



ABN 63 095 117 981

ASX Code CAP

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2020

CORPORATE DIRECTORY**Board of Directors**

Bryan Granzien	Executive Chairman
Paul Cholakos	Non-executive Director
Jon Parker	Non-Executive Director

Company Secretary

Robert William Hair

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

DIRECTORS' REPORT

Your Directors present their report on Carpentaria Resources Limited for the half-year ended 31 December 2020.

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
Bryan Granzien	Executive Chairman	Appointed 29 December 2020
Paul Cholakos	Non-executive Director	Appointed 2 April 2012
Jon Parker	Non-executive Director	Appointed 11 February 2021
Peter Graham	Non-executive Chairman	Appointed 4 May 2020, resigned 29 December 2020
Quentin Hill	Managing Director	Appointed 1 September 2013, resigned 29 January 2021
Linda Lau	Non-executive Director	Appointed 2 September 2020, resigned 8 February 2021

OPERATING RESULTS

Commentary and Comparison with Prior Year

For the half-year ended 31 December 2020, the loss for the Consolidated Entity after providing for income tax was \$238,694 (December 2019: \$854,068), an improvement of \$615,374 primarily attributed to:

- The reversal of accrued back pay for the Managing Director and Company Secretary (\$386,170); and
- Reduction in external promotion costs for the Hawsons Iron Project (\$284,114) as the Company focused on the Pure Metals transaction to consolidate the project interests. Total costs related to the Pure Metals transaction were \$162,992.

Cash Position

The Consolidated Entity's cash position increased from June 2020 by \$296,137 to \$1,012,454. A total of \$1,049,368 (after costs) was raised through a share purchase plan in October 2020.

REVIEW OF OPERATIONS

The Company has not as yet secured the funding for the Hawsons Iron Project bankable feasibility study (BFS) in relation to producing 10 Mtpa of Hawsons Supergrade® product. In order to improve the commercial offering around the Hawsons Project and to improve the chances of project financing its development, Carpentaria during the half-year entered into agreements whereby:

- The Company's co-joint venturer, Pure Metals Pty Ltd (**PM**), will transfer a 6.037% Hawsons Joint Venture interest to Starlight Investment Company Pty Ltd (**Starlight**) in consideration of the cancellation of Starlight's shares in PM;
- PM will sell and transfer to the Company the remaining 24.8133% Hawsons Joint Venture interest in consideration of the issue to PM of 90.8 Million Carpentaria shares; and
- The Company and Starlight will hold the Hawsons Iron Project in accordance with a new joint venture agreement between Starlight and the Company.

The transaction was approved by shareholders at the Company's annual general meeting on 2 November 2020. At this date, it remains subject to any necessary approvals under the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

During the half-year, the bankable feasibility study funding deed (**BFS Funding Deed**) between the Company and Mitsui & Co., Ltd. (whereby Mitsui committed in certain circumstances to contribute funds towards the bankable feasibility study relating to the Hawsons Iron Project and thereby acquire an option to secure 2Mtpa offtake of the Hawsons Supergrade® product) was extended until 31 December 2020. Towards the end of December 2020, Mitsui notified the Company that it had chosen not to extend the BFS Funding Deed past 31 December 2020. Mitsui reaffirmed its strong interest in the

Hawsons Supergrade® product and that it intends to re-open negotiations with Carpentaria once stability is restored to the Board.

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
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	

The world's largest steelmaking countries, China, Japan, Korea and Germany have all stated that they target net zero carbon emissions by 2050 or 2060. To meet these targets, material improvement in carbon dioxide reduction from steelmaking is required. Steelmaking contributes 7% of global emissions and the use of highest iron content iron ore such as the 70% Hawsons Supergrade® product will reduce emissions and increase efficiency.

The use of direct reduction iron (**DRI**) in steelmaking reduces carbon dioxide emissions by half compared to the use of blast furnaces, and does so in part by relying on high grade ores. DRI is also the leading technology for the use of hydrogen in steelmaking.

Iron ore pellets are a high growth section of the iron ore market. The board and management of the Company remain confident that Hawsons is the leading undeveloped pellet feed/concentrate project in the world and that Hawsons Supergrade® product will be the most highly sought-after pellet feed because of its high Fe content and overall outstanding quality. Indeed, during the period the Company improved its product offering to Middle East and north Africa (MENA) direct reduction iron (DRI)--based steelmakers, completing value-in-use marketing studies, exploring pricing options and engaging local assistance to position the Company to benefit as the region builds its non-oil economy. Opportunities for independent top-tier DR grade supply are extremely limited.

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

EVENTS AFTER REPORTING DATE

Liquidation of Ample Source International Limited

On 4 February 2021 Carpentaria received notification that the principal shareholder of Pure Metals Pty Ltd, Ample Source International Limited (ASI), was placed into liquidation on 18 January 2021. ASI also owns and controls Silvergate Capital Pty Ltd, which holds 20,944,506 Carpentaria shares.

Pure Metals, which currently holds approximately 30% of the Hawsons Iron Project Joint Venture, entered into an agreement with Carpentaria in September 2020 whereby Pure Metals would sell to Carpentaria approximately 24% of the Hawsons Iron Project Joint Venture in consideration of the issue to Pure Metals of 90.8 million Carpentaria shares. This transaction was approved by shareholders at the Company's annual general meeting on 2 November 2020 and remains at this point conditional upon the approval of the Foreign Investment Review Board.

The Company will continue to provide updates to the ASX on the impact of the ASI liquidation on the Hawsons Iron Project Joint Venture when more information becomes available.

There have been no other events since 31 December 2020 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.

A handwritten signature in black ink, appearing to read 'Bryan Granzien', with a stylized flourish at the end.

Bryan Granzien
Executive Chairman

Dated 15 February 2021



DECLARATION OF INDEPENDENCE BY K L COLYER TO THE DIRECTORS OF CARPENTARIA RESOURCES LIMITED

As lead auditor for the review of Carpentaria Resources Limited for the half-year ended 31 December 2020, 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.

A handwritten signature in black ink, appearing to read 'K L Colyer', with a stylized flourish at the end.

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 15 February 2021

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2020

	Note	Half-Year Ended December	
		2020	2019
		\$	\$
Interest income		168	1,780
Accrued back pay (expense)/adjustment	7	386,170	(86,707)
Employment benefit expenses - other	4	(209,097)	(260,767)
Depreciation and amortisation expense		(1,108)	(1,880)
Fair value of other payable	6	(24,992)	-
Project generation and business development expenses		(30,612)	(314,726)
Costs related to the Pure Metals transaction		(162,992)	-
Administration expenses		(196,231)	(191,768)
Loss before income tax		(238,694)	(854,068)
Income tax expense/(benefit)		-	-
Loss after income tax expense		(238,694)	(854,068)
Other comprehensive income		-	-
Total comprehensive income		(238,694)	(854,068)
		Cents	Cents
Loss per share			
Basic and diluted loss per share		(0.08)	(0.31)

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 2020

	Note	Dec 2020 \$	June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents	2	1,012,454	716,317
Trade and other receivables		53,567	39,135
Other current assets		31,358	8,182
TOTAL CURRENT ASSETS		1,097,379	763,634
NON-CURRENT ASSETS			
Trade and other receivables		28,409	38,409
Plant and equipment		3,097	4,204
Exploration and evaluation assets	5	4,521,315	4,437,598
TOTAL NON-CURRENT ASSETS		4,552,821	4,480,211
TOTAL ASSETS		5,650,200	5,243,845
CURRENT LIABILITIES			
Trade payables		64,921	127,137
Other payable	6	633,509	608,517
Provisions	7	84,892	473,750
TOTAL CURRENT LIABILITIES		783,322	1,209,404
TOTAL LIABILITIES		783,322	1,209,404
NET ASSETS		4,866,878	4,034,441
EQUITY			
Share capital	2	29,215,477	28,166,109
Share based payment reserve		2,410,774	2,389,011
Accumulated losses		(26,759,373)	(26,520,679)
TOTAL EQUITY		4,866,878	4,034,441

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 2020**

Consolidated Entity	Share Capital	Share based payment reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2019	28,166,109	2,185,147	(22,525,596)	7,825,660
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Transfer of expired employee share options	-	(30,744)	30,744	-
Employee share options – value of employee services	-	54,516	-	54,516
Total	-	23,772	30,744	54,516
Comprehensive income				
Loss after income tax	-	-	(854,068)	(854,068)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(854,068)	(854,068)
Balance at 31 December 2019	28,166,109	2,208,919	(23,348,920)	7,026,108
Balance at 1 July 2020	28,166,109	2,389,011	(26,520,679)	4,034,441
Transactions with owners in their capacity as owners				
Issue of share capital	1,190,000	-	-	1,190,000
Costs of raising capital	(140,632)	-	-	(140,632)
Employee share options – value of employee services	-	21,763	-	21,763
Total	1,049,368	21,763	-	1,071,131
Comprehensive income				
Loss after income tax	-	-	(238,694)	(238,694)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(238,694)	(238,694)
Balance at 31 December 2020	29,215,477	2,410,774	(26,759,373)	4,866,878

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 2020

	Note	Half-Year Ended December	
		2020	2019
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(744,490)	(695,504)
COVID-19 wages subsidies received		50,000	-
Interest received		168	1,780
Net cash used in operating activities		(694,322)	(693,724)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(83,717)	(380,760)
Net cash used in investing activities		(83,717)	(380,760)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,190,000	-
Costs associated with the issue of shares		(115,824)	-
Net cash provided by financing activities		1,074,176	-
Net increase/(decrease) in cash and cash equivalents		296,137	(1,074,484)
Cash and cash equivalents at the beginning of the financial year		716,317	3,024,190
Cash and cash equivalents at the end of the financial period		1,012,454	1,949,706

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 2020 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 2020.

This consolidated interim financial report was approved by the Board of Directors on 15 February 2020.

Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2020, except for the adoption of new accounting standards as set out below.

New and revised standards

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption these standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

c) Going Concern

As at 31 December 2020 the Consolidated Entity had cash reserves of \$1,012,454 and net current assets of \$314,057.

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.

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 2020 \$	June 2020 \$
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NOTE 2 SHARE CAPITAL

Fully paid ordinary shares	29,215,477	28,166,109
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Ordinary Shares

	Dec 2020 \$	June 2020 \$	Dec 2020 #	June 2020 #
At the beginning of the year	28,166,109	28,166,109	269,632,537	269,632,537
Shares issued ¹	1,190,000	-	33,999,996	-
Share issue costs	(140,632)	-	-	-
At reporting date	29,215,477	28,166,109	303,632,533	269,632,537

Non-recourse employee shares (NRE)

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

Total Ordinary and NRE Shares	28,166,109	28,166,109	309,132,533	275,132,537
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¹ Dec 2020: 33,999,996 ordinary shares issued at \$0.035 each.

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	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
2	24 Nov 2016	24 Nov 2021	\$0.20	1,625,000	-	-	-	1,625,000	-
7	2 Jan 2018	1 Jan 2023	\$0.15	500,000	-	-	-	500,000	-
8	2 Jan 2018	1 Jan 2023	\$0.25	625,000	-	-	-	625,000	-
9	2 Jan 2018	1 Jan 2023	\$0.40	150,000	-	-	-	150,000	-
10	2 Jan 2018	1 Jan 2023	\$0.50	200,000	-	-	-	200,000	-
11	15 Oct 2018	14 Oct 2023	\$0.15	2,200,000	-	-	-	2,200,000	-
12	15 Oct 2018	14 Oct 2023	\$0.25	2,500,000	-	-	-	2,500,000	-
13	15 Oct 2018	14 Oct 2023	\$0.40	1,400,000	-	-	-	1,400,000	-
14	15 Oct 2018	14 Oct 2023	\$0.50	3,400,000	-	-	-	3,400,000	-
				12,600,000	-	-	-	12,600,000	-

NOTE 2 SHARE CAPITAL (continued)

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
2020 **2019**
\$ \$

Included in profit/(loss) are the following specific expenses:

Included in 'Employment benefit expenses':

Share based payment expense	21,763	54,516
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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.

	December 2020 \$	June 2020 \$
Opening balance	4,437,598	5,141,234
Capitalised expenditure	83,717	522,873
Impairment of exploration expenditure	-	(1,226,509)
	4,521,315	4,437,598

NOTE 6 OTHER PAYABLE

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 provided these services to the Company at a discounted rate on the basis that a success fee of 5 times the foregone fees would be payable upon the first sale of iron ore/concentrate from the Hawsons Iron Project ("foregone fees"). The gross amount of the foregone was \$1,945,087.

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

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

The gross amount of the break fee was \$1,097,500.

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

NOTE 6 OTHER PAYABLE (continued)

As a result of the 21 January agreement the consultant became entitled, in certain circumstances, to an equity settled share based payment (as noted above). As such, the accounting for the arrangement is now based on the requirement of AASB2 Share-Based Payments applicable to compound instruments as follows:

- The right to cash, in certain circumstances, is recognised as a cash-settled share-based payment. In this regard, the Company recognises the expense at grant date and/or as services are received, as appropriate, with a corresponding credit as a liability. The liability is measured at fair value taking into account the potential gross amount payable and the impact of non-vesting conditions (being the success conditions of the first sale of iron ore and/or a commitment to undertake a bankable feasibility study).

The liability recognised at 31 December 2020 and 30 June 2020 were as follows:

	December 2020 \$	June 2020 \$
Fair value of liability recognised	608,517	608,517
Movements in fair value of liability during the period	24,992	-
Total other payables ¹	633,509	608,517

¹ Shown as other payables in the Consolidated Balance Sheet

NOTE 7 PROVISIONS

Accrued back pay	-	386,170
Employee benefits	84,892	87,580
	84,892	473,750

As part of their employment contracts Managing Director Quentin Hill and Company Secretary Bob Hair On 10 December 2020 Quentin Hill and Bob Hair were entitled to retrospective increases to their base salary up on achieving the below project milestone:

Milestone	Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or \$25 million, whichever is the lesser;
Any of the following -	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.

Provision was made for the Consolidated Entity's liability for accrued back pay arising from services rendered by the employees, calculated by the total commitment accrued at year end and adjusted for the probability that the employee may satisfy vesting requirements.

On 10 December 2020 Quentin Hill and Bob Hair offered to forego the past and future accrual of the extra remuneration. This offer was accepted by the Company and consequently the previously accrued back pay liability has been reversed in the Consolidated Statement of Comprehensive Income.

NOTE 8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets at 31 December 2020.

NOTE 9 EVENTS AFTER REPORTING DATE**Liquidation of Ample Source International Limited**

On 4 February 2021 Carpentaria received notification that the principal shareholder of Pure Metals Pty Ltd, Ample Source International Limited (ASI), was placed into liquidation on 18 January 2021. ASI also owns and controls Silvergate Capital Pty Ltd, which holds 20,944,506 Carpentaria shares.

Pure Metals, which currently holds approximately 30% of the Hawsons Iron Project Joint Venture, entered into an agreement with Carpentaria in September 2020 whereby Pure Metals would sell to Carpentaria approximately 24% of the Hawsons Iron Project Joint Venture in consideration of the issue to Pure Metals of 90.8 million Carpentaria shares. This transaction was approved by shareholders at the Company's annual general meeting on 2 November 2020 and remains at this point conditional upon the approval of the Foreign Investment Review Board.

The Company will continue to provide updates to the ASX on the impact of the ASI liquidation on the Hawsons Iron Project Joint Venture when more information becomes available.

There have been no other events since 31 December 2020 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 2020 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



Bryan Granzien
Executive Chairman

Dated 15 February 2021

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 statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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 the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

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.



Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'K L Colyer', is written over a faint, stylized 'BDO' logo.

K L Colyer
Director

Brisbane, 15 February 2021