

13 September 2018

AGM Notice and Annual Report Sent to Shareholders

Carpentaria Resources Limited (ASX:CAP) announces that it has today dispatched the AGM notice and annual report for the year ended 30 June 2018 to shareholders.

A copy of the notice of meeting and annual report is appended hereto.

For further information please contact:

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Carpentaria Resources Limited

A.C.N. 095 117 981

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY STATEMENT TO SHAREHOLDERS

FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 15 October 2018 at The Mayflower Room, Christies Building, 320 Adelaide Street, Brisbane Queensland at 11.00am (Brisbane time)

You are encouraged to attend the meeting but, if you cannot, you are requested to complete and return the enclosed Proxy Form without delay (and no later than 48 hours before the meeting) to Link Market Services Limited at Locked Mail Bag A14, Sydney South New South Wales 1235, Australia, or by facsimile on facsimile number +61 2 9287 0309. Alternatively, you may log in and enter your proxy instructions at <https://investorcentre.linkmarketservices.com.au/Login/Login>.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of CARPENTARIA RESOURCES LIMITED (“**Carpentaria**” or “**the Company**”) will be held on the date and at the location and time specified below:

DATE: Monday, 15 October 2018

LOCATION: The Mayflower Room, Christies Building, 320 Adelaide Street, Brisbane Queensland 4000

TIME: 11.00am (Brisbane time)

BUSINESS: The business to be transacted at the Annual General Meeting is the proposal of the Resolutions set out below.

CARPENTARIA RESOURCES LIMITED

A.C.N. 095 117 981

NOTICE OF MEETING

TIME AND PLACE OF MEETING AND HOW TO VOTE

The Annual General Meeting of Shareholders of Carpentaria Resources Limited will be held at The Mayflower Room, Christies Building, 320 Adelaide Street, Brisbane Queensland 4000 on Monday, 15 October 2018 at 11.00am (Brisbane time).

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

Shareholders may attend the Annual General Meeting on the date and at the place set out above and vote in person.

VOTING BY PROXY

Please note that:

- a. a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- b. a proxy need not be a member of the Company;
- c. a Shareholder may appoint a body corporate or an individual as its proxy;
- d. a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- e. a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the total votes.

The enclosed Proxy Form provides further details on voting entitlement, appointing proxies and lodging Proxy Forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

To vote by proxy, please complete and sign the Proxy Form enclosed and either:

- a. deliver the Proxy Form by post to Link Market Services Limited at Locked Mail Bag A14, Sydney South New South Wales 1235, Australia; or
- b. fax the form to Link Market Services Limited on facsimile number +61 2 9287 0309,

so that it is received not later than **11.00am (Brisbane time) on 13 October 2018**. Proxy Forms received later than this time will be invalid. Alternatively, you may log in and enter your proxy instructions at <https://investorcentre.linkmarketservices.com.au/Login/Login>.

CARPENTARIA RESOURCES LIMITED

A.C.N. 095 117 981

NOTICE OF MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Carpentaria Resources Limited will be held at 11.00am (Brisbane time) on Monday, 15 October 2018 at The Mayflower Room, Christies Building, 320 Adelaide Street, Brisbane Queensland 4000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting and a glossary of defined terms not defined in full in this Notice. The Explanatory Statement and the enclosed Proxy Form form part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 and 7.11.38 of the Corporations Regulations that the persons eligible to vote at the Annual General Meeting are those who are registered shareholders of the Company at **6.00pm (Brisbane time) on Friday, 12 October 2018**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Financial Statements and Directors' Report

The financial statements, Directors' Report and Auditor's Report for the year ended 30 June 2018 are to be tabled.

RESOLUTIONS

1. Adoption of Remuneration Report (Non-binding)

To consider and, if thought fit, to pass, with or without amendment, the following as an **Ordinary Resolution**:

"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes the remuneration report for the Company for the year ended 30 June 2018 be adopted."

The vote on this resolution is advisory only and does not bind the directors or the Company.
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Voting Prohibition: In accordance with section 250(R) of the Corporations Act, a vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1 (as set out above), and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 1; and

- (ii) expressly authorises the Chairman to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 1.

2. Re-election of Paul Cholakos as a director

To consider and, if thought fit, to pass, with or without amendment, the following as an **Ordinary Resolution**:

"That Mr Paul Cholakos, who retires by rotation in accordance with clause 3.6 of the Constitution and, being eligible, offers himself for election, be re-elected as a director of the Company."

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 2.

3. Re-election of Jon Parker as a director

To consider and, if thought fit, to pass, with or without amendment, the following as an **Ordinary Resolution**:

"That Mr Jon Parker, having been appointed as a director in accordance with clause 11.11 of the Constitution by resolution of the Board, retires in accordance with the Clause 3.3 of the Constitution and, being eligible, offers himself for election, be re-elected as a director of the Company."

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 3.

4. Approval of Grant of Options to Mr Quentin Hill

To consider and, if thought fit, to pass, with or without amendment, the following as an **Ordinary Resolution**:

"That for the purpose of ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 3,000,000 Options to Mr Quentin Hill (a Director), and/or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by any Director of the Company and any associate of such a person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the Chairman of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form to vote as the proxy decides.

Voting Prohibition

Further, in accordance with the Corporations Act, a vote on this Resolution 4 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution 4 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 4 (as set out above), and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 4; or
- (b) the person is the Chairman, and the appointment of the Chairman as proxy:

- (i) does not specify the way the proxy is to vote on Resolution 4; and
- (ii) expressly authorises the Chairman to exercise the proxy even if Resolution 4 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 4.

5. Approval of Grant of Options to Dr Neil Williams

To consider and, if thought fit, to pass, with or without amendment, the following as an **Ordinary Resolution**:

“That for the purpose of ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 2,500,000 Options to Dr Neil Williams (a Director and Chairman), and/or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by any Director of the Company and any associate of such a person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the Chairman of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form to vote as the proxy decides.

Voting Prohibition

Further, in accordance with the Corporations Act, a vote on this Resolution 5 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution 5 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 5 (as set out above), and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 5; or
- (b) the person is the Chairman, and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 5; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if Resolution 5 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 5.

6. Approval of Grant of Options to Mr Jon Parker

To consider and, if thought fit, to pass, with or without amendment, the following as an **Ordinary Resolution**:

“That for the purpose of ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 2,000,000 Options to Mr Jon Parker (a Director), and/or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by any Director of the Company and any associate of such a person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the Chairman of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form to vote as the proxy decides.

Voting Prohibition

Further, in accordance with the Corporations Act, a vote on this Resolution 6 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution 6 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 6 (as set out above), and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 6; or
- (b) the person is the Chairman, and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 6; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if Resolution 6 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 6.

7. Approval of Grant of Options to Mr Paul Cholakos

To consider and, if thought fit, to pass, with or without amendment, the following as an **Ordinary Resolution**:

“That for the purpose of ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 2,000,000 Options to Mr Paul Cholakos (a Director), and/or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by any Director of the Company and any associate of such a person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the Chairman of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form to vote as the proxy decides.

Voting Prohibition

Further, in accordance with the Corporations Act, a vote on this Resolution 7 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution 7 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 7 (as set out above), and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 7; or
- (b) the person is the Chairman, and the appointment of the Chairman as proxy:
 - (iii) does not specify the way the proxy is to vote on Resolution 7; and
 - (iv) expressly authorises the Chairman to exercise the proxy even if Resolution 7 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 7.

8. Ratification of Placement

To consider and, if thought fit, to pass, with or without amendment, the following as an **Ordinary Resolution**:

*“That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 15,539,025 fully paid ordinary shares (**Previous Placement Shares**) to institutional, sophisticated, and professional investors on the terms and conditions set out in the Explanatory Statement.”*

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 8 by a person who participated in the issue of the Previous Placement Shares and any associates of that person:

However, the Company need not disregard a vote if:

- it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 8.

9. Approval of Additional Placement Capacity under ASX Listing Rule 7.1A

To consider and, if thought fit, to pass, with or without amendment, the following as a **Special Resolution**:

“That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 9 by a person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, and any associates of those persons.

At the date of this Notice, the proposed allottees of the securities are not as yet known or identified.

However, the Company need not disregard a vote cast on this Resolution 9 by a person described above if:

- the person is appointed as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or

- the person is the Chairman acting as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form to vote as the proxy decides.

The Chairman intends to vote all available proxies **IN FAVOUR** of Resolution 9.

An explanation of the proposed Resolutions 1 to 9 is set out in the Explanatory Statement, which forms part of this Notice of Meeting.

BY ORDER OF THE BOARD

Bob Hair
Company Secretary

7 September 2018

CARPENTARIA RESOURCES LIMITED
A.C.N. 095 117 981
NOTICE OF MEETING
EXPLANATORY STATEMENT TO
SHAREHOLDERS

INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders of Carpentaria in connection with Resolutions to be considered at the Annual General Meeting to be held at The Mayflower Room, Christies Building, 320 Adelaide Street, Brisbane Queensland 4000 on Monday, 15 October 2018 at 11.00am (Brisbane time).

This Explanatory Statement should be read in conjunction with the accompanying Notice of Annual General Meeting. Please refer to this Explanatory Statement for the glossary of terms.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice of Meeting.

FINANCIAL STATEMENTS AND DIRECTORS' REPORT

The Corporations Act requires the reports of the Directors and of the auditor of the Company and the annual financial report, including the financial statements, to be put before the Meeting. The Corporations Act does not require a vote of Shareholders at the Meeting on the reports or statements. However, Shareholders will be given an opportunity to raise questions on the reports and statements for the year ended 30 June 2018 at the Meeting.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report is set out in the Directors' Report in the Company's 2018 Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

Section 249L(2) of the Corporations Act requires the Company to inform Shareholders that a Resolution on the Remuneration Report will be put at the Meeting. Section 250R(2) of the Corporations Act requires that the Resolution that the Remuneration Report be adopted must be put to the vote. Resolution 1 seeks this approval.

However, in accordance with section 250R(3) of the Corporations Act, Shareholders should note that Resolution 1 is an "advisory only" Resolution which does not bind the Directors or the Company. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report. However, the Board recognises that the Shareholder vote on Resolution 1 is an indication of Shareholder sentiment and will have regard to the outcome of the vote and any discussion when setting the remuneration practices of the Company.

Following consideration of the Remuneration Report, the Chairman, in accordance with section 250SA of the Corporations Act, must give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

A voting exclusion statement and restriction where proxy is member of Key Management Personnel

In accordance with the Corporations Act, a vote on Resolutions 1, 4, 5, 6, and 7 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

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However, a person described above may cast a vote on Resolutions 1, 4, 5, 6, or 7 as a proxy if the vote is not cast on behalf of any Key Management Personnel or a Closely Related Party of such a member and either:

- (a) the person is appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

If you appoint as your proxy any other director of the Company, any other of its Key Management Personnel or a Closely Related Party of such a member and you do not direct that person to vote, that person will not vote your proxy on that item of business.

Noting that each Director has a personal interest in their own remuneration from Carpentaria as described in the Remuneration Report, the Directors unanimously recommend that you vote IN FAVOUR of Resolution 1.

The Chairman intends to vote all available proxies IN FAVOUR of Resolution 1.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR

Clause 3.6 of the Constitution provides that at the annual general meeting one-third of the Directors for the time being, or, if their number is not three nor a multiple of three, then the number nearest one-third, must retire from office. Clause 3.6 of the Constitution also provides that this does not apply to the Managing Director. Accordingly, Resolution 2 seeks the re-election of the Director who retires by rotation in accordance with the Constitution, Mr Paul Cholakos.

In the event that Resolutions 2 and 3 are passed, the Board will consist of Neil Williams (Chairman and non-executive director), Quentin Hill (Managing Director), Jon Parker (Non-executive Director) and Paul Cholakos (Non-executive Director).

A profile of Mr Cholakos is provided below.

Mr Paul Cholakos

Non-executive Director

Paul has more than 32 years of resources industry experience, successfully managing complex development projects for leading oil and gas and diversified mining companies. He holds Master of Business Administration and Bachelor of Engineering degrees. Paul currently serves as Executive General Manager, Technical Services of major Australian oil and gas company Oil Search Limited (ASX:OSH).

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

The Directors (other than Mr Cholakos, who abstains from making any recommendation in relation to the Resolution) recommend that Shareholders vote IN FAVOUR of Resolution 2.

The Chairman intends to vote all available proxies IN FAVOUR of Resolution 2.

If you appoint the Chairman as your proxy, and you check the box consenting to the Chairman voting undirected proxies, then unless you include an express voting direction on your proxy form, you will be directing, and expressly consenting to the Chairman to vote in favour of Resolution 2.

RESOLUTION 3 – RE-ELECTION OF DIRECTOR

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Clause 3.3 of the Constitution provides that any Director appointed by the Board automatically retires at the next annual general meeting and is eligible for re-election by that annual general meeting. Accordingly, Resolution 3 seeks the re-election of the Director who retires in accordance with clause 3.3 of the Constitution, Mr Jon Parker.

A profile of Mr Parker is provided below.

Mr Jon Parker

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.

The Directors (other than Mr Parker, who abstains from making any recommendation in relation to the Resolution) recommend that Shareholders vote IN FAVOUR of Resolution 3.

The Chairman intends to vote all available proxies IN FAVOUR of Resolution 3.

If you appoint the Chairman as your proxy, and you check the box consenting to the Chairman voting undirected proxies, then unless you include an express voting direction on your proxy form, you will be directing, and expressly consenting to the Chairman to vote in favour of Resolution 3.

RESOLUTIONS 4 TO 7 – GRANT OF OPTIONS TO RELATED PARTIES

The Company proposes to grant a total of 9,500,000 options to acquire ordinary shares in the Company as follows:

Related Party	Tranche 1 Options	Tranche 2 Options	Tranche 3 Options	Tranche 4 Options	Total
Mr. Quentin Hill (Resolution 4)	1,000,000	1,300,000	300,000	400,000	3,000,000
Dr Neil Williams (Resolution 5)	500,000	500,000	500,000	1,000,000	2,500,000
Mr Jon Parker (Resolution 6)	350,000	350,000	300,000	1,000,000	2,000,000
Mr Paul Cholakos (Resolution 7)	350,000	350,000	300,000	1,000,000	2,000,000

Mr Quentin Hill, Dr Neil Williams, Mr Jon Parker and Mr Paul Cholakos are all related parties of the Company by virtue of being a Director of the Company.

The proposed grant of Options to each of the Directors above is intended to:

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- (a) provide an appropriate and adequate incentive for each of the Directors;
- (b) ensure that the Company may retain each of the Directors' services; and
- (c) reinforce the commitment of each of the Directors to the Company.

The number of Options proposed to be granted to each of the Directors reflects the level of commitment provided or to be provided by the Directors to the Company, taking into account their responsibilities and time commitments required of them. The number of Options proposed to be granted to the Directors also reflects the value the Board feels that each of those Directors bring to the enhancement of the Company and the level of commitment required by the Company.

The principal terms of the Options to be granted to the Directors under Resolution 4 to 7 are as follows:

- (a) there is no issue price for the Options;
- (b) the Options and the conditions to which they are subject are set out in Annexure 1;
- (c) each tranche of Options has different vesting conditions and exercise prices as set out in Annexure 1; and
- (d) the Options will expire on the date that is five years from their date of grant.

The Options will not be quoted on ASX.

Subject to approval of shareholders of the Company, the Options proposed to be granted to Mr Quentin Hill will be issued within 1 month of the date of the Annual General Meeting (or such other later date as permitted by ASX waiver, or the ASX Listing Rules).

Chapter 2E of the *Corporations Act 2001* (Cth)

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit (which includes the grant of Options) to a related party (which includes a Director and former Director) of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior Shareholder approval is obtained for the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Quentin Hill, Dr Neil Williams, Mr Jon Parker and Mr Paul Cholakos are each a related party of the Company and the grant of Options to those related parties constitute the giving of a financial benefit.

Section 211 of the Corporations Act 2001 (Cth) provides an exception to the requirement to obtain shareholder approval for the giving of a financial benefit to a related party where the benefit is remuneration to a related party as an officer and the giving of the remuneration would be reasonable in the circumstances given the circumstances of the Company.

The Board (other than the applicable recipient of each grant of Options) considers the proposed issue of Options subject of Resolutions 4 to 7 to be reasonable remuneration:

- (a) for a company of the size and nature of Carpentaria;
- (b) given the knowledge, expertise and experience of the related parties; and
- (c) which, given that the Company has other preferred use for its available cash, is an appropriate alternative for providing incentives to the related parties.

Therefore, the Company will not seek approval for the issue of the Options pursuant to section 208 of the Corporations Act, as the exception under section 211 of the Corporations Act applies. However, the Company is seeking approval for the issue of the Options pursuant to ASX Listing Rule 10.11 as discussed below.

Further information

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Notwithstanding that the Company is not seeking approval for the purposes of section 208 of the Corporations Act, the Company provides the following information to Shareholders to allow them to make an informed assessment of the proposed grant of Options to Mr Quentin Hill (Resolution 4), Dr Neil Williams (resolution 5), Mr Jon Parker (Resolution 6) and Mr Paul Cholakos (Resolution 7):

(a) The related parties

The related parties to whom the proposed resolutions would permit financial benefits to be given are:

- (a) Mr Quentin Hill (**Resolution 4**);
- (b) Dr Neil Williams (**Resolution 5**);
- (c) Mr Jon Parker (**Resolution 6**); and
- (d) Mr Cholakos (**Resolution 7**).

(b) Nature of financial benefit

The nature of the financial benefit to be given to the related parties is as Options granted as follows:

Related Party	Tranche 1 Options	Tranche 2 Options	Tranche 3 Options	Tranche 4 Options	Total
Mr. Quentin Hill (Resolution 4)	1,000,000	1,300,000	300,000	400,000	3,000,000
Dr Neil Williams (Resolution 5)	500,000	500,000	500,000	1,000,000	2,500,000
Mr Jon Parker (Resolution 6)	350,000	350,000	300,000	1,000,000	2,000,000
Mr Paul Cholakos (Resolution 7)	350,000	350,000	300,000	1,000,000	2,000,000

(c) Directors' recommendations

The Directors make the following recommendations in respect of Resolution 4 to 7:

- (a) (**Resolution 4**) The Directors (other than Mr Quentin Hill who abstains from making any recommendation in relation to the resolution 4 given that Mr Hill has a material personal interest in the outcome of Resolution 4, as the recipient of the Options if Resolution 4 is passed) recommend that Shareholders vote **IN FAVOUR** of Resolution 4;
- (b) (**Resolution 5**) The Directors (other than Dr Neil Williams who abstains from making any recommendation in relation to the Resolution 5 given that Dr Williams has a material personal interest in the outcome of Resolution 5, as the recipient of the Options if Resolution 5 is passed) recommend that Shareholders vote **IN FAVOUR** of Resolution 5;
- (c) (**Resolution 6**) The Directors (other than Mr Jon Parker who abstains from making any recommendation in relation to the Resolution 6 given that Mr Parker has a material personal interest in the outcome of Resolution 6, as the recipient of the Options if Resolution 6 is passed) recommend that Shareholders vote **IN FAVOUR** of Resolution 6; and

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- (d) (**Resolution 7**) The Directors (other than Mr Paul Cholakos who abstains from making any recommendation in relation to the Resolution 7 given that Mr Cholakos has a material personal interest in the outcome of Resolution 7, as the recipient of the Options if Resolution 7 is passed) recommend that Shareholders vote **IN FAVOUR** of Resolution 7.

(d) Other relevant information

The Company notes the following other information in respect of Resolutions 4 to 7:

- (a) it is proposed that the Options will be issued to the related parties one month after the Meeting, but the Company reserves the right to grant the Options progressively within that month;
- (b) the Options are subject to the terms and conditions set out in Annexure 1;
- (c) the Options will be granted to the related parties for no cash consideration;
- (d) as at the date of this Notice, the capital structure of the Company is as follows:

Capital	Number
Ordinary Shares	213,828,941
Options	5,580,000

- (e) if Shareholders approve Resolutions 4 to 7 contained in this Notice and all Options are granted as contemplated by this Notice, the issued capital of the Company would be as follows:

Capital	Number
Ordinary Shares	213,828,941
Options	15,080,000

- (f) as at the date of this Notice, the related parties hold the following securities in the Company on a fully diluted basis:

Related party	Shares held directly	Shares held indirectly	Options held directly	Options held indirectly	Percentage of shares held
Mr. Quentin Hill (Resolution 4)	3,500,000	-	750,000	-	1.94%
Dr Neil Williams (Resolution 5)	-	-	375,000	-	0.17%
Mr Jon Parker (Resolution 6)	-	-	-	-	0%
Mr Paul Cholakos (Resolution 7)	-	-	-	305,000	0.14%

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- (g) if Shareholders approve Resolutions 4 to 7 contained in this Notice and all Options are granted as contemplated by this Notice, the related parties will hold the following securities in the Company on a fully diluted basis and based on the number of Shares currently on issue):

Related party	Shares held directly	Shares held indirectly	Options held directly	Options held indirectly	Percentage of shares held
Mr. Quentin Hill (Resolution 4)	3,500,000	-	3,750,000	-	3.17%
Dr Neil Williams (Resolution 5)	-	-	2,875,000	-	1.26%
Mr Jon Parker (Resolution 6)	-	-	2,000,000	-	0.87%
Mr Paul Cholakos (Resolution 7)	-	-	-	2,305,000	1.01%

- (h) details of the related parties' remuneration for the year ended 30 June 2018 (based on information extracted from the Company's 2018 Annual Report) are as follows:

Related party	Cash	Superannuation	Total
Mr. Quentin Hill (Resolution 4)	\$231,667	\$22,008	\$253,675
Dr Neil Williams (Resolution 5)	\$45,000	\$4,275	\$49,275
Mr Jon Parker (Resolution 6)	\$1,250	\$119	\$1,369
Mr Paul Cholakos (Resolution 7)	\$25,000	\$2,375	\$27,375

- (i) the primary purpose of the grant of the Options to the related parties are to provide them an incentive. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options proposed by Resolutions 4 to 7;
- (j) the issue of Options to the related parties are a more cost-effective incentive for the Company as opposed to the payment of cash compensation;
- (k) the related parties have a material personal interest in the outcome of Resolutions 4 to 7 to the extent that they are the recipient of the Options proposed to be granted;
- (l) the Directors attribute a value to the Options as at the date of this notice of \$0.0485 per Tranche 1 Option, \$0.0392 per Tranche 2 Option, \$0.0307 per Tranche 3 Option and \$0.0268 per Tranche 4 Option, based upon the following considerations:
- (i) Assumed share price at grant date of \$0.09

Explanatory Statement Carpentaria Resources Limited Notice of Meeting

- (ii) Underlying share price volatility of 83%
- (iii) Risk free interest rate of 1.7%

Based on the above assumptions the implied “value” to be received by the related parties is as follows:

Related party	Implied Value
Mr. Quentin Hill (Resolution 4)	\$119,330
Dr Neil Williams (Resolution 5)	\$86,000
Mr Jon Parker (Resolution 6)	\$66,705
Mr Paul Cholakos (Resolution 7)	\$66,705

- (m) additional information in relation to Resolutions 4 to 7 is set out throughout this Explanatory Statement. Shareholders should therefore read the Explanatory Statement in its entirety before making a decision on how to vote on Resolutions 4 to 7;
- (n) the Company will incur no liabilities or costs in respect of the proposed grant of the Options to the related parties other than:
 - (i) the fees payable to ASX for quotation of the Shares issued as a result of the exercise of the Options, if and when they are issued to the related parties and quoted. At the rates applying at the date of this notice, these fees would be approximately \$31,401 in total if all of Resolution 4 to 7 are passed; and
 - (ii) the cost of the Options will be expensed through the Company's income statement in accordance with AASB2 Share Based Payments.
- (o) there is no intention for the Company to grant a loan in relation to the Options or acquisition of shares under the Options; and
- (p) neither the Board nor the Company is aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 4 to 7, other than as stated in this Explanatory Statement.

A voting exclusion statement in respect of Resolutions 4 to 7 is contained in the Notice of Meeting.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that without the approval of shareholders, the Company must not issue or agree to issue equity securities to a related party of the Company, or, a person whose relationship with the Company or a related party is, in ASX's opinion such that approval should be obtained.

Mr Quentin Hill, Dr Neil Williams, Mr Jon Parker and Mr Paul Cholakos are all related parties of the Company by virtue of being a Director of the Company. Resolutions 4 to 7 seeks the approval of the Company's Shareholders' under ASX Listing Rule 10.11 to approve the issue of a total of 9,500,000 Options as set out above.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue Options in accordance with Resolutions 4 to 7 as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Options will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

Technical information required by ASX Listing Rule 10.13

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In compliance with ASX Listing Rule 10.13, the following information is provided:

(e) Name of persons

Mr Quentin Hill, Dr Neil Williams, Mr Jon Parker and Mr Paul Cholakos are all Directors of the Company. Therefore, pursuant to 228 of the Corporations Act 2001 (Cth), they are deemed to be a related party of the Company.

(f) Maximum number of securities

The maximum number of Options to be granted is 9,500,000 comprising:

- (i) 3,000,000 Options to Mr Quentin Hill (**Resolution 4**);
- (ii) 2,500,000 Options to Dr Neil Williams (**Resolution 5**);
- (iii) 2,000,000 Options to Mr Jon Parker (**Resolution 6**); and
- (iv) 2,000,000 Options to Mr Cholakos (**Resolution 7**)

(g) Date by which the securities will be issued

The Options will be issued no later than one (1) month after the date of the Annual General Meeting (or such later date as may be permitted pursuant to any ASX waiver or amendment of the ASX Listing Rules).

(h) Issue price of securities

The Options will be issued for nil consideration.

(i) The terms of the securities

The Options will be issued on the terms and conditions set out in Annexure 1.

The Options are not subject to escrow restrictions and are subject to the rights and obligations set out in the Company's Constitution.

(j) Intended use of the funds raised

The Options will be issued for nil consideration. Accordingly, no funds will be raised from the issue of the Options.

(k) Voting Exclusion Statement

A voting exclusion statement for Resolutions 4 to 7 is included in the Notice of Meeting accompanying the Explanatory Memorandum.

(l) Directors' recommendations

Directors' recommendations in respect of Resolutions 4 to 7 are as set out above.

The Chairman intends to vote all available proxies IN FAVOUR of Resolutions 4 to 7.

If you appoint the Chairman as your proxy, and you check the box consenting to the Chairman voting undirected proxies, then unless you include an express voting direction on your proxy form, you will be directing, and expressly consenting to the Chairman to vote in favour of Resolutions 4 to 7.

RESOLUTION 8 – RATIFICATION OF PLACEMENT

General

Explanatory Statement Carpentaria Resources Limited Notice of Meeting

The Company on:

- (a) 9 November 2017 announced the successful placement of 900,790 new fully paid ordinary shares (the **November Placement**, and the Shares being **November Placement Shares**) to sophisticated and professional investors at a price of \$0.072 per November Placement Share, raising a total of approximately \$64,857; and
- (b) 4 September 2018 announced successful placement of 14,638,235 new fully paid ordinary shares (the **September Placement**, and the Shares being **September Placement Shares**) to sophisticated and professional investors at a price of \$0.085 per September Placement Share, raising a total of approximately \$1,243,250.

The November Placement Shares and the September Placement Shares are collectively referred to in the Notice of Meeting and Explanatory Statement as “**Previous Placement Shares**”.

Resolution 8 seeks Shareholder approval for the ratification of the issue of the Previous Placement Shares pursuant to ASX Listing Rule 7.4.

ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that, where a company in a general meeting ratifies a previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

The effect of Shareholders passing Resolution 8 by ratifying the issue of the Previous Placement Shares will be to restore the Company's ability to issue further securities in accordance with ASX Listing Rule 7.1.

Specific information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Previous Placement Shares:

(a) Number of securities issued

The Previous Placement Shares comprise of the following:

- (i) 900,790 Shares issued under the November Placement; and
- (ii) 14,638,235 Shares issued under the September Placement.

(b) The price at which the securities were issued

The Previous Placement Shares were issued at the following issue prices:

- (i) the November Placement Shares were issued at an issue price of \$0.072 each; and
- (ii) the September Placement Shares were issued at an issue price of \$0.085 each.

(c) Terms of the securities issued

The Previous Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally to in all respects with the Company's existing Shares on issue.

(d) The basis on which the persons to whom the entity issued the securities was determined

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The Previous Placement Shares were issued to sophisticated and professional investors who are not related parties or associates of the Company.

(e) The use of the funds raised.

The funds raised from the issue of the November Placement Shares, along with the funds raised under the rights issue that was announced on 6 October 2017, were used to progress critical path items in the Hawsons Iron Project environmental assessment and for working capital.

The funds raised from the issue of the September Placement Shares are to be used for the purposes of funding:

- (i) an Ecology Study for Hawsons BFS environmental impact study and other Hawsons BFS activities;
- (ii) marketing and negotiation of Hawsons project investment; and
- (iii) working capital.

(f) Voting exclusion statement

A voting exclusion statement for Resolution 8 is included in the Notice of Meeting accompanying the Explanatory Memorandum.

The Directors recommend that Shareholders vote IN FAVOUR of Resolution 8.

The Chairman intends to vote all available proxies IN FAVOUR of Resolution 8.

RESOLUTION 9 – APPROVAL OF 10% PLACEMENT FACILITY

General

ASX Listing Rule 7.1A enables eligible entities to seek Shareholder approval to issue Equity Securities (as defined in the ASX Listing Rules) up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of AU\$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a Special Resolution to have the ability, if required, to issue Equity Securities under the 10% Placement Facility. This approval is sought so that the Company may be in a position to raise additional capital for the purposes of progressing the Hawsons Iron Project and feasibility studies in relation to that project, if required

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (please refer to Section (c) below).

The approval of Resolution 9 will provide the Company with flexibility to issue Equity Securities under the 10% Placement Facility during the 10% Placement Period, in addition to the Company's 15% annual placement capacity granted under ASX Listing Rule 7.1, without a further requirement to obtain the prior approval of Shareholders.

Resolution 9 is a Special Resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

ASX Listing Rule 7.1A

(a) Shareholder approval

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The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a Special Resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

(c) Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 10% Placement Period, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid Shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (b) plus the number of partly paid Shares that became fully paid in the 12 months;
- (c) plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under ASX Listing Rule 7.1 and 7.4. This does not include an issue of fully paid ordinary Shares under the entity's 15% placement capacity without Shareholder approval;
- (d) less the number of fully paid Shares cancelled in the 12 months.

Note that A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under ASX Listing Rule 7.1 or 7.4.

(d) ASX Listing Rule 7.1 and ASX Listing Rule 7.1A

The ability of an entity to issue Equity Securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

As at the date of this Notice, the Company has on issue 213,828,941 Shares and therefore, subject to the approval of Resolutions 8 and 9, has a capacity to issue:

- (i) 32,074,341 Equity Securities under ASX Listing Rule 7.1; and
- (ii) subject to the approval of Resolution 9, 21,382,894 Equity Securities under ASX Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have the capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to Section (c) above).

If Resolution 8 is passed but Resolution 9 is not passed, the Company would have the capacity to issue:

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- (i) 32,074,341 Equity Securities under ASX Listing Rule 7.1; and
- (ii) 0 Equity Securities under ASX Listing Rule 7.1A.

(e) Minimum Issue Price

The issue price of Equity Securities issued under ASX Listing Rule 7.1A must not be less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within five (5) Trading Days of the date in subparagraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the Annual General Meeting at which the approval is obtained; or
- (ii) the date of the approval by Shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

Specific information required by ASX Listing Rule 7.3A

Pursuant to, and in accordance with, ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) Minimum price

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within five (5) Trading Days of the date in subparagraph (i) above, the date on which the Equity Securities are issued.

(b) Potential risk of economic and voting dilution

If Resolution 9 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in Table 1 below. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

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Table 1 below shows the dilution of existing Shareholders on the basis of the market price of Shares (as at 21 August 2018) and the number of Shares as at the date of this Notice (Table 1) calculated in accordance with the formula in ASX Listing Rule 7.1A(2), representing variable “A”.

Table 1 also shows:

- (i) two examples where each variable “A” has increased, by 50% and 100%; and
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price of AU\$0.089 (being the closing price of the Shares on ASX on 13 August 2018).

TABLE 1 – Current number of ordinary securities (as at the date of this Notice)

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.045 50% decrease in Issue Price	\$0.09 Issue Price	\$0.135 50% increase in Issue Price
Variable A 213,828,941 Shares	10% Voting	21,382,894 Shares	21,382,894 Shares	21,382,894 Shares
	Dilution			
	Funds raised	\$962,230.23	\$1,924,460.27	\$2,886,690.70
50% increase in current Variable A 320,743,412 Shares	10% Voting	32,074,341 Shares	32,074,341 Shares	32,074,341 Shares
	Dilution			
	Funds raised	\$1,443,345.35	\$2,886,690.70	\$4,330,036.06
100% increase in current Variable A 427,657,882 Shares	10% Voting	42,765,788 Shares	42,765,788 Shares	42,765,788 Shares
	Dilution			
	Funds raised	\$1,924,460.47	\$3,848,920.94	\$5,773,381.41

Table 1 has been prepared on the following assumptions:

- (i) With respect to the number of ordinary securities, there are currently 213,828,941 Shares on issue.
- (ii) The assumed issue price is AU\$0.09, being the closing price of the Shares on ASX on 21 August 2018.

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- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iv) The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
- (v) No Options are exercised into Shares before the date of the issue of the Equity Securities.
- (vi) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (viii) The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1.
- (ix) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.

(c) Timing of potential issue

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval provided by Shareholders under Resolution 9 for the issue of Equity Securities pursuant to the 10% Placement Facility will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).

(d) Purpose of potential issue

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration in relation to costs associated with the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards the completion of a detailed feasibility study in respect of the Hawsons Iron Ore Project, to progress the acquisition of assets that may accelerate the development of that project and for corporate development.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A (4) and 3.10.5A upon issue of any Equity Securities.

(e) Allocation policy under the 10% Placement Facility

The Company's allocation policy is dependent upon the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing holders of Equity Securities can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and

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- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

(f) Prior Shareholder approval

The Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A.

(g) Voting exclusion statement

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. On this basis no existing Shareholders' votes will therefore be excluded under the voting exclusion in the Notice.

Directors' Recommendation

The Directors believe that Resolution 9 is in the best interests of the Company and unanimously recommend that Shareholders vote IN FAVOUR of this Resolution.

The Chairman intends to vote all available proxies IN FAVOUR of Resolution 9.

CARPENTARIA RESOURCES LIMITED

A.C.N. 095 117 981

NOTICE OF MEETING

GLOSSARY

Annual General Meeting or Meeting	means the Annual General Meeting of Shareholders to be held at The Mayflower Room, Christies Building, 320 Adelaide Street, Brisbane Queensland 4000 on Monday, 15 October at 11.00am (Brisbane time).
Annual Report	means the Directors' Report, the Financial Statements and the Auditor's Report in respect to the financial year ended 30 June 2018.
ASIC	means the Australian Securities and Investments Commission.
ASX	means the Australian Securities Exchange.
ASX Listing Rules	means the official listing rules of ASX.
Board	means the current board of directors of the Company.
Chairman	means the person appointed to chair the meeting of the Company convened by this Notice. Where the context requires, the term means the person who assumes the role of Chairman for the purposes of the conduct of the Meeting one or more specific Resolutions.
Closely Related Party	has the meaning given in the Corporations Act and includes close family members and companies the Key Management Personnel controls.
Company or Carpentaria	means Carpentaria Resources Limited A.C.N. 095 117 981.
Constitution	means the current constitution of the Company as at the date of this Meeting.

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GLOSSARY

Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	means the <i>Corporations Regulations 2001</i> (Cth).
Directors	means the current directors of the Company.
Eligible Persons	means directors and other officers, employees, contractors to and consultants of the Company and its subsidiaries.
Explanatory Statement	means the explanatory statement accompanying the Notice of Meeting.
Key Management Personnel	has the meaning given in the accounting standards and broadly means any person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.
Notice of Meeting or Notice	means this notice of Annual General Meeting including the Explanatory Statement.
Option	means an option to be issued a Share.
Ordinary Resolution	means a Resolution to be passed by a simple majority of Shareholders entitled to vote on the Resolution (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).
10% Placement Period	means the period during which Shareholder approval under ASX Listing Rule 7.1A is valid.
Proxy	means, for Shareholders, the proxy form enclosed with this Notice.
Remuneration Report	means the remuneration report of the Company for year ended 30 June 2018 contained in the Directors' Report.
Resolution	means a resolution set out in the Notice of Meeting.
Share	means an ordinary share in the Company.
Shareholder or Member	means a holder of Shares in the Company.
Special Resolution	means a Resolution to be passed by at least 75% of the votes cast by Shareholders entitled to vote on the Resolution (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).
Trading Day	has the same meaning as under the ASX Listing Rules.
VWAP	means the volume weighted average price.

Annexure 1 – Terms and Conditions of Options (Resolutions 4 to 7)

The terms and condition of Options are as follows:

(a) Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) Exercise Price

Subject to paragraph (j) below, the amount payable upon exercise of each Option are as follows (**Exercise Price**)

Tranche	Exercise Price
Tranche 1 Options	\$0.15
Tranche 2 Options	\$0.25
Tranche 3 Options	\$0.40
Tranche 4 Options	\$0.50

(c) Expiry Date

Each of the Options expire at 5:00 pm (AEST) on the date that is 5 years from date of grant (**Expiry Date**).

(d) Exercise Period

Subject to the applicable Vesting Conditions being satisfied, the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) Vesting Conditions

Exercise of the Options are subject to the following applicable vesting conditions being satisfied (**Vesting Conditions**):

Tranche	Vesting Conditions
Tranche 1 Options	Tranche 1 Options vest upon satisfaction of one of the following: <ul style="list-style-type: none"> (a) Carpentaria having secured funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or \$25 million, whichever is the lesser; (b) Carpentaria having a 20 day VWAP of not less than AUD 20 cents; (c) 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 of Hawsons product.
Tranche 2 Options	Tranche 2 Options vest upon satisfaction of one of the following: <ul style="list-style-type: none"> (a) Carpentaria releasing an ASX announcement to the market containing the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project; (b) Carpentaria having a 20 day VWAP of not less than AUD 50 cents; (c) Carpentaria achieving a market capitalisation of AUD \$100 million or more; (d) 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 of Hawsons product.
Tranche 3 Options	Tranche 3 Options vest upon satisfaction of one of the following: <ul style="list-style-type: none"> (a) Carpentaria achieving a market capitalisation of \$300 million or more;

Explanatory Statement Carpentaria Resources Limited Notice of Meeting

	<ul style="list-style-type: none">(b) Carpentaria entering into financing arrangements to construct the Hawsons Iron Project;(c) Carpentaria deciding to carry out the Hawsons Iron Project.
Tranche 4 Options	<p>Tranche 4 Options vest upon satisfaction of one of the following:</p> <ul style="list-style-type: none">(a) Carpentaria commencing commercial production at Hawsons;(b) Carpentaria market capitalisation of \$500 million or more.

(f) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(g) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(h) Timing of issue of Shares on exercise

Within 15 Business Days after the Exercise Date, the Company will:

- (a) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act (if applicable); and
- (c) otherwise comply with the Corporations Act and ASX Listing Rules.

(i) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(j) Transfer of Options

Options may not be transferred other than with the prior written approval of the Company. Quotation of Options on the ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.

(k) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) Participation in new issues

There are no participating rights or entitlements inherent in the Options without exercising the Options, and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that Option holders will be given notice in accordance with the ASX Listing Rules to determine whether to exercise their Options so as to participate in any bonus or entitlement issue.

(m) Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.



ABN 63 095 117 981

ASX Code CAP

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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

Registered Office Level 6 345 Ann Street Brisbane Qld 4000 PO Box 10919 Adelaide Street Brisbane QLD 4000 Telephone: +61 7 3220 2022 Facsimile: +61 7 3220 1291 Email: info@capres.net.au Website: www.carpentariares.com.au/	Solicitors CBW Partners Level 1, 159 Dorcas Street South Melbourne VIC 3205
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 year ended 30 June 2018.

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
Bin Cai	Non-executive Director	Appointed 31 May 2011, resigned 16 May 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. He served as Chief Geologist – Exploration for MIM, and later for 15 years as the Chief Executive Officer 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 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 2.5Bt 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 for leading oil and gas and diversified mining companies. He holds Master of Business Administration and Bachelor of Engineering degrees. Paul currently serves as Executive General Manager, Technical Services of major Australian oil and gas company Oil Search Limited (ASX:OSH).

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.

Bin Cai (resigned 16 May 2018)
Non-executive Director

Appointed a Non-executive Director in May 2011, Bin is Managing Director of Conglin International Investment Group Pty Ltd, a major shareholder of Carpentaria. With 21 years of experience in resources investment, Bin and the Conglin Group have an outstanding record of successful strategic investments in emerging Australian resources companies.

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:

Director	Ordinary Shares	Non-Recourse Employee Shares	Options
Quentin Hill	2,000,000	1,500,000	750,000
Neil Williams	-	-	375,000
Paul Cholakos	-	-	305,000
Jon Parker	-	-	-

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 29 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. Otherwise, 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 2018, the loss for the Consolidated Entity after providing for income tax was \$1,183,143 (2017: \$1,053,145).

The loss for the 2018 financial year is \$129,998 more (12%) than the loss of 2017, primarily attributable to increases in employment costs.

Cash Position

The Consolidated Entity's cash position decreased from year end 2017 by \$314,993 as the Company continued to progress the Hawsons Iron Project.

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 2018 the Company had 199,190,706 shares on issue (including 5,500,000 non-recourse employee shares) and 5,580,000 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 2018 (2017: 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

During the period, the Company continued to focus on development of the Hawsons Iron Project, achieving significant results and milestones, including the restatement of the Hawsons resources and the completion of a prefeasibility study (PFS) in relation to producing 10 Mtpa of product from Hawsons. The results of the PFS, which was conducted by independent consultants GHD, were released on 28 July 2017. Work this period demonstrated the great interest the end product has for end users.

Carpentaria is manager of the joint venture with Pure Metals Pty Ltd, and Carpentaria's interest in Hawsons stands at 68.69%, with Pure Metals having diluted its interest in the conduct of the annual programme and budget. The project share is now nominally Carpentaria 68.69% and Pure Metals 31.31%.

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

Hawsons Iron Project (HIP) Development Summary

Following the completion of the resource upgrade and PFS, the Company has continued to engage with end users and others to secure the necessary funding to complete the HIP bankable feasibility study (BFS) and to progress critical path items of the environmental assessment of the HIP, including final ecology surveys, water monitoring drilling within the proposed pit area and other required works to ensure the HIP BFS schedule is maintained.

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

Company	Volume	Market
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	12.0 Mtpa	

Iron ore pellets are now the highest growth section of the iron ore market. HIP is the leading undeveloped pellet feed/concentrate project in the world and Hawsons Supergrade® product is the world's best pellet feed. During the reporting period, the Company has engaged in negotiating offtake-linked project funding with a number of customers.

During the period, the Australian Government announced that HIP had been awarded "Major Project Status", marking an important vote of confidence in Broken Hill's next major mine. HIP joins only 13 other projects nationwide awarded such a designation by the Department of Jobs and Innovation under the Major Projects Facilitation Programme, recognising the project's strategic importance to Australia. Elevation to this select status is expected to provide a smoother and potentially faster approval process for the project.

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.

Corporate

Mr Bin Cai resigned as a director during the period to concentrate on other business interests. Later in the period, Mr Jon Parker was appointed as an independent Non-executive Director.

The Company during the period raised a total of \$2,140,355 through a non-renounceable rights issue and private placements.

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 2018 and the number of meetings attended by each director.

	Directors' Meetings		Audit		Remuneration	
	<i>Attended</i>	<i>Eligible to Attend</i>	<i>Attended</i>	<i>Eligible to Attend</i>	<i>Attended</i>	<i>Eligible to Attend</i>
Neil Williams	4	4	1	1	1	1
Quentin Hill	4	4	-	-	-	-
Bin Cai	2	2	-	-	-	-
Paul Cholakos	4	4	1	1	1	1
Jon Parker	1	1	-	-	-	-

SHARE OPTIONS

Issued Options

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

Tranche	Expiry Date	Exercise Price	Movements				30 June 2018
			1 July 2017	Issued	Exercised	Expired	
Tranche 1	24 November 2019	0.10	1,260,000	-	-	(105,000)	1,155,000
Tranche 2	24 November 2021	0.20	2,400,000	-	-	(200,000)	2,200,000
Tranche 7	30 November 2022	0.15	-	250,000	-	-	250,000
Tranche 8	30 November 2022	0.25	-	325,000	-	-	325,000
Tranche 9	30 November 2022	0.40	-	75,000	-	-	75,000
Tranche 10	30 November 2022	0.50	-	100,000	-	-	100,000
Tranche 11	1 January 2023	0.15	-	500,000	-	-	500,000
Tranche 12	1 January 2023	0.25	-	625,000	-	-	625,000
Tranche 13	1 January 2023	0.40	-	150,000	-	-	150,000
Tranche 14	1 January 2023	0.50	-	200,000	-	-	200,000
			3,660,000	2,225,000	-	(305,000)	5,580,000

Tranches 1 and 2

During the prior period the Company issued options to employees, Directors and consultants in recognition for services provided.

Tranche 1 options have an exercise price \$0.10 and vest upon the Company making an ASX release of information that qualifies as PFS standard in relation to an approved production rate at the Hawsons Iron Project. This has been achieved, and the options have vested.

Tranche 2 options have an exercise price \$0.20 and vest upon one of the following conditions being met:

- ASX release of information that qualifies as (Definitive Feasibility Study) 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.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Tranches 7 to 14

During the period the Company issued options to employees in recognition for services provided.

The options vest according to the following conditions:

Tranche 7 and 11 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.
Tranche 8 and 12 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
Tranche 9 and 13 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
Tranche 10 and 14 Any of the following -	Commencement of commercial production at Hawsons; Carpentaria market capitalisation of \$500 million or more

Director Options - subject to shareholder approval

Subject to shareholder approval at the next shareholder meeting, Quentin Hill will be issued the following options:

Tranche	Expiry Date	Exercise Price	Number of Options	Vesting Conditions
Tranche 3	5 years from issue date	0.15	1,000,000	Milestone 1
Tranche 4	5 years from issue date	0.25	1,300,000	Milestone 2
Tranche 5	5 years from issue date	0.40	300,000	Milestone 3
Tranche 6	5 years from issue date	0.50	400,000	Milestone 4

Subject to shareholder approval at the next shareholder meeting, Jon Parker will be issued the following options:

Tranche	Expiry Date	Exercise Price	Number of Options	Vesting Conditions
Tranche 15	5 years from issue date	0.15	350,000	Milestone 1
Tranche 16	5 years from issue date	0.25	350,000	Milestone 2
Tranche 17	5 years from issue date	0.40	300,000	Milestone 3
Tranche 18	5 years from issue date	0.50	1,000,000	Milestone 4

Once approved the options will vest according to the following conditions:

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.

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.

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 2018 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 2018 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.

Milestone #	Milestones	Cash bonus if achieved	Options that vest if achieved
1	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
2	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
3	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
4	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.

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
1	<p>Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or \$25 million, whichever is the lesser;</p> <p>Carpentaria having a 20 day VWAP of not less than 20 cents;</p> <p>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.</p>	\$60,000	<p>500,000 options</p> <p>\$0.15 exercise price</p>
2	<p>ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project;</p> <p>Carpentaria having a 20 day VWAP of not less than 50 cents;</p> <p>Carpentaria market capitalisation of \$100 million or more;</p> <p>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</p>	\$90,000	<p>625,000 options</p> <p>\$0.25 exercise price</p>
3	<p>Carpentaria market capitalisation of \$300 million or more;</p> <p>Completion of financing arrangements to construct the Hawsons Iron Project;</p> <p>Decision to carry out the Hawsons Iron Project</p>	\$120,000	<p>150,000 options</p> <p>\$0.40 exercise price</p>
4	<p>Commencement of commercial production at Hawsons;</p> <p>Carpentaria market capitalisation of \$500 million or more</p>	\$150,000	<p>200,000 options</p> <p>\$0.50 exercise price</p>

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

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
Bin Cai	Non-Executive Director	Appointed 31 May 2011, resigned 16 May 2018

Key Management Personnel

Name	Position	Detail
Robert William Hair	Company Secretary	Appointed August 2007

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

2018	Short Term				Post-Employment	Share-based Payments	Total	Performance Related %	% consisting equity
	Salary & Fees	Cash Bonus	Accrued Salary*	Leave benefits	Superannuation	Options			
	\$	\$	\$		\$	\$	\$		
Directors									
Quentin Hill	231,667	-	46,247	11,745	22,008	55,272	366,939	-	15.06%
Bin Cai ⁽¹⁾	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 ⁽²⁾	1,250	-	-	-	119	2,431	3,800	-	63.97%
Key Management Personnel									
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 11 and 12 for details.

(1) Resigned 16 May 2018

(2) Appointed 12 June 2018

2017	Short Term				Post-Employment	Share-based Payments	Total	Performance Related %	% consisting equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Leave benefits	Superannuation	Options			
	\$	\$	\$		\$	\$	\$		
Directors									
Quentin Hill	220,000	-	-	6,075	20,900	8,274	255,249	-	3.24%
Bin Cai	22,831	-	-	-	2,169	3,416	28,416	-	12.02%
Neil Williams	41,096	-	-	-	3,904	4,137	49,137	-	8.42%
Paul Cholakos	22,831	-	-	-	2,169	3,416	28,416	-	12.02%
Key Management Personnel									
Robert Hair	60,000	-	-	-	-	3,416	63,416		5.39%
	366,758	-	-	6,075	29,142	22,659	424,634		

Shares issued on exercise of remuneration options

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

REMUNERATION REPORT (continued)**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)

2018	Opening Balance	Acquired	On Exercise of Options	Derecognised on resignation	Closing Balance
Directors					
Quentin Hill	3,086,431	413,569	-	-	3,500,000
Bin Cai ¹	10,479,000	-	-	(10,479,000)	-
Neil Williams	-	-	-	-	-
Paul Cholakos	-	-	-	-	-
Jon Parker	-	-	-	-	-
Key Management Personnel					
Robert Hair	2,142,244	267,777	-	-	2,410,021
Total	15,707,675	681,346	-	(10,479,000)	5,910,021

1 Held by Australian Conglin International Investment Group Pty Ltd of which Mr Bin Cai is managing director.

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

2018	Opening Balance	Granted as remuneration	Options Exercised	Derecognised on resignation	Closing Balance	Vested and exercisable
Directors						
Quentin Hill	750,000	3,000,000 ¹	-	-	3,750,000	250,000
Bin Cai	305,000	-	-	(305,000)	-	-
Neil Williams	375,000	-	-	-	375,000	125,000
Paul Cholakos	305,000	-	-	-	305,000	105,000
Jon Parker	-	2,000,000 ¹	-	-	2,000,000	-
Key Management Personnel						
Robert Hair	305,000	1,475,000	-	-	1,780,000	105,000
Total	2,040,000	6,475,000	-	(305,000)	8,210,000	585,000

1 Subject to shareholder approval at the next shareholder meeting.

Performance based remuneration granted and forfeited during the year:

	Long term incentive Options		
	Value granted	Value exercised	Value forfeited
	\$	\$	\$
Directors			
Quentin Hill	158,870	-	-
Jon Parker	55,355	-	-
Bin Cai	-	-	5,405
Key Management Personnel			
Robert Hair	78,130	-	-

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	Tranches 3 and 7	Tranches 4 and 8	Tranches 5 and 9	Tranches 6 and 10
Grant date	1 December 2017	1 December 2017	1 December 2017	1 December 2017
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	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 15	Tranche 16	Tranche 17	Tranche 18
Grant date	7 June 2018	7 June 2018	7 June 2018	7 June 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	\$0.0708	\$0.0708	\$0.0708	\$0.0708
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	\$0.0398	\$0.0327	\$0.0256	\$0.0223

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.

Tranches 3, 4, 5 and 6 will be issued to Quentin Hill subject to shareholder approval at the next shareholder meeting.

Tranches 15, 16, 17 and 18 will be issued to Jon Parker subject to shareholder approval at the next shareholder meeting.

REMUNERATION REPORT (continued)**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	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Share price at end of financial year	0.071	0.061	0.050	0.027	0.064
Market capitalisation at end of financial year (\$M)	14.14	10.34	6.19	3.34	7.93
Profit/(loss) for the financial year	(1,183,143)	(1,053,145)	(1,381,168)	(2,847,740)	(6,726,466)
Cash spend on exploration programmes	1,668,544	1,829,869	1,121,821	1,098,993	2,191,721
Director and other Key Management Personnel remuneration	620,220	424,634	601,234	736,500	1,171,849

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 2018 financial year.

End of Remuneration Report

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 – income tax return and other services	\$8,340
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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

The Company and its co-venturer in the Hawsons Joint Venture, Pure Metals Pty Ltd on 3 August 2018 entered into an agreement with Mitsui & Co., Ltd whereby Mitsui agreed to advance the sum of \$5.4 million to the Hawsons Joint Venturers (the **Initial Advance**) and thereby acquire the option to secure off-take rights to 2 Mtpa of Hawsons Supergrade® pellet feed. To exercise this option, Mitsui will advance by way of loan the sum of US\$60 million (the **Second Advance**) to be used for the development of the Hawsons Iron Project. The Initial Advance is non-refundable (except in very limited circumstances) and is to be used exclusively as part of the funding of the Hawsons Iron Project bankable feasibility study (the **BFS**). The Second Advance is to be a form of mezzanine debt as part of the project's financing requirements and is to be repayable with interest out of production. The agreement is subject to conditions, the principal one being the raising by the Company of the sum of \$27 million (including the Initial Advance) to complete the BFS.

There have otherwise been no events since 30 June 2018 that impact upon the financial report.

Signed in accordance with a resolution of the Board of Directors



Quentin Hill
Director

Dated this 9th day of August 2018

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 2018, 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.

T R Mann
Director



BDO Audit Pty Ltd

Brisbane, 9 August 2018

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 Nomination 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

From the beginning of the period until the resignation of Mr Cai on 16 May 2018, the board consisted of the Chairman (who is an independent Non-executive Director), the Managing Director and two Non-executive Directors, one of whom was an independent Non-executive Director. Since the appointment of Mr Parker, the Board has consisted 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 – not followed for part of the period

From the beginning of the period until the resignation of Mr Cai on 16 May 2018, the board consisted of the Chairman (who is an independent Non-executive Director), the Managing Director and two Non-executive Directors, one of whom was an independent Non-executive Director. Since the appointment of Mr Parker, the Board has consisted 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 – not followed for part of the period

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 consisted of two independent, non-executive directors, Dr Williams and Mr Cholakos and was chaired by Mr Cholakos. Mr Parker became a member of the Audit Committee on 22 June 2018. The makeup of the Audit Committee has since that date been in accordance with the ASX Recommendations.

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 – not followed for part of the period**

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.

During the period and until the appointment of Mr Jon Parker as a member of the Committee on 22 June 2018, the Committee comprised of only two members. The Committee has since that date comprised 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 2018

	Note	2018 \$	2017 \$
Other revenue		6,197	17,261
Fair value movement on financial assets at fair value		4,991	36,281
Gain on sale of financial assets		18,223	-
Employment benefit expenses		(509,188)	(377,904)
Depreciation and amortisation expense		(12,055)	(12,040)
Rental and other lease expenses		(66,110)	(56,603)
Project generation and business development expenses		(233,620)	(298,723)
Administration expenses		(391,581)	(361,417)
Loss before income tax		(1,183,143)	(1,053,145)
Income tax expense/(benefit)	9	-	-
Loss after income tax expense		(1,183,143)	(1,053,145)
Other comprehensive income		-	-
Total comprehensive income		(1,183,143)	(1,053,145)
		Cents	Cents
Loss per share			
Basic and diluted loss per share	10	(0.6)	(0.7)

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 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	2	1,052,625	1,367,558
Trade and other receivables		15,363	67,338
Financial assets at fair value through profit or loss		14,283	46,647
Other current assets		11,261	9,533
TOTAL CURRENT ASSETS		1,093,532	1,491,076
NON-CURRENT ASSETS			
Trade and other receivables		58,409	60,911
Plant and equipment		5,109	17,165
Exploration and evaluation assets	3	4,657,289	3,307,296
TOTAL NON-CURRENT ASSETS		4,720,807	3,385,372
TOTAL ASSETS		5,814,339	4,876,448
CURRENT LIABILITIES			
Trade and other payables	4	57,811	98,028
Provisions	5	195,180	86,820
TOTAL CURRENT LIABILITIES		252,991	184,848
TOTAL LIABILITIES		252,991	184,848
NET ASSETS		5,561,348	4,691,600
EQUITY			
Share capital	6	24,253,396	22,312,595
Share based payment reserve	7	1,985,587	1,876,059
Accumulated losses		(20,677,635)	(19,497,054)
TOTAL EQUITY		5,561,348	4,691,600

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 2018

Consolidated Entity	Share Capital	Share based payment reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2016	20,121,700	1,835,063	(18,443,909)	3,512,854
Transactions with owners in their capacity as owners				
Issue of share capital	2,424,939	-	-	2,424,939
Costs of raising capital	(234,044)	-	-	(234,044)
Issue of options	-	40,996	-	40,996
	2,190,895	40,996	-	2,231,891
Comprehensive income				
Loss after income tax	-	-	(1,053,145)	(1,053,145)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,053,145)	(1,053,145)
Balance at 30 June 2017	22,312,595	1,876,059	(19,497,054)	4,691,600
Balance at 1 July 2017	22,312,595	1,876,059	(19,497,054)	4,691,600
Transactions with owners in their capacity as owners				
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
Comprehensive income				
Loss after income tax	-	-	(1,183,143)	(1,183,143)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,183,143)	(1,183,143)
Balance at 30 June 2018	24,253,396	1,985,587	(20,677,635)	5,561,348

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 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(877,179)	(898,161)
Interest received		6,197	17,261
Net cash used in operating activities	2	(870,982)	(880,900)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		-	(12,310)
Proceeds from sale of financial assets		55,577	-
Payments for exploration and evaluation assets		(1,668,544)	(1,829,869)
Government grants in relation to exploration assets		228,213	279,637
Net cash used in investing activities		(1,384,752)	(1,562,542)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,140,355	2,362,445
Costs associated with the issue of shares		(199,554)	(234,044)
Net cash provided by financing activities		1,940,801	2,128,401
Net decrease in cash and cash equivalents		(314,993)	(315,041)
Cash and cash equivalents at the beginning of the financial year		1,367,558	1,682,599
Cash and cash equivalents at the end of the financial year	2	1,052,625	1,367,558

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 9 August 2018.

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, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

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 statement of financial position.

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 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, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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 InstrumentsRecognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accounting policies****New accounting standards and interpretations**

The Consolidated Entity has adopted the new Accounting Standard and Interpretations which commenced during the period. The adoption of these standards did not have an impact on the Group's financial position, financial performance or disclosures.

New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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 9 Financial Instruments

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

The Consolidated Entity has evaluated the impact adoption of this standard and determined there will be no material impacts in the current or future reporting periods and on foreseeable future transactions.

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 all 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 2018 the Consolidated Entity had cash reserves of \$1,052,625 net current assets of \$840,541 and net assets of \$5,561,348. The Consolidated Entity incurred a loss of \$1,183,143 for the year ended 30 June 2018 and had an outflow of \$870,982 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.

2018
\$2017
\$**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 statement of financial position.

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	(1,183,143)	(1,053,145)
Depreciation and amortisation	12,055	12,040
Share-based payments	112,090	103,490
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)	(36,281)
<i>Change in operating assets and liabilities</i>		
(Increase)/decrease in receivables	51,974	50,492
(Increase)/decrease in other assets	775	(1,797)
(Decrease)/increase in trade payables and accruals	50,121	41,398
(Decrease)/increase in provisions	108,360	2,903
Net cash outflow from operating activities	(870,982)	(880,900)

Non-cash transactions investing & financing activities

2018: 5,225,000 options were issued to employees and the Managing Director in recognition for services provided

2017: 1,275,388 treasury shares were issued at \$0.049 each to a consultant as payment for services rendered
3,660,000 options were issued to employees, Directors and consultants 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	723,632	1,041,047
Cash on deposit	328,993	326,511
	1,052,625	1,367,558

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.

	2018 \$	2017 \$
Opening balance	3,307,296	1,863,288
Capitalised expenditure	1,578,206	1,723,645
Government grants relating to exploration	(228,213)	(279,637)
	4,657,289	3,307,296

NOTE 4 TRADE & OTHER PAYABLES

Trade payables	24,765	67,039
Other payables and accrued expenses	33,046	30,989
	57,811	98,028

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.

A liability is recorded for goods and services received prior to balance date, whether invoiced to the Consolidated Entity or not. Trade payables are normally settled within 30 days.

NOTE 5 PROVISIONS

Accrued back pay	93,315	-
Employee benefits	101,865	86,820
	195,180	86,820

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

	2018		2017	
	\$		\$	
NOTE 6 SHARE CAPITAL				
Fully paid ordinary shares	24,253,396		22,312,595	
Ordinary Shares				
	2018	2017	2018	2017
	\$	\$	#	#
At the beginning of the year	22,312,595	20,121,700	163,963,560	115,739,837
Transfer from treasury shares ¹	-	138,192	-	2,647,940
Shares issued ²	2,140,355	2,286,747	29,727,146	45,575,783
Share issue costs	(199,554)	(234,044)	-	-
At reporting date	24,253,396	22,312,595	193,690,706	163,963,560
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
Treasury shares				
At the beginning of the year	-	-	-	2,647,940
Transfer to ordinary shares	-	-	-	(2,647,940)
Transfer from NRE shares	-	-	-	-
At reporting date	-	-	-	-
Total Ordinary, NRE and Treasury Shares	24,253,396	22,312,595	199,190,706	169,463,560

¹ 2017: 2,647,940 former employee share scheme shares were sold at between \$0.049 and \$0.079 each.

² 2018: 29,727,146 ordinary shares issued at \$0.072 each.

2017: 45,575,783 ordinary shares issued at between \$0.049 and \$0.060 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.

	2018	2017
	\$	\$
NOTE 7 RESERVES		
Share based payment reserve	1,985,587	1,876,059
Share based payment reserve movements during the year		
Opening balance	1,876,059	1,835,063
Transfer to accumulated losses (expired options)	(2,562)	-
Share-based payment expense	112,090	40,996
Closing balance	1,985,587	1,876,059

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 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)

	2018 \$	2017 \$
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 2018 and 2017 is as follows:		
Accounting loss before income tax	(1,183,143)	(1,053,145)
Tax at the Australian tax rate of 27.5% (2017: 30%)	(325,364)	(315,944)
Non-deductible expenses	602	-
Other	34,181	31,047
Deferred tax assets not brought to account	290,581	284,896
	-	-
Income tax	-	-
Recognised deferred tax assets		
Unused tax losses	1,395,205	553,390
Deductible temporary differences	138,234	645,991
	1,533,439	1,199,381
Recognised deferred tax liabilities		
Assessable temporary differences	1,533,439	1,199,381
	1,533,439	1,199,381
Net deferred tax recognised	-	-
Unrecognised temporary differences and tax losses		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	3,389,239	4,125,488
Unused capital losses for which no deferred tax asset has been recognised	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	(1,183,143)	(1,053,145)
	2018 #	2017 #
Weighted average number of ordinary shares outstanding during the year	189,519,470	144,369,884
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	189,519,470	144,369,884

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 2018 or 2017 as they were anti-dilutive.

NOTE 11 SHARE BASED PAYMENTSEquity 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:

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	-
Weighted average exercise price				\$0.17	\$0.30	-	\$0.17	\$0.26	-

* Grant of options to Directors is 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.

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	Tranches 3 and 7	Tranche 4 and 8	Tranche 5 and 9	Tranche 6 and 10
Grant date	1 December 2017	1 December 2017	1 December 2017	1 December 2017
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

NOTE 11 SHARE BASED PAYMENTS (cont'd)

Inputs into pricing model	Tranche 11	Tranche 12	Tranche 13	Tranche 14
Grant date	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 15	Tranche 16	Tranche 17	Tranche 18
Grant date	7 June 2018	7 June 2018	7 June 2018	7 June 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	\$0.0708	\$0.0708	\$0.0708	\$0.0708
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	\$0.0398	\$0.0327	\$0.0256	\$0.0223

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

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.

NOTE 11 SHARE BASED PAYMENTS (cont'd)**2017**

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	-
				3,660,000	-	-	(305,000)	3,355,000	-
Weighted average exercise price				\$0.17	-	-	\$0.17	\$0.17	\$0.11

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.7 years.

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"> - ASX release of information that qualifies as DFS standard in relation to the Hawsons Iron Project; - Market capitalisation of AUD\$30 million or more; - 20 day VWAP of not less than 30 cents; - 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.
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

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:

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
Weighted average exercise price				0.47	-	-	-	0.47	0.47

NOTE 11 SHARE BASED PAYMENTS (cont'd)**2017**

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
Weighted average exercise price				0.47	-	-	-	0.47	0.47

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:

	2018 \$	2017 \$
Options issues to directors, employees and consultants	112,090	40,996
Treasury shares issued to consultants	-	62,494
	112,090	103,490

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.

	2018 \$	2017 \$
Summary		
Short-term employee benefits	502,333	372,833
Post-employment benefits	30,954	29,142
Share-based payments	86,933	22,659
	620,220	424,634

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 17.

NOTE 12 RELATED PARTY and KEY MANAGEMENT PERSONNEL (cont'd)**Amounts Owed to Key Management Personnel and Other Related Parties**

\$1,369 was payable to Jon Parker at 30 June 2018 for unpaid director fees. There were no other amounts payable to Directors, key management personnel or other related parties at 30 June 2018 (2017: nil).

Transactions with Related Parties

There were no other transactions between the Consolidated Entity and its related parties during the year (2017: 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 2018.

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

	2018 \$	2017 \$
Non-trade receivables	73,772	128,249
Cash and cash equivalents	1,052,625	1,367,558
	1,126,397	1,495,807

Ageing of receivables

Not past due	73,772	128,249
Past due 0-90 days	-	-
Past due >90 days	-	-
Impaired	-	-
	73,772	128,249

Credit risk - Cash and cash equivalents

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

NOTE 13 FINANCIAL RISK MANAGEMENT (cont'd)**Credit risk - Receivables**

The credit quality of receivables that are neither past due nor impaired is considered strong. Amounts owed to the Company comprise GST receivables, security bonds for exploration tenements and management fees from the Hawsons Iron joint venture. Amounts owed from the Hawsons Iron joint venture were received in July 2018.

(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 2018. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2018	2017
	\$	\$
<u>Less than one year</u>		
Trade and other payables	57,811	98,028

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. The Consolidated Entity actively monitors the underlying investment in the context of its overall strategic and financial objectives.

The Consolidated Entity does not have any material price risk exposure from its investment.

(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. The shares in TerraCom Limited are measured at fair value through profit or loss. The fair value is based on its quoted market price at 30 June 2018.

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.

	2018	2017
	\$	\$

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

Payable within one year	60,170	54,560
Payable within one year and five years	-	-
Total contracted at balance date	60,170	54,560

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	391,940	433,951
Payable between one year and five years	513,409	821,514
	905,349	1,255,465

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 2018 was \$1,945,088.

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 2018 and 30 June 2017 that require disclosure in the financial report.

NOTE 17 PARENT ENTITY INFORMATION

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

	2018	2017
	\$	\$
<u>Parent Entity Financial Information</u>		
Current assets	1,093,532	1,491,076
Non-current assets	4,710,807	3,375,372
Total assets	<u>5,804,339</u>	<u>4,866,448</u>
Current liabilities	252,991	184,848
Non-current liabilities	-	-
Total liabilities	<u>252,991</u>	<u>184,848</u>
Net assets	<u>5,551,348</u>	<u>4,681,600</u>
Issued capital	24,253,396	22,312,595
Share based payment reserve	1,985,587	1,876,059
Accumulated losses	(20,687,635)	(19,507,054)
Total equity	<u>5,551,348</u>	<u>4,681,600</u>
Loss after income tax	(1,183,143)	(1,053,145)
Other comprehensive income	-	-
Total comprehensive income	<u>(1,183,143)</u>	<u>(1,053,145)</u>

Controlled Entities of the Parent Entity

	Percentage Owned	
	2018	2017
	%	%
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.

NOTE 18 EVENTS AFTER BALANCE SHEET DATE

The Company and its co-venturer in the Hawsons Joint Venture, Pure Metals Pty Ltd on 3 August 2018 entered into an agreement with Mitsui & Co., Ltd whereby Mitsui agreed to advance the sum of \$5.4 million to the Hawsons Joint Venturers (the Initial Advance) and thereby acquire the option to secure off-take rights to 2 Mtpa of Hawsons Supergrade® pellet feed. To exercise this option, Mitsui will advance by way of loan the sum of US\$60 million (the Second Advance) to be used for the development of the Hawsons Iron Project. The Initial Advance is non-refundable (except in very limited circumstances) and is to be used exclusively as part of the funding of the Hawsons Iron Project bankable feasibility study (the BFS). The Second Advance is to be a form of mezzanine debt as part of the project's financing requirements and is to be repayable with interest out of production. The agreement is subject to conditions, the principal one being the raising by the Company of the sum of \$27 million (including the Initial Advance) to complete the BFS.

There have otherwise been no events since 30 June 2018 that impact upon the financial report.

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 2018 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 11 to 17 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2018, 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:



Quentin Hill
Director

Brisbane
9th August 2018

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 2018, 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 2018 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.

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

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to note 3 in the financial report.</p> <p>The Group carries exploration and evaluation assets as at 30 June 2018 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"> • The significance of the total balance; and • 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. 	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • 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 • 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 • 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.

Accounting and valuation of share based payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<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>During the financial year ended 30 June 2018, the Group issued shares to employees, consultants and key management personnel, which have been accounted for as share-based payments.</p> <p>Refer to Note 11 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.</p> <p>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.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing market announcements and board minutes to ensure all the new options granted during the year have been accounted for • Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements • 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 2018, 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.

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

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 11 to 17 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Carpentaria Resources Limited, for the year ended 30 June 2018, 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

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

Brisbane, 9 August 2018

ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 26 JULY 2018

Number of Securities Held	Ordinary shares fully paid	No. of holders
1 to 1,000	59,351	161
1,001 to 5,000	1,108,582	382
5,001 to 10,000	2,577,636	319
10,001 to 50,000	16,678,978	664
50,001 to 100,000	13,400,303	180
100,001 and over	165,365,856	241
	199,190,706	1,947

Number of shareholders holding less than a marketable parcel of shares

683

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,195,502	9.13
2	SILVERGATE CAPITAL PTY LTD	17,990,800	9.03
3	AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	10,479,000	5.26
4	SYDNEY EQUITIES PTY LTD	5,500,000	2.76
5	MR DAVID WILLIAM NEATE	5,384,652	2.70
6	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	4,844,781	2.43
7	CASADA HOLDINGS PTY LTD	4,084,463	2.05
8	BALMAIN SUPER FUND	3,741,904	1.88
9	MR CONGLIN YUE	3,597,482	1.81
10	MR KOK LEONG WONG	3,425,000	1.72
11	SILVERGATE CAPITAL PTY LTD	2,953,706	1.48
12	ONE MANAGED INVESTMENT FUNDS LIMITED	2,775,000	1.39
13	CAMCOVE PTY LTD	2,390,021	1.20
14	MS YING JIN	2,270,130	1.14
15	MR QUENTIN SIMON HILL	2,000,000	1.00
16	MR ROBERT VEITCH AND MRS ELAINE VEITCH	1,759,999	0.88
17	BEST EXPAND INVESTMENTS LIMITED	1,550,735	0.78
18	MR CHRISTOPHER JOHN BYNON-POWELL	1,500,000	0.75
18	MS CAROL ANNE MCCOLL	1,500,000	0.75
18	MR QUENTIN SIMON HILL	1,500,000	0.75
19	THREE ZEBRAS PTY LTD	1,400,000	0.70
19	HAROLDS LOGISTICS PTY LTD	1,400,000	0.70
20	FORSYTH BARR CUSTODIANS LTD	1,204,383	0.60

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 26 July 2018 are:

Name of Shareholder	Ordinary Shares
SG HISCOCK & COMPANY LIMITED	15,064,960
AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	10,479,000
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 ¹	Redan	11/12/2007	11/12/2021	66.5%	62	180
EL 7208	Burta	22/09/2008	22/09/2020	66.5%	100	290
EL 7504	Little Peak	8/04/2010	8/04/2020	66.5%	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	9/12/2018	100%	15	44
MLA 460	Hawsons Iron	Under application	Under application	68.7%	n/a	187
Totals					287	1,019

¹ 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.