Committee comprises of three members, Dr Williams, Mr Cholakos and Mr Parker and is chaired by Dr Williams.

The Committee has a formal charter.

#### 8.2 Executive and Non-executive Director remuneration policy – followed

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors is to be fixed from time to time by a general meeting. Directors may apportion any amount up to this maximum amount amongst the non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors.

The remuneration of the Managing Director is determined by the Board, taking into account the recommendations of the Remuneration Committee, as part of the terms and conditions of his employment, which are subject to review from time to time. The remuneration of employees is determined by the Managing Director, subject to the approval of the Board.

#### 8.3 Equity-based remuneration scheme – not followed

The Company does not have an equity-based remuneration scheme.

**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2019**

	Note	2019 \$	2018 \$
Other revenue		3,618	6,197
Fair value movement on financial assets at fair value through profit or loss		-	4,991
Gain on sale of financial assets at fair value through profit or loss		-	18,223
Employment benefit expenses		(643,780)	(509,188)
Depreciation and amortisation expense		(4,524)	(12,055)
Rental and other lease expenses		(59,170)	(66,110)
Project generation and business development expenses		(784,545)	(233,620)
Administration expenses		(359,560)	(391,581)
Loss before income tax		(1,847,961)	(1,183,143)
Income tax expense/(benefit)	9	-	-
Loss after income tax expense		(1,847,961)	(1,183,143)
Other comprehensive income			-
<b>Total comprehensive income</b>		<b>(1,847,961)</b>	<b>(1,183,143)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share</b>			
Basic and diluted loss per share	10	(0.8)	(0.6)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

**Consolidated Balance Sheet**  
**As at 30 June 2019**

	Note	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2	3,024,190	1,052,625
Trade and other receivables		29,630	15,363
Financial assets at fair value through profit or loss		-	14,283
Other current assets		17,892	11,261
<b>TOTAL CURRENT ASSETS</b>		<b>3,071,712</b>	<b>1,093,532</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		58,409	58,409
Plant and equipment		7,178	5,109
Exploration and evaluation assets	3	5,141,234	4,657,289
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,206,821</b>	<b>4,720,807</b>
<b>TOTAL ASSETS</b>		<b>8,278,533</b>	<b>5,814,339</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4	87,289	57,811
Provisions	5	365,584	195,180
<b>TOTAL CURRENT LIABILITIES</b>		<b>452,873</b>	<b>252,991</b>
<b>TOTAL LIABILITIES</b>		<b>452,873</b>	<b>252,991</b>
<b>NET ASSETS</b>		<b>7,825,660</b>	<b>5,561,348</b>
<b>EQUITY</b>			
Share capital	6	28,166,109	24,253,396
Share based payment reserve	7	2,185,147	1,985,587
Accumulated losses		(22,525,596)	(20,677,635)
<b>TOTAL EQUITY</b>		<b>7,825,660</b>	<b>5,561,348</b>

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2019**

Consolidated Entity	Share Capital	Share based payment reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	22,312,595	1,876,059	(19,497,054)	4,691,600
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	2,140,355	-	-	2,140,355
Costs of raising capital	(199,554)	-	-	(199,554)
Transfer of expired options	-	(2,562)	2,562	-
Employee share options – value of employee services	-	112,090	-	112,090
	1,940,801	109,528	2,562	2,052,891
<b>Comprehensive income</b>				
Loss after income tax	-	-	(1,183,143)	(1,183,143)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,183,143)	(1,183,143)
<b>Balance at 30 June 2018</b>	24,253,396	1,985,587	(20,677,635)	5,561,348
<b>Balance at 1 July 2018</b>	24,253,396	1,985,587	(20,677,635)	5,561,348
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	4,186,823	-	-	4,186,823
Costs of raising capital	(274,110)	-	-	(274,110)
Employee share options – value of employee services	-	199,560	-	199,560
	3,912,713	199,560	-	4,112,273
<b>Comprehensive income</b>				
Loss after income tax	-	-	(1,847,961)	(1,847,961)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,847,961)	(1,847,961)
<b>Balance at 30 June 2019</b>	28,166,109	2,185,147	(22,525,596)	7,825,660

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.



**Consolidated Cash Flow Statement**  
**For the year ended 30 June 2019**

	Note	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(1,414,972)	(877,179)
Interest received		3,618	6,197
Net cash used in operating activities	2	(1,411,354)	(870,982)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		(6,592)	-
Proceeds from sale of financial assets at fair value through profit or loss		14,283	55,579
Payments for exploration and evaluation assets		(537,485)	(1,668,544)
Government grants in relation to exploration assets		-	228,213
Net cash used in investing activities		(529,794)	(1,384,752)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	6	4,186,823	2,140,355
Costs associated with the issue of shares	6	(274,110)	(199,554)
Net cash provided by financing activities		3,912,713	1,940,801
Net decrease in cash and cash equivalents		1,971,565	(314,993)
Cash and cash equivalents at the beginning of the financial year		1,052,625	1,367,558
<b>Cash and cash equivalents at the end of the financial year</b>	<b>2</b>	<b>3,024,190</b>	<b>1,052,625</b>

*The Consolidated Cash Flow Statement should be read in conjunction with the Notes to the Financial Statements.*

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Introduction**

This financial report covers the Consolidated Entity of Carpentaria Resources Limited (the “Company”) and its controlled entities (together referred to as the “Consolidated Entity”). Carpentaria Resources Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities

The principal activity of the Consolidated Entity is mineral exploration.

Currency

The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Parent.

Authorisation of financial report

The financial report was authorised for issue on 30 September 2019.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements

Compliance with IFRS

The consolidated financial statements of the Carpentaria Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified by the measurement at fair value of selected financial assets.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. The following estimates and judgements were used for the current financial year:

*Share based payments:*

The Consolidated Entity initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield, milestone achieved and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

*Accrued back pay:*

The Consolidated Entity has made estimates for the accrued back pay that is to be paid to Directors and staff if certain milestones are met. Estimating the accrued back pay requires determination of the most likely milestone to trigger the back pay, and the probability that the milestone will be achieved. Refer to Note 5 for further details.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Accounting policies****(a) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**(b) Impairment of Non-Financial Assets**

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(c) Financial Instruments – applicable after 1 July 2018***(i) Financial assets*

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**Measurement**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

***Debt instruments***

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The group has cash and cash equivalents and trade and other receivables as financial assets. Consequently, the measurement category most relevant to the group is as follows:

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

**Impairment**

From 1 January 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Financial Liabilities**

The group's financial liabilities are measured at amortised cost. The group has trade and other payables as financial liabilities.

**Fair Values**

The fair values of Consolidated Entity's financial assets and financial liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

**New accounting standards and interpretations**

The Consolidated Entity has adopted the new Australian Accounting Standards AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 July 2018. The adoption of these standards did not have a material impact on the Group's financial position or financial performance.

- AASB 9 – except for change in accounting policy on financial instruments, the adoption of this standard did not have a material impact to the financial statements.
- AASB 15 – the adoption of this standard did not have a material impact to the financial statements as the group is still in exploration stage and does not have revenue from contracts with customers.

**New Standards and Interpretations Not Yet Adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

**AASB 16 Leases**

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117 Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for most leases, a right-to-use asset and a liability will be recognised, with the right-to-use asset being depreciated and the liability being unwound in principal and interest components over the life of the lease.

The Consolidated Entity has evaluated the impact adoption of this standard. Upon adoption of this standard, it is the Consolidated Entity's intention to transition using the modified retrospective approach, where the right-of-use asset is recognised at the date of initial application at an amount equal to the lease liability, using the entity's current incremental borrowing rate. Comparative figures are not restated. Based on the transition approach and the entity's current leasing arrangements the entity has determined there will be no material impacts in the current or future reporting periods and on foreseeable future transactions.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Going Concern**

As at 30 June 2019 the Consolidated Entity had cash reserves of \$3,024,190 net current assets of \$2,618,839 and net assets of \$7,825,660. The Consolidated Entity incurred a loss of \$1,847,961 for the year ended 30 June 2019 and had an outflow of \$1,411,354 of cash from operating activities. The Consolidated Entity requires further capital to fund future exploration activity and meet other necessary corporate expenditure.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Company to raise additional capital in the future; and
- the successful exploration and subsequent exploitation of the Consolidated Entity's tenements.

These conditions give rise to material uncertainty which may cast significant doubt over the Consolidated Entity's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Consolidated Entity has funded its activities through issuance of equity securities, and it is expected that the Consolidated Entity will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the Consolidated Entity to continue operating based on the Company's cash flow forecast.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

	2019	2018
	\$	\$

**NOTE 2 CASH & CASH FLOW INFORMATION**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the balance sheet.

Cash flows are presented in the consolidated cash flow statement on a gross basis, except for the GST component of financing and investing activities, which are disclosed as operating cash flows.

**Reconciliation of loss after income tax to net cash outflow from operating activities**

Loss after income tax	(1,847,961)	(1,183,143)
Depreciation and amortisation	4,524	12,055
Share-based payments	199,560	112,090
Gain on sale of financial assets at fair value through profit or loss	-	(18,223)
Fair value loss on financial assets at fair value through profit or loss	-	(4,991)
<i>Change in operating assets and liabilities</i>		
(Increase)/decrease in receivables	44,142	51,974
(Increase)/decrease in other assets	(65,040)	775
(Decrease)/increase in trade payables and accruals	83,017	50,121
(Decrease)/increase in provisions	170,404	108,360
<b>Net cash outflow from operating activities</b>	<b>(1,411,354)</b>	<b>(870,982)</b>

**Non-cash transactions investing & financing activities**

2019: 9,500,000 options were issued to Directors in recognition for services provided.

2018: 2,225,000 options were issued to employees in recognition for services provided.

**Reconciliation of cash**

Cash at the end of the financial period as shown in the consolidated cash flow statement is reconciled to items in the consolidated balance sheet as follows:

Cash on hand and at bank	3,008,295	723,632
Cash on deposit	15,895	328,993
	<b>3,024,190</b>	<b>1,052,625</b>

**NOTE 3 EXPLORATION AND EVALUATION ASSETS**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest.

Exploration costs are capitalised only when the Consolidated Entity has either a granted tenement in its name or an interest through a joint venture arrangement.

Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or sale of the respective area of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

Government grants relating to exploration and evaluation assets that have been capitalised are recognised by deducting the grant received from the carrying amount of the exploration and evaluation asset recognised on the consolidated balance sheet. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

	2019	2018
	\$	\$
Opening balance	4,657,289	3,307,296
Capitalised expenditure	483,945	1,578,206
Government grants relating to exploration	-	(228,213)
	5,141,234	4,657,289

**NOTE 4 TRADE & OTHER PAYABLES**

Trade payables	65,547	24,765
Other payables and accrued expenses	21,742	33,046
	87,289	57,811

Trade payables are amounts due to suppliers for goods purchased or services provided in the ordinary course of business. Trade payables are generally due for settlement within 30 days and therefore are all classified as current.

Other payables and accrued expenses generally arise from normal transactions within the usual operating activities of the group and comprise items such as employee taxes, employee on costs, GST and other recurring items.

**NOTE 5 PROVISIONS**

Accrued back pay	265,315	93,315
Employee benefits	100,269	101,865
	365,584	195,180

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be settled later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on commercial bonds with terms to maturity that match the expected timing of cash flows.

Provision is made for the Consolidated Entity's liability for accrued back pay arising from services rendered by employees and contractual obligations at the end of the reporting period. Accrued back pay is calculated from the total commitment accrued at year end and adjusted for the probability that the employee may satisfy vesting requirements.

	2019	2018
	\$	\$

**NOTE 6 SHARE CAPITAL**

Fully paid ordinary shares	28,166,109	24,253,396
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**Ordinary Shares**

	2019	2018	2019	2018
	\$	\$	#	#
At the beginning of the year	24,253,396	22,312,595	193,690,706	163,963,560
Shares issued <sup>1</sup>	4,186,823	2,140,355	75,941,831	29,727,146
Share issue costs	(274,110)	(199,554)	-	-
At reporting date	28,166,109	24,253,396	269,632,537	193,690,706

**Non-recourse employee shares (NRE)**

At the beginning of the year	-	-	5,500,000	5,500,000
NRE shares issued	-	-	-	-
Transfer to treasury shares	-	-	-	-
At reporting date	-	-	5,500,000	5,500,000

<b>Total Ordinary and NRE Shares</b>	<b>28,166,109</b>	<b>24,253,396</b>	<b>275,132,537</b>	<b>199,190,706</b>
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<sup>1</sup> 2019: 14,638,235 ordinary shares issued at \$0.085 each.  
61,303,596 ordinary shares issued at \$0.048 each.

2018: 29,727,146 ordinary shares issued at \$0.072 each.

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

The Company has issued shares to employees and directors under the Company's employee share plan. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been valued as an option grant in accordance with AASB2 "Share Based Payment". The shares are disclosed in the financial statements as non-recourse employee shares (NRE Shares).

Non-recourse employee (NRE) shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. NRE shares will not qualify for participation in any dividend reinvestment plan of the Company until the loan amount in respect of those shares has been repaid. The Company has a lien over the NRE shares in respect of which the loan amount is outstanding. The Company is entitled to sell any unpaid NRE shares in accordance with the CAP share plan.



	2019	2018
	\$	\$
<b>NOTE 7 RESERVES</b>		
Share based payment reserve	2,185,147	1,985,587

#### Share based payment reserve movements during the year

Opening balance	1,985,587	1,876,059
Transfer to accumulated losses (expired options)	-	(2,562)
Share-based payment expense	199,560	112,090
Closing balance	2,185,147	1,985,587

#### Share based payment reserve

The share-based payments reserve is used to record the value of share based payments provided to directors, employees and contractors as part of their remuneration.

#### NOTE 8 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year. There are no franking credits available to the shareholders of the Company.

#### NOTE 9 INCOME TAX

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, (except for a business combination) where there is no effect on accounting or taxable profit or loss.

**NOTE 9 INCOME TAX (cont'd)**

	2019	2018
	\$	\$
A reconciliation of income tax expense (benefit) applicable to accounting loss before income tax at the statutory income tax rate to income tax expense (benefit) recognised for the years ended 30 June 2019 and 2018 is as follows:		
Accounting loss before income tax	(1,847,961)	(1,183,143)
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	(508,189)	(325,364)
Non-deductible expenses	56,597	602
Other	-	34,181
Deferred tax assets not brought to account	451,592	290,581
Income tax	-	-
<b>Recognised deferred tax assets</b>		
Unused tax losses	1,495,486	1,395,205
Deductible temporary differences	165,429	138,234
	1,660,915	1,533,439
<b>Recognised deferred tax liabilities</b>		
Assessable temporary differences	1,660,915	1,533,439
	1,660,915	1,533,439
<b>Net deferred tax recognised</b>	-	-
<b>Unrecognised temporary differences and tax losses</b>		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	3,819,188	3,389,239
Unused capital losses for which no deferred tax asset has been recognised	419,967	419,967

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise these benefits.

**NOTE 10 LOSS PER SHARE**

The Consolidated Entity presents basic and diluted loss per share (LPS) data for its ordinary shares. Basic LPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding NRE shares. Diluted LPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Earnings used to calculate basic and dilutive loss per share	(1,847,961)	(1,183,143)
	<b>2019</b>	<b>2018</b>
	<b>#</b>	<b>#</b>
Weighted average number of ordinary shares outstanding during the year	218,820,214	189,519,470
Adjustments for calculation of diluted loss per share - options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	218,820,214	189,519,470

Options, including in-substance options related to NRE shares, could potentially dilute basic loss per share in the future but were not included in the calculation of diluted earnings per share for 2019 or 2018 as they were anti-dilutive.

**NOTE 11 SHARE BASED PAYMENTS**Equity based instruments - Options

The Company has granted options over ordinary shares to directors, employees and consultants in recognition of services provided to the Company. The options were granted for nil consideration and are not quoted on the ASX. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Information with respect to the number of options granted is as follows:

**2019**

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	24 Nov 2016	24 Nov 2019	\$0.10	1,155,000	-	-	-	1,155,000	1,155,000
2	24 Nov 2016	24 Nov 2021	\$0.20	2,200,000	-	-	-	2,200,000	-
3	1 Dec 2017	30 Nov 2022	\$0.15	250,000	-	-	-	250,000	-
4	1 Dec 2017	30 Nov 2022	\$0.25	325,000	-	-	-	325,000	-
5	1 Dec 2017	30 Nov 2022	\$0.40	75,000	-	-	-	75,000	-
6	1 Dec 2017	30 Nov 2022	\$0.50	100,000	-	-	-	100,000	-
7	2 Jan 2018	1 Jan 2023	\$0.15	500,000	-	-	-	500,000	-
8	2 Jan 2018	1 Jan 2023	\$0.25	625,000	-	-	-	625,000	-
9	2 Jan 2018	1 Jan 2023	\$0.40	150,000	-	-	-	150,000	-
10	2 Jan 2018	1 Jan 2023	\$0.50	200,000	-	-	-	200,000	-
11	15 Oct 2018	14 Oct 2023	\$0.15	-	2,200,000	-	-	2,200,000	-
12	15 Oct 2018	14 Oct 2023	\$0.25	-	2,500,000	-	-	2,500,000	-
13	15 Oct 2018	14 Oct 2023	\$0.40	-	1,400,000	-	-	1,400,000	-
14	15 Oct 2018	14 Oct 2023	\$0.50	-	3,400,000	-	-	3,400,000	-
				5,580,000	9,500,000	-	-	15,080,000	1,155,000
<b>Weighted average exercise price</b>				\$0.21	\$0.34	-	-	\$0.29	\$0.10

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.6 years.

**2018**

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	24 Nov 2016	24 Nov 2019	\$0.10	1,260,000	-	-	(105,000)	1,155,000	1,155,000
2	24 Nov 2016	24 Nov 2021	\$0.20	2,400,000	-	-	(200,000)	2,200,000	-
3*	1 Dec 2017	30 Nov 2022	\$0.15	-	1,000,000	-	-	1,000,000	-
4*	1 Dec 2017	30 Nov 2022	\$0.25	-	1,300,000	-	-	1,300,000	-
5*	1 Dec 2017	30 Nov 2022	\$0.40	-	300,000	-	-	300,000	-
6*	1 Dec 2017	30 Nov 2022	\$0.50	-	400,000	-	-	400,000	-
7	1 Dec 2017	30 Nov 2022	\$0.15	-	250,000	-	-	250,000	-
8	1 Dec 2017	30 Nov 2022	\$0.25	-	325,000	-	-	325,000	-
9	1 Dec 2017	30 Nov 2022	\$0.40	-	75,000	-	-	75,000	-
10	1 Dec 2017	30 Nov 2022	\$0.50	-	100,000	-	-	100,000	-
11	2 Jan 2018	1 Jan 2023	\$0.15	-	500,000	-	-	500,000	-
12	2 Jan 2018	1 Jan 2023	\$0.25	-	625,000	-	-	625,000	-
13	2 Jan 2018	1 Jan 2023	\$0.40	-	150,000	-	-	150,000	-
14	2 Jan 2018	1 Jan 2023	\$0.50	-	200,000	-	-	200,000	-
15*	7 Jun 2018	6 Jun 2023	\$0.15	-	350,000	-	-	350,000	-
16*	7 Jun 2018	6 Jun 2023	\$0.25	-	350,000	-	-	350,000	-
17*	7 Jun 2018	6 Jun 2023	\$0.40	-	300,000	-	-	300,000	-
18*	7 Jun 2018	6 Jun 2023	\$0.50	-	1,000,000	-	-	1,000,000	-
				3,660,000	7,225,000	-	(305,000)	10,580,000	-
<b>Weighted average exercise price</b>				\$0.17	\$0.30	-	\$0.17	\$0.26	-

\* Grant of options to Directors was subject to shareholder approval at the next shareholder meeting.

The weighted average remaining contractual life of share options outstanding at the end of the year was 4 years.

**NOTE 11 SHARE BASED PAYMENTS (cont'd)**Fair value of options granted

The assessed fair value at the date of grant of options issued is determined using an option pricing model that takes into account the exercise price, the underlying share price at the time of issue, the term of the option, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument. The value of the options was calculated using the inputs shown below:

Inputs into pricing model	Tranche 1	Tranche 2
Grant date	24 November 2016	24 November 2016
Exercise price	\$0.10	\$0.20
Vesting conditions	ASX release of information that qualifies as PFS standard in relation to an approved production rate at the Hawsons Iron Project	<ul style="list-style-type: none"> <li>- ASX release of information that qualifies as DFS standard in relation to the Hawsons Iron Project;</li> <li>- Market capitalisation of AUD\$30 million or more;</li> <li>- 20-day VWAP of not less than 30 cents;</li> <li>- Secured binding offtake arrangements with one or more end users of the Hawsons Iron Project product or reputable trading houses, in respect of not less than 5 Mtpa.</li> </ul>
Share price at grant date	\$0.05	\$0.05
Life of the options	3 years	5 years
Underlying share price volatility	83%	83%
Expected dividends	Nil	Nil
Risk free interest rate	1.70%	1.70%
Pricing model	Binomial	Trinomial
Fair value per option	\$0.0244	\$0.0216

Inputs into pricing model	Tranches 3 and 7	Tranche 4 and 8	Tranche 5 and 9	Tranche 6 and 10
Grant date (tranches 3 – 6)	1 December 2017	1 December 2017	1 December 2017	1 December 2017
Grant date (tranches 4 – 7)	2 January 2018	2 January 2018	2 January 2018	2 January 2018
Exercise price	\$0.15	\$0.25	\$0.40	\$0.50
Vesting conditions	Milestone 1	Milestone 2	Milestone 3	Milestone 4
Share price at grant date	\$0.11	\$0.11	\$0.11	\$0.11
Life of the options	5 years	5 years	5 years	5 years
Underlying share price volatility	78%	78%	78%	78%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	2.29%	2.29%	2.29%	2.29%
Pricing model	Binomial	Binomial	Binomial	Binomial
Fair value per option	\$0.0636	\$0.0522	\$0.0419	\$0.0371

Inputs into pricing model	Tranche 11	Tranche 12	Tranche 13	Tranche 14
Grant date	15 October 2018	15 October 2018	15 October 2018	15 October 2018
Exercise price	\$0.15	\$0.25	\$0.40	\$0.50
Vesting conditions	Milestone 1	Milestone 2	Milestone 3	Milestone 4
Share price at grant date	\$0.088	\$0.088	\$0.088	\$0.088
Life of the options	5 years	5 years	5 years	5 years
Underlying share price volatility	77%	77%	77%	77%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	2.29%	2.29%	2.29%	2.29%
Pricing model	Binomial	Binomial	Binomial	Binomial
Fair value per option	\$0.0463	\$0.0384	\$0.0299	\$0.0261

## NOTE 11 SHARE BASED PAYMENTS (cont'd)

<b>Milestone 1</b> <b>Any of the following -</b>	Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or \$25 million, whichever is the lesser;  Carpentaria having a 20-day VWAP of not less than 20 cents;  Carpentaria having secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 2 Mtpa.
<b>Milestone 2</b> <b>Any of the following -</b>	ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project;  Carpentaria having a 20-day VWAP of not less than 50 cents;  Carpentaria market capitalisation of \$100 million or more;  Carpentaria having secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 5 Mtpa.
<b>Milestone 3</b> <b>Any of the following -</b>	Carpentaria market capitalisation of \$300 million or more;  Completion of financing arrangements to construct the Hawsons Iron Project;  Decision to carry out the Hawsons Iron Project.
<b>Milestone 4</b> <b>Any of the following -</b>	Commencement of commercial production at Hawsons;  Carpentaria market capitalisation of \$500 million or more.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Equity based instruments – Director and Employee Shares with Non-Recourse Loans

The Company has issued ordinary shares to Directors and employees pursuant to the CAP Employee Share Plan. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been treated as an *option* grant in accordance with AASB2 "Share Based Payment". In line with AASB2 "Share Based Payment", the related expense for the shares is recorded from the date that agreement with the employee is met. Information with respect to the number of director and employee shares with non-recourse loans granted is as follows:

**2019**

Tranche	Grant Date	Escrow Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed/ transferred during year	Balance at end of year	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	\$0.48	750,000	-	-	-	750,000	750,000
Director 2	31 May 2011	31 May 2013	\$0.48	750,000	-	-	-	750,000	750,000
Employee 1	1 March 2011	2 March 2013	\$0.60	2,100,000	-	-	-	2,100,000	2,100,000
Employee 2	5 July 2013	5 July 2013	\$0.30	1,900,000	-	-	-	1,900,000	1,900,000
				5,500,000	-	-	-	5,500,000	5,500,000
<b>Weighted average exercise price</b>				0.47	-	-	-	0.47	0.47

**2018**

Tranche	Grant Date	Escrow Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed/ transferred during year	Balance at end of year	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	\$0.48	750,000	-	-	-	750,000	750,000
Director 2	31 May 2011	31 May 2013	\$0.48	750,000	-	-	-	750,000	750,000
Employee 1	1 March 2011	2 March 2013	\$0.60	2,100,000	-	-	-	2,100,000	2,100,000
Employee 2	5 July 2013	5 July 2013	\$0.30	1,900,000	-	-	-	1,900,000	1,900,000
				5,500,000	-	-	-	5,500,000	5,500,000
<b>Weighted average exercise price</b>				0.47	-	-	-	0.47	0.47

**NOTE 11 SHARE BASED PAYMENTS (cont'd)**

The value of the Director and Employee Shares with Non-Recourse Loans was calculated by using the Black-Scholes pricing model applying the inputs shown below:

Inputs into pricing model	Director 1	Director 2	Employee 1	Employee 2
Grant date	31 May 2011	31 May 2011	1 March 2011	5 July 2013
Vesting date	31 May 2011	31 May 2011	1 March 2011	5 July 2013
Exercise price	\$0.48	\$0.48	\$0.60	\$0.30
Share price at grant date	\$0.51	\$0.51	\$0.66	\$0.19
Life of the options	1 year	2 years	2 years	3 years
Underlying share price volatility	54%	54%	54%	88%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	4.68%	4.68%	4.68%	2.82%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of employment benefit expenses and project generation and business development expenses were as follows:

	2019	2018
	\$	\$
Options issues to directors, employees and consultants	199,560	112,090

**NOTE 12 RELATED PARTY and KEY MANAGEMENT PERSONNEL**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**Key management personnel compensation**

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

	2019	2018
	\$	\$
Summary		
Short-term employee benefits	593,671	502,333
Post-employment benefits	29,556	30,954
Share-based payments	178,033	86,933
	801,260	620,220

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 14.

**Amounts Owed to Key Management Personnel and Other Related Parties**

There were no amounts payable to Directors, key management personnel or other related parties at 30 June 2019 (2018: \$1,369).

**Transactions with Related Parties**

There were no other transactions between the Consolidated Entity and its related parties during the year (2018: nil).

**NOTE 13 FINANCIAL RISK MANAGEMENT**

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable and investments in listed securities.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board is responsible for managing the Consolidated Entity's identification and control of financial risks and for evaluating treasury management strategies in the context of the most recent economic conditions and forecasts.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, credit risk, liquidity risk and price risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

**(a) Credit Risk**

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2019 (2018: nil).

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions. The Consolidated Entity does not have any material credit risk exposure.

**Maximum exposure to credit risk**

	2019	2018
	\$	\$
Non-trade receivables	88,039	73,772
Cash and cash equivalents	3,024,190	1,052,625
	3,112,229	1,126,397

**Ageing of receivables**

Not past due	88,039	73,772
Past due 0-90 days	-	-
Past due >90 days	-	-
Impaired	-	-
	88,039	73,772

**Credit risk - Cash and cash equivalents**

The counterparty to these financial assets is Macquarie Bank and Westpac, large financial institutions with strong credit ratings.

**Credit risk - Receivables**

Amounts owed to the Company comprise GST receivables and security bonds for exploration tenements.



**NOTE 13 FINANCIAL RISK MANAGEMENT****(b) Liquidity risk**

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board. The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained.

The table below reflects the contractual maturity financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2019	2018
	\$	\$
<i>Less than one year</i>		
Trade and other payables	87,289	57,811

Terms and conditions relating to the above financial instruments:

- Trade creditors are unsecured, non-interest bearing and are normally settled on 30 day terms
- Other creditors are unsecured and non-interest bearing
- Due to the short-term nature of the current payables the carrying value is assumed to approximate their fair value.

**(c) Market Risk**

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

**Interest rate risk**

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity does not have any material interest rate exposure.

**Price risk**

The Consolidated Entity's exposure to securities in the current period arose from an investment in one listed company, TerraCom Limited which was sold during the period.

**(d) Capital Risk Management**

Management controls the capital of the Consolidated Entity in order to provide capital growth to shareholders and ensure the Consolidated Entity can fund its operations and continue as a going concern. The Consolidated Entity's capital includes ordinary share capital. Further detail on share capital can be found in Note 6. There are no externally imposed capital requirements. Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management share issues.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

**(e) Fair Values**

The fair values of financial assets and liabilities approximate their carrying value.



**NOTE 14 SEGMENT REPORTING****Reportable Segments**

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. The Consolidated Entity does not yet have any products or services from which it derives an income.

Accordingly, management currently identifies the Consolidated Entity as having only one reportable segment, being exploration for minerals in Australia. The financial results from this segment are equivalent to the financial statements of the consolidated entity. There have been no changes in the operating segments during the year.

All assets are located in Australia.

	2019	2018
	\$	\$

**NOTE 15 COMMITMENTS****Operating leases***Minimum lease payments:*

Payable within one year	-	60,170
Payable within one year and five years	-	-
<b>Total contracted at balance date</b>	<b>-</b>	<b>60,170</b>

The Consolidated Entity leases office space and office equipment under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

**Future exploration**

The Consolidated Entity has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Consolidated Entity.

*Exploration obligations to be undertaken:*

Payable within one year	375,041	391,940
Payable between one year and five years	170,830	513,409
	<b>545,871</b>	<b>905,349</b>

To keep tenements in good standing, work programmes should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements or to meet expenditure requirements by joint venture or farm in agreements.

**NOTE 16 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

In 2013, the Company entered into an agreement with a consultant to provide financial modelling, financing negotiation support and other related services for the Hawsons Iron Project. The consultant has provided these services to the Company at a discounted rate on the basis that a success fee of 5 times the foregone fees would be payable upon the first sale of iron ore/concentrate from the Hawsons Iron Project. The value of the contingent success fee at 30 June 2019 and 30 June 2018 was \$1,945,087.

The success fee has been disclosed as a contingent liability due to uncertainty regarding whether the amount will be required to be paid and the expected timing of any payment.

There are no other contingent liabilities or contingent assets at 30 June 2019 and 30 June 2018 that require disclosure in the financial report.

**NOTE 17 EVENTS AFTER BALANCE SHEET DATE**

There have been no events since 30 June 2019 that impact upon the financial report.

**NOTE 18 PARENT ENTITY INFORMATION**

The Parent Entity of the Consolidated Entity is Carpentaria Resources Limited.

	2019	2018
	\$	\$
<u>Parent Entity Financial Information</u>		
Current assets	3,071,713	1,093,532
Non-current assets	5,196,820	4,710,807
Total assets	<u>8,268,533</u>	<u>5,804,339</u>
Current liabilities	452,873	252,991
Non-current liabilities	-	-
Total liabilities	<u>452,873</u>	<u>252,991</u>
Net assets	<u>7,815,660</u>	<u>5,551,348</u>
Issued capital	28,166,109	24,253,396
Share based payment reserve	2,185,147	1,985,587
Accumulated losses	<u>(22,535,596)</u>	<u>(20,687,635)</u>
Total equity	<u>7,815,660</u>	<u>5,551,348</u>
Loss after income tax	(1,847,961)	(1,183,143)
Other comprehensive income	-	-
Total comprehensive income	<u>(1,847,961)</u>	<u>(1,183,143)</u>

Controlled Entities of the Parent Entity

	Percentage Owned	
	2019	2018
	%	%
Willyama Prospecting Pty Ltd	100%	100%

**Principles of Consolidation**

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

**Commitments, Contingencies and Guarantees of the Parent Entity**

The committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity. Refer to Note 16 for details.

The Parent Entity has no contingent assets, contingent liabilities or guarantees at balance date.

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
  - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 9 to 14 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2019, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**Q S Hill**  
Director

Brisbane  
25 September 2019

## INDEPENDENT AUDITOR'S REPORT

To the members of Carpentaria Resources Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Carpentaria Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Carrying value of exploration and evaluation assets

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Refer to note 3 in the financial report.</p> <p>The Group carries exploration and evaluation assets as at 30 June 2019 in relation to the application of the Group's accounting policy for exploration and evaluation assets.</p> <p>The recoverability of exploration and evaluation asset is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the total balance; and</li> <li>• The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ('AASB 6') in light of any indicators of impairment that may be present.</li> </ul>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing</li> <li>• Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow budget for the level of budgeted spend on exploration projects and held discussions with directors of the Group as to their intentions and strategy</li> <li>• Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.</li> </ul>

### Accounting and valuation of share based payments

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>As disclosed in Note 11, share-based payment expense was recognised for employee options that were granted in prior periods and continued to be expensed over their vesting period. During the year, the company made a further share-based payment under this scheme.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing market announcements and board minutes to ensure all the new options granted during the year have been accounted for</li> <li>• Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements</li> </ul>

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During the financial year ended 30 June 2019, the Group issued shares to employees, consultants and key management personnel, which have been accounted for as share-based payments.

Refer to Note 11 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.

Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments, we consider the Group's calculation of the share-based payment expense to be a key audit matter.

- Considering whether the Group used an appropriate model in valuing the options
- Recalculating estimated fair value of the options using a relevant option valuation methodology, and assessed the valuations inputs
- Evaluating management's assumptions used in the calculation being interest rate, volatility, the expected vesting period, the probability of achievement and the number of options expected to vest
- Evaluating management's assessment of the likelihood of meeting the performance conditions attached to the performance rights
- Assessing the allocation of the share-based payment expense over management's expected vesting period.

#### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Carpentaria Resources Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**



**T R Mann**  
Director

Brisbane, 25 September 2019

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## ADDITIONAL STOCK EXCHANGE INFORMATION

### DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 11 SEPTEMBER 2019

Number of Securities Held	Ordinary shares fully paid	No. of holders
1 to 1,000	59,626	158
1,001 to 5,000	1,028,302	355
5,001 to 10,000	2,496,249	308
10,001 to 50,000	17,797,919	716
50,001 to 100,000	16,377,284	221
100,001 and over	233,373,157	482
	275,132,537	2,240

Number of shareholders holding less than a marketable parcel of shares

919

### TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,402,857	7.05
2	SILVERGATE CAPITAL PTY LTD	17,990,800	6.54
3	CASADA HOLDINGS PTY LTD	4,084,463	1.48
4	BALMAIN SUPER FUND	4,054,444	1.47
5	BNP PARIBAS NOMINEES PTY LTD	3,827,591	1.39
6	MER PETER TURCOVSKY	3,500,000	1.27
6	MR DAVID WILLIAM NEATE	3,500,000	1.27
7	MR KOK LEONG WONG	3,425,000	1.24
8	MR NEIL ELSON & MRS SANDRA MAUREEN ELSON <ELSON SF A/C>	3,100,000	1.13
9	MR NEIL ELSON & MRS SANDRA MAUREEN ELSON	3,000,000	1.09
10	SILVERGATE CAPITAL PTY LTD	2,953,706	1.07
11	ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C>	2,775,000	1.01
11	ONE MANAGED INVESTMENT FUNDS LIMITED <TI ABSOLUTE RETURN>	2,775,000	1.01
12	CAMCOVE PTY LTD	2,702,521	0.98
13	HOOPER SUPER PTY LTD	2,469,952	0.90
14	CITICORP NOMINEES PTY LTD	2,278,880	0.83
15	MS YING JIN	2,270,130	0.83
16	MR QUENTIN SIMON HILL	2,000,000	0.73
17	MR ROBERT VEITCH AND MRS ELAINE VEITCH	1,972,499	0.72
18	MR QUENTIN SIMON HILL	1,812,500	0.66
19	ONE MANAGED INVESTMENT FUNDS LIMITED <TI HIGH CONVICTION A/C>	1,764,706	0.64
20	BEST EXPAND INVESTMENTS LIMIED	1,550,735	0.56
	<b>TOTAL</b>	<b>93,210,744</b>	<b>33.88</b>

### VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

### SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company at 11 September 2019 are:

Name of Shareholder	Ordinary Shares
SG HISCOCK & COMPANY LIMITED	15,064,960
SILVERGATE CAPITAL PTY LTD	20,944,506



## INTERESTS IN MINING TENEMENTS

Exploration Permits for Minerals. All tenements are held by Carpentaria Resources Limited as the principal and sole holder with 100% unencumbered share, apart from those marked accordingly in the table below:

<u>Licence</u>	<u>Name</u>	<u>Original Grant Date</u>	<u>Expiry Date</u>	<u>Equity</u>	<u>Sub-blocks</u>	<u>Area (km2)</u>
EL 6901	Combaning	8/10/2007	8/10/2020	20%	21	61
EL 6979 <sup>1</sup>	Redan	11/12/2007	11/12/2021	69.8%	62	180
EL 7208	Burta	22/09/2008	22/09/2020	69.8%	100	290
EL 7504	Little Peak	8/04/2010	8/04/2020	69.8%	14	41
EL 7896	Barellan	6/02/2012	6/02/2021	20%	25	73
EL 8095	Advane	28/05/2013	28/05/2020	100%	50	145
EL 5561	South Dam	10/12/2014	9/12/2019	100%	15	26
MLA 460	Hawsons Iron	Under application	Under application	68.7%	n/a	187
<b>Totals</b>					<b>281</b>	<b>1,001</b>

<sup>1</sup> 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.