Carpentaria RESOURCES | WORLD'S BEST IRON ORE PRODUCT

ABN 63 095 117 981 **ASX Code CAP**

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 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 half-year ended 31 December 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 period 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

OPERATING RESULTS

Commentary and Comparison with Prior Year

For the half-year ended 31 December 2018, the loss for the Consolidated Entity after providing for income tax was $797,820 (December 2017: $545,455).

The loss for the half-year ended 31 December 2018 is $252,365 more (46%) than the loss for the half-year ended 31 December 2017, primarily attributable to increases in employment costs. Employment costs were higher due to share based payments to directors and employees ($145,044) and contingent accrued back pay ($86,707).

Cash Position

The Consolidated Entity's cash position increased from June 2018 by $141,961 to $1,194,586.

REVIEW OF OPERATIONS

During the period, the Company continued to focus on the Hawsons Iron Project, with a particular view of securing funding and progressing a bankable feasibility study (BFS) in relation to producing 10 Mtpa of product from Hawsons. Work this period has continued to demonstrate keen interest from end users in securing access to Hawsons Supergrade® product. The Company was in July 2018 delighted to announce an agreement with Mitsui & Co., Ltd. (Mitsui) whereby the blue-chip Japanese trading house will contribute A$5.4 million towards the cost of the BFS for an option over 2 Mtpa of Hawsons Supergrade® product off-take. If the option is exercised, Mitsui will advance US$60 million to the debt funding package for the construction of the project. Significantly, unsolicited interest in Hawsons has resulted during the period in an increasing number of parties reviewing the project, with a view potentially to provide further BFS funding or other support.

Carpentaria is manager of the joint venture with Pure Metals Pty Ltd, and Carpentaria's interest in Hawsons stands at 68.7%, with Pure Metals having diluted its interest in the conduct of the annual programme and budget, with Pure Metals' interest at 31.3%.

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

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

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

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

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

Competent Person Statement: The information in this report that relates to Exploration Results is based on information compiled by Mr Quentin Hill, who is a member of the Australian Institute of Geoscientists and Society of Economic Geologists Mr Hill is a full time employee of Carpentaria Resources Limited and Mr Hill has sufficient expertise which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hill consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

EVENTS AFTER BALANCE SHEET DATE

There have been no events since 31 December 2018 that impact upon the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Board of Directors

Q S Hill
<u>Managing Director</u>

Dated this 1st Day of March 2019

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

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

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 1 March 2019

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2018

	Note	Half-Year Ended December 2018 $	2017 $
Other revenue		1,618	1,620
Fair value movement on financial assets at fair value		-	(5,183)
Employment benefit expenses	4	(397,873)	(164,414)
Depreciation and amortisation expense		(2,299)	(4,063)
Rental and other lease expenses		(26,350)	(29,820)
Project generation and business development expenses		(149,891)	(126,336)
Administration expenses		(223,025)	(217,259)
Loss before income tax		(797,820)	(545,455)
Income tax expense/(benefit)		-	-
Loss after income tax expense		(797,820)	(545,455)
Other comprehensive income			-
Total comprehensive income		**(797,820)**	**(545,455)**
		Cents	Cents
Loss per share			
Basic and diluted loss per share		(0.38)	(0.30)

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

Consolidated Balance Sheet
As at 31 December 2018

	Note	December 2018 $	June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		1,194,586	1,052,625
Trade and other receivables		25,253	15,363
Financial assets at fair value through profit or loss		-	14,283
Other current assets		27,117	11,261
TOTAL CURRENT ASSETS		1,246,956	1,093,532
NON-CURRENT ASSETS			
Trade and other receivables		58,409	58,409
Plant and equipment		2,811	5,109
Exploration and evaluation assets	5	5,163,109	4,657,289
TOTAL NON-CURRENT ASSETS		5,224,329	4,720,807
TOTAL ASSETS		6,471,285	5,814,339
CURRENT LIABILITIES			
Trade and other payables		119,665	57,811
Provisions		282,425	195,180
TOTAL CURRENT LIABILITIES		402,090	252,991
TOTAL LIABILITIES		402,090	252,991
NET ASSETS		6,069,195	5,561,348
EQUITY			
Share capital	2	25,414,019	24,253,396
Share based payment reserve		2,130,631	1,985,587
Accumulated losses		(21,475,455)	(20,677,635)
TOTAL EQUITY		6,069,195	5,561,348

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2018

Consolidated Entity	Share Capital	Share based payment reserve	Accumulated Losses	Total
	$	$	$	$
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	(192,455)	-	-	(192,455)
Employee share options – value of employee services	-	16,876	-	16,876
Total	1,947,900	16,876	-	1,964,776
Comprehensive income				
Loss after income tax	-	-	(545,455)	(545,455)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(545,455)	(545,455)
Balance at 31 December 2017	24,260,495	1,892,935	(20,042,509)	6,110,921
Balance at 1 July 2018	24,253,396	1,985,587	(20,677,635)	5,561,348
Transactions with owners in their capacity as owners				
Issue of share capital	1,244,250	-	-	1,244,250
Costs of raising capital	(83,627)	-	-	(83,627)
Employee share options – value of employee services	-	145,044	-	145,044
Total	1,160,623	145,044	-	1,305,667
Comprehensive income				
Loss after income tax	-	-	(797,820)	(797,820)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(797,820)	(797,820)
Balance at 31 December 2018	25,414,019	2,130,631	(21,475,455)	6,069,195

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

Consolidated Cash Flow Statement
For the half-year ended 31 December 2018

	Note	Half-Year Ended December	
		2018	2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(528,745)	(479,865)
Interest received		1,618	1,620
Net cash used in operating activities		(527,127)	(478,245)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial assets		14,283	-
Payments for exploration and evaluation assets		(505,820)	(1,128,545)
Net cash used in investing activities		(491,537)	(1,128,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,244,250	2,140,355
Costs associated with the issue of shares		(83,625)	(192,455)
Net cash provided by financing activities		1,160,625	1,947,900
Net increase in cash and cash equivalents		141,961	341,110
Cash and cash equivalents at the beginning of the financial year		1,052,625	1,367,558
Cash and cash equivalents at the end of the financial period		1,194,586	1,708,668

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

Carpentaria Resources Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

b) Statement of Compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2018.

This consolidated interim financial report was approved by the Board of Directors on 1 March 2019.

Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2018.

New and revised standards

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting AASB 9 *Financial Instruments*. The impact of the adoption of this standard and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

AASB 9 *Financial Instruments* – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and Measurement
On 1 January 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. There were no changes to the classification and measurement of financial assets.

(ii) Impairment of financial assets
The Group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables.

The group was required to revise its impairment methodology under AASB. There was no material impact of the change in impairment methodology on the group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

AASB 9 *Financial Instruments* – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification
From 1 January 2018, the group classifies its financial assets in the following measurement categories:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 9 *Financial Instruments* – Accounting policies applied from 1 January 2018 (Continued)

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

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

Measurement

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

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

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

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

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Again or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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

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

Fair Values

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

c) Going Concern

As at 31 December 2018 the Consolidated Entity had cash reserves of $1,194,586 and net current assets of $844,866.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

	December 2018 $	June 2018 $
NOTE 2 SHARE CAPITAL		
Fully paid ordinary shares	25,414,019	24,253,396

Ordinary Shares

	Dec 2018 $	June 2018 $	Dec 2018 #	June 2018 #
At the beginning of the year	24,253,396	22,312,595	193,690,706	163,963,560
Transfer from treasury shares	-	-	-	-
Shares issued [1]	1,244,250	2,140,355	14,638,235	29,727,146
Share issue costs	(83,627)	(199,554)	-	-
At reporting date	25,414,019	24,253,396	208,328,941	193,690,706
Non-recourse employee shares (NRE)				
At the beginning of the year	-	-	5,500,000	5,500,000
NRE shares issued	-	-	-	-
Transfer to treasury shares	-	-	-	-
At reporting date	-	-	5,500,000	5,500,000
Treasury shares				
At the beginning of the year	-	-	-	-
Transfer to ordinary shares	-	-	-	-
Transfer from NRE shares	-	-	-	-
At reporting date	-	-	-	-
Total Ordinary, NRE and Treasury Shares	**25,414,019**	**24,253,396**	**213,828,941**	**199,190,706**

[1] December 2018: 14,638,235 ordinary shares issued at $0.085 each.
June 2018: 29,727,146 ordinary shares issued at $0.072 each.

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

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

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

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

Options

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

Tranche	Grant Date	Expiry Date	Exercise Price	1 Jul 2018	Granted in year	Exercised in year	Lapsed	31 Dec 2018	Vesting Milestone
1	24 Nov 2016	24 Nov 2019	$0.10	1,155,000	-	-	-	1,155,000	NA - vested
2	24 Nov 2016	24 Nov 2021	$0.20	2,200,000	-	-	-	2,200,000	5
3	1 Dec 2017	30 Nov 2022	$0.15	250,000	-	-	-	250,000	1
4	1 Dec 2017	30 Nov 2022	$0.25	325,000	-	-	-	325,000	2
5	1 Dec 2017	30 Nov 2022	$0.40	75,000	-	-	-	75,000	3
6	1 Dec 2017	30 Nov 2022	$0.50	100,000	-	-	-	100,000	4
7	2 Jan 2018	1 Jan 2023	$0.15	500,000	-	-	-	500,000	1
8	2 Jan 2018	1 Jan 2023	$0.25	625,000	-	-	-	625,000	2
9	2 Jan 2018	1 Jan 2023	$0.40	150,000	-	-	-	150,000	3
10	2 Jan 2018	1 Jan 2023	$0.50	200,000	-	-	-	200,000	4
11	15 Oct 2018	14 Oct 2023	$0.15	-	2,200,000	-	-	2,200,000	1
12	15 Oct 2018	14 Oct 2023	$0.25	-	2,500,000	-	-	2,500,000	2
13	15 Oct 2018	14 Oct 2023	$0.40	-	1,400,000	-	-	1,400,000	3
14	15 Oct 2018	14 Oct 2023	$0.50	-	3,400,000	-	-	3,400,000	4
				5,580,000	9,500,000	-	-	15,080,000	

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

NOTE 3 SEGMENT REPORTING

Reportable Segments

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

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

All assets are located in Australia.

NOTE 4 ITEMS INCLUDED IN PROFIT OR LOSS

	Half-Year Ended December 2018 $	2017 $
Included in profit/(loss) are the following specific expenses:		
Included in 'Employment benefit expenses':		
Share based payment expense	145,044	16,876
Accrued back pay	86,707	-

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

NOTE 5 EXPLORATION AND EVALUATION ASSETS

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

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

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

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

	Dec 2018 $	June 2018 $
Opening balance	4,657,289	3,307,296
Capitalised expenditure	505,820	1,578,206
Government grants relating to exploration	-	(228,213)
	5,163,109	4,657,289

NOTE 6 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In 2013, the Company entered into an agreement with a consultant to provide financial modelling, financing negotiation support and other related services for the Hawsons Iron Project. The consultant has provided these services to the Company at a discounted rate on the basis that a success fee of 5 times the foregone fees would be payable upon the first sale of iron ore/concentrate from the Hawsons Iron Project. The value of the contingent success fee at 31 December 2018 was $2,013,421.

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 31 December 2018 that require disclosure in the financial report.

NOTE 7 EVENTS AFTER BALANCE SHEET DATE

There have been no events since 31 December 2018 that impact upon the financial report.

DIRECTORS' DECLARATION

In the directors' opinion:

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

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

Q S Hill
Director

Brisbane
1st Day of March 2019

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carpentaria Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Carpentaria Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit Pty Ltd

BDO
TMann

T R Mann
Director

Brisbane, 1 March 2019

ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 14 FEBRUARY 2019

Number of Securities Held	Ordinary shares fully paid	No. of holders
1 to 1,000	59,420	163
1,001 to 5,000	1,101,298	378
5,001 to 10,000	2,598,395	324
10,001 to 50,000	19,110,307	750
50,001 to 100,000	14,710,952	199
100,001 and over	176,248,569	270
	213,828,941	2,084
Number of shareholders holding less than a marketable parcel of shares		0

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,694.443	8.74
2	SILVERGATE CAPITAL PTY LTD	17,990,800	8.41
3	AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	6,900,000	3.23
4	SYDNEY EQUITIES PTY LTD	6,500,000	3.04
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,320,641	2.96
6	MR DAVID WILLIAM NEATE	5,384,652	2.43
7	CASADA HOLDINGS PTY LTD	4,084,463	1.91
8	BALMAIN SUPER FUND	3,741,904	1.75
9	MR CONGLIN YUE	3,597,482	1.68
10	MR KOK LEONG WONG	3,425,000	1.60
11	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	3,212,171	1.50
12	SILVERGATE CAPITAL PTY LTD	2,953,706	1.38
13	ONE MANAGED INVESTMENT FUNDS LIMITED (1)	2,775,000	1.30
13	ONE MANAGED INVESTMENT FUNDS LIMITED (2)	2,775,000	1.30
14	CAMCOVE PTY LTD	2,390,021	1.12
15	MS YING JIN	2,270,130	1.06
16	MR QUENTIN SIMON HILL	2,000,000	0.94
17	CITICORP NOMINEES PTY LIMITED	1,937,865	0.91
18	ONE MANAGED INVESTMENT FUNDS LIMITED	1,764,706	0.83
19	MR ROBERT VEITCH & MRS ELAINE VEITCH	1,759,999	0.82
20	BEST EXPAND INVESTMENTS LIMITED	1,550,735	0.73

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 14 February 2019 are:

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

INTERESTS IN MINING TENEMENTS

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

Licence	Name	Original Grant Date	Expiry Date	Equity	Sub-blocks	Area (km2)
EL 6901	Combaning	8/10/2007	8/10/2020	20%	21	61
EL 6979[1]	Redan	11/12/2007	11/12/2021	68.7%	62	180
EL 7208	Burta	22/09/2008	22/09/2020	68.7%	100	290
EL 7504	Little Peak	8/04/2010	8/04/2020	68.7%	14	41
EL 7896	Barellan	6/02/2012	6/02/2021	20%	25	73
EL 8095	Advene	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.