Carpentaria RESOURCES | WORLD'S BEST IRON ORE PRODUCT

ABN 63 095 117 981 ASX Code CAP

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CORPORATE DIRECTORY

Board of Directors

John Anderson	Non-executive Chairman
Quentin Hill	Managing Director
Paul Cholakos	Non-executive Director
Jon Parker	Non-executive Director

Company Secretary

Robert William Hair

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Auditors BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 Telephone: 07 3237 5999 Fax: 07 3221 9227 Website: www.bdo.com.au	**Share Registry** Link Market Services Limited Level 21 10 Eagle Street Brisbane QLD 4000 Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au

DIRECTORS' REPORT

Your Directors present their report on Carpentaria Resources Limited for the half-year ended 31 December 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 period are:

Name	Position	Period of directorship
John Anderson	Non-executive Chairman	Appointed 21 November 2019
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	Non-executive Chairman	Appointed 1 January 2012, retired 21 November 2019

OPERATING RESULTS

Commentary and Comparison with Prior Year

For the half-year ended 31 December 2019, the loss for the Consolidated Entity after providing for income tax was $854,068 (December 2018: $797,820).

The loss for the half-year ended 31 December 2019 was $56,248 more (7%) than the loss for the half-year ended 31 December 2018, primarily attributable to increases in costs associated with the ongoing promotion of the Hawsons Iron Project to financiers and potential offtake partners.

Cash Position

The Consolidated Entity's cash position decreased from June 2019 by $1,074,484 to $1,949,706.

REVIEW OF OPERATIONS

The Company's focus continues to be the funding of the Hawsons Iron Project bankable feasibility study (BFS) in relation to producing 10 Mtpa of Hawsons Supergrade® product. The keen interest from end users in securing access to Hawsons Supergrade® product has not as yet led to securing further BFS funding to complement the transaction that the Company entered into with Mitsui & Co., Ltd in July 2018 in relation to an option over 2 Mtpa of Hawsons Supergrade® product off-take. However, the Company continues to strive to secure further BFS funding or other support.

Carpentaria is manager of the 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, with Pure Metals' interest at 30.2%.

The Company is targeting the growing premium high-grade product market, both pellets and pellet feed, which is separate to the bulk fines market and its prefeasibility study has shown its targeted cost structure is very profitable at consensus long-term price forecasts for this sector. It has secured off-take related funding from Mitsui and off-take intent from blue chip companies Formosa Plastics, Bahrain Steel, Shagang Steel, Emirates Steel, Kuwait Steel, Mitsubishi Corporation RtM Japan and trading house Gunvor Group.

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
Total	**14.0 Mtpa**	

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. Indeed, during the period the Company improved its product offering to Middle East and north Africa (MENA) direction reduction iron (DRI)--based steelmakers, completing value-in-use marketing studies, exploring pricing options and engaging local assistance to position the Company to benefit as the region builds its non-oil economy. Opportunities for independent top-tier DR grade supply are extremely limited.

Interest from the Middle East prompted a review of test work to determine what higher quality products can be produced from the Hawsons processing flow sheet. Data shows increasing elutriation velocities and the regrind capacity at the final stage of the beneficiation circuit will produce the better product specification (Table 1) without materially affecting the cost structure.

The new specification is an improvement of 0.5% in silica plus alumina gangue, lifting it to the top tier of DR grade products and increasing its value to steelmakers.

Table 1. Potential Hawsons Supergrade® DR grade chemistry

Fe %	FeO %	SiO_2 %	Al_2O_3 %	P %	S %	GOI %
70.50	**29.30**	**1.51**	**0.23**	**0.003**	**<0.002**	**3.02**

(See ASX Announcement 20 April 2015 – Hawsons sets sights on high value processed iron products after successful test work results)

Depending upon binder selection Farnborough Engineering Consultants (FEC), highly experienced in the MENA region steel industry, calculated a 67.8-68.4% Fe (1.8-2.1% silica + alumina) DR pellet specification could be produced from the new specification (Table 2). This low gangue pellet competes well with tier one DR grade pellets typically less than or equal to 2% silica plus alumina.

Table 2. Hawsons potential DRI pellet chemistry (FEC)

Fe %	SiO_2 %	Al_2O_3 %	P %	S %	SiO_2+Al_2O_3 %
67.8	**1.75**	**0.34**	**<0.01**	**<0.001**	**2.09**
68.4	**1.58**	**0.26**	**<0.01**	**<0.001**	**1.84**

Value-in-use (VIU) estimates by FEC and LFJ Consulting indicates Hawsons pellet feed is worth approximately US$16-23 per tonne extra in the steelmaking value chain (pelletising, direct reduction iron (DRI) and electric arc furnace steel (EAF)) when compared to a hematite derived 67%Fe DR grade pellet (Table 3).

VIU studies are a very important technical marketing tool that demonstrate a product's potential value to a steelmaker and assist when establishing new markets and negotiating pricing.

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

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.*

EVENTS AFTER REPORTING DATE

On 21 January 2020, the Company entered into a further agreement with the consultant referred to in Note 6, which provided as follows. In the event that a takeover bid is made under Chapter 6 of the Corporations Act for the ordinary shares in the Company and the consultant believes reasonably that the bid will be successful and result in a change of control of the Company, then the consultant may serve notice upon the Company that it wishes to receive the Foregone Fee (together with the Break Fee that the consultant would be entitled to if the Company were to terminate the consultancy arrangement without cause before a termination event) by payment in CAP shares. In such event, the Company must to the extent that it can do so in compliance with the ASX Listing Rules (in particular Chapter 7) allot and issue to the consultant or its nominee the number of fully-paid ordinary shares that is equal in value to the Foregone Fee plus the Break Fee, with each CAP share having a price equal to the prevailing price at which the takeover bid will succeed and do so in such time that the consultant may accept the offer. In the event that the takeover bid is withdrawn before completion, then the Company's obligation to pay the Foregone Fee and Break Fee in CAP shares will for the purposes of that takeover bid cease to exist. In the event that there is more than one concurrent takeover bid, the pricing of the CAP shares will be based on the bid that involves the highest offer price.

There have been no other events since 31 December 2019 that impact upon the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under s307c of the *Corporations Act 2001* is set out on page 6 and forms part of the Directors' report.

Signed in accordance with a resolution of the Board of Directors

Q S Hill
Managing Director

Dated 14 February 2020

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

As lead auditor for the review of Carpentaria Resources Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 14 February 2020

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2019

	Note	Half-Year Ended December 2019 $	Half-Year Ended December 2018 $
Interest income		1,780	1,618
Employment benefit expenses	4	(347,474)	(397,873)
Depreciation and amortisation expense		(1,880)	(2,299)
Other expenses		(38,290)	(26,350)
Project generation and business development expenses		(314,726)	(149,891)
Administration expenses		(153,478)	(223,025)
Loss before income tax		(854,068)	(797,820)
Income tax expense/(benefit)		-	-
Loss after income tax expense		(854,068)	(797,820)
Other comprehensive income		-	-
Total comprehensive income		**(854,068)**	**(797,820)**

		Cents	Cents
Loss per share			
Basic and diluted loss per share		(0.31)	(0.38)

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

Consolidated Balance Sheet
As at 31 December 2019

	Note	Dec 2019 $	June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		1,949,706	3,024,190
Trade and other receivables		22,844	29,630
Other current assets		17,915	17,892
TOTAL CURRENT ASSETS		1,990,465	3,071,712
NON-CURRENT ASSETS			
Trade and other receivables		58,409	58,409
Plant and equipment		5,297	7,178
Exploration and evaluation assets	5	5,521,994	5,141,234
TOTAL NON-CURRENT ASSETS		5,585,700	5,206,821
TOTAL ASSETS		7,576,165	8,278,533
CURRENT LIABILITIES			
Trade and other payables		99,798	87,289
Provisions		450,259	365,584
TOTAL CURRENT LIABILITIES		550,057	452,873
TOTAL LIABILITIES		550,057	452,873
NET ASSETS		**7,026,108**	**7,825,660**
EQUITY			
Share capital	2	28,166,109	28,166,109
Share based payment reserve		2,208,919	2,185,147
Accumulated losses		(23,348,920)	(22,525,596)
TOTAL EQUITY		**7,026,108**	**7,825,660**

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2019

Consolidated Entity	Share Capital $	Share based payment reserve $	Accumulated Losses $	Total $
Balance at 1 July 2018	24,253,396	1,985,587	(20,677,635)	5,561,348
Transactions with owners in their capacity as owners				
Issue of share capital	1,244,250	-	-	1,244,250
Costs of raising capital	(83,627)	-	-	(83,627)
Employee share options – value of employee services	-	145,044	-	145,044
Total	1,160,623	145,044	-	1,305,667
Comprehensive income				
Loss after income tax	-	-	(797,820)	(797,820)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(797,820)	(797,820)
Balance at 31 December 2018	**25,414,019**	**2,130,631**	**(21,475,455)**	**6,069,195**
Balance at 1 July 2019	28,166,109	2,185,147	(22,525,596)	7,825,660
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Transfer of expired employee share options	-	(30,744)	30,744	-
Employee share options – value of employee services	-	54,516	-	54,516
Total	-	23,772	30,744	54,516
Comprehensive income				
Loss after income tax	-	-	(854,068)	(854,068)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(854,068)	(854,068)
Balance at 31 December 2019	**28,166,109**	**2,208,919**	**(23,348,920)**	**7,026,108**

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 half-year ended 31 December 2019

	Note	Half-Year Ended December 2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(695,504)	(528,745)
Interest received		1,780	1,618
Net cash used in operating activities		(693,724)	(527,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial assets		-	14,283
Payments for exploration and evaluation assets		(380,760)	(505,820)
Net cash used in investing activities		(380,760)	(491,537)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,244,250
Costs associated with the issue of shares		-	(83,625)
Net cash provided by financing activities		-	1,160,625
Net increase/(decrease) in cash and cash equivalents		(1,074,484)	141,961
Cash and cash equivalents at the beginning of the financial year		3,024,190	1,052,625
Cash and cash equivalents at the end of the financial period		**1,949,706**	**1,194,586**

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

Carpentaria Resources Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2019 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

b) Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the interim financial report.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2019.

This consolidated interim financial report was approved by the Board of Directors on 14 February 2020.

Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2019, except for the adoption of new accounting standards as set out below.

New and revised standards

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting AASB 16 *Leases*. The impact of the adoption of this standard and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

AASB 16 Leases

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2019. This standard replaces the 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.

Upon adoption of this standard, the Consolidated Entity's transitioned 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, there were no material impacts in the current or future reporting periods and on foreseeable future transactions.

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

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.

c) Going Concern

As at 31 December 2019 the Consolidated Entity had cash reserves of $1,949,706 and net current assets of $1,440,408

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

	December 2019 $	June 2019 $

NOTE 2 SHARE CAPITAL

	December 2019 $	June 2019 $
Fully paid ordinary shares	28,166,109	28,166,109

Ordinary Shares

	Dec 2019 $	June 2019 $	Dec 2019 #	June 2019 #
At the beginning of the year	28,166,109	24,253,396	269,632,537	193,690,706
Shares issued [1]	-	4,186,823	-	75,941,831
Share issue costs	-	(274,110)	-	-
At reporting date	28,166,109	28,166,109	269,632,537	269,632,537
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
Total Ordinary and NRE Shares	**28,166,109**	**28,166,109**	**275,132,537**	**275,132,537**

[1] June 2019: 14,638,235 ordinary shares issued at $0.085 each.
61,303,596 ordinary shares issued at $0.048 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.

Options

During the 2017 and 2018 financial years, the Company issued options to employees, Directors and consultants in recognition for services provided.

Tranche	Grant Date	Expiry Date	Exercise Price	1 Jul 2019	Granted in year	Exercised in year	Lapsed	31 Dec 2019	Vesting Milestone
1	24 Nov 2016	24 Nov 2019	$0.10	1,155,000	-	-	(1,155,000)	-	NA - expired
2	24 Nov 2016	24 Nov 2021	$0.20	2,200,000	-	-	-	2,200,000	5
3	1 Dec 2017	30 Nov 2022	$0.15	250,000	-	-	-	250,000	1
4	1 Dec 2017	30 Nov 2022	$0.25	325,000	-	-	-	325,000	2
5	1 Dec 2017	30 Nov 2022	$0.40	75,000	-	-	-	75,000	3
6	1 Dec 2017	30 Nov 2022	$0.50	100,000	-	-	-	100,000	4
7	2 Jan 2018	1 Jan 2023	$0.15	500,000	-	-	-	500,000	1
8	2 Jan 2018	1 Jan 2023	$0.25	625,000	-	-	-	625,000	2
9	2 Jan 2018	1 Jan 2023	$0.40	150,000	-	-	-	150,000	3
10	2 Jan 2018	1 Jan 2023	$0.50	200,000	-	-	-	200,000	4
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
				15,080,000	-	-	-	13,925,000	

Milestone 1 **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; 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.
Milestone 2 **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; 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.
Milestone 3 **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.
Milestone 4 **Any of the following -**	Commencement of commercial production at Hawsons; Carpentaria market capitalisation of $500 million or more.
Milestone 5 **Any of the following -**	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.

NOTE 3 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.

NOTE 4 ITEMS INCLUDED IN PROFIT OR LOSS

	Half-Year Ended December 2019 $	2018 $
Included in profit/(loss) are the following specific expenses:		
Included in 'Employment benefit expenses':		
Share based payment expense	54,516	145,044
Accrued back pay	86,707	86,707

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 is calculated from the total commitment accrued at year end and adjusted for the probability that the employee may satisfy vesting requirements.

NOTE 5 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.

	Dec 2019 $	June 2019 $
Opening balance	5,141,234	4,657,289
Capitalised expenditure	380,760	483,945
	5,521,994	5,141,234

NOTE 6 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 ("Foregone Fees"). The value of the contingent success fee at 31 December was $1,945,087.

In 2019, the Company entered into another agreement with the consultant to assist the Company to obtain the necessary equity and other funding to carry out a bankable feasibility study in respect of the Hawsons Iron Project. In the event the consultancy relationship service is terminated by the Company without cause, the Company must pay the consultant a fee ("Break Fee") equal to the greater of:

- 0.25% of the debt funds arranged by the consultant; or
- a break fee being the cumulative sum calculated by multiplying the number of hours worked by the consultant from each month from July 2018 until termination of the consultancy by $1,000 less the fees paid to the consultant over that period. The break fee is payable upon the commitment to undertake a bankable feasibility study (or equivalent) for the Hawsons Iron Project should the consultancy arrangement be terminated without cause before such commitment or otherwise at financial investment decision for the development of the Hawsons resource.

The notional value of the break fee at 31 December 2019 was $794,250.

NOTE 7 EVENTS AFTER REPORTING DATE

On 21 January 2020, the Company entered into a further agreement with the consultant referred to in Note 6, which provided as follows. In the event that a takeover bid is made under Chapter 6 of the Corporations Act for the ordinary shares in the Company and the consultant believes reasonably that the bid will be successful and result in a change of control of the Company, then the consultant may serve notice upon the Company that it wishes to receive the Foregone Fee (together with the Break Fee that the consultant would be entitled to if the Company were to terminate the consultancy arrangement without cause before a termination event) by payment in CAP shares. In such event, the Company must to the extent that it can do so in compliance with the ASX Listing Rules (in particular Chapter 7) allot and issue to the consultant or its nominee the number of fully-paid ordinary shares that is equal in value to the Foregone Fee plus the Break Fee, with each CAP share having a price equal to the prevailing price at which the takeover bid will succeed and do so in such time that the consultant may accept the offer. In the event that the takeover bid is withdrawn before completion, then the Company's obligation to pay the Foregone Fee and Break Fee in CAP shares will for the purposes of that takeover bid cease to exist. In the event that there is more than one concurrent takeover bid, the pricing of the CAP shares will be based on the bid that involves the highest offer price.

There have been no other events since 31 December 2019 that impact upon the financial report.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Q S Hill
Director

Brisbane
14 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carpentaria Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Carpentaria Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

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T R Mann
Director

Brisbane 14 February 2020