

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014



CORPORATE DIRECTORY

Board of Directors

Quentin Hill	Managing Director
Bin Cai	Non-Executive Director
Paul Cholakos	Non-Executive Director
Bob Hair	Non-Executive Director
Dr Neil Williams	Non-Executive Director

Company Secretary

Chris Powell

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@capex.net.au Website: www.carpentariaex.com.au	Solicitors HWL Ebsworth Level 23, Riverside Centre, 123 Eagle Street Brisbane Qld 4000
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 19 324 Queen 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 Exploration Limited for the year ended 30 June 2014.

DIRECTORS

The names and details of the Directors of Carpentaria Exploration 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
Robert William Hair	Non-Executive Director	Appointed August 2007
Bin Cai	Non-Executive Director	Appointed May 2011
Paul Cholakos	Non-Executive Director	Appointed 2 April 2012
Stuart Nicholas Sheard	Former Executive Chairman and Non-Executive Chairman	Appointed March 2007. Resigned as Executive Chairman, and appointed as Non-executive director on 1 September 2013. Resigned from the Board on 1 July 2014.

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

Recently retired as Chief Executive Officer of the Australian government's geoscience agency, Geoscience Australia, Dr Williams has had a distinguished career spanning all aspects of mineral exploration, both in Australia and internationally, including serving as Chief Geologist for MIM. Dr Williams has won numerous Australian and international awards in his field. He has also had a distinguished academic career, currently serving as an Honorary Professorial Fellow at the University of Wollongong. In early 2014 he was awarded the Haddon Forrester King Medal from the Australian Academy of Science for his geo-scientific contributions to the discovery, evaluation and exploitation of mineral deposits.

Dr Williams was appointed Chairman on 1 July 2014. He is also a Committee Member of the Carpentaria Audit Committee and the Remuneration Committee.

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

Quentin Hill *Bachelor of Science (Geology)*
Managing Director

Quentin is a geologist with over 18 years' experience in exploration and development in Australia. He has wide ranging commodity experience including gold, iron ore, coal and base metals. Quentin was Carpentaria's Senior Geologist when the Company listed and was integral in the discovery of the 1.4Bt Hawsons Iron Project, where he also managed the successful resource drilling.

Prior to his 7 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.

Effective 1 September 2013, Quentin was appointed as Managing Director of the Company. Otherwise, he has not been a director of a listed company in the last three years.



Bob Hair BA (Hons)
Non-Executive Director

Bob is by background a lawyer (having been admitted as a barrister in Queensland in 1983) with over 25 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. Since that time he has worked for and consulted to various listed and unlisted companies in the resources industry.

Until February 2014 Bob was Managing Director of the ASX, JSE and AIM-listed Ferrum Crescent Limited (ASX,JSE,AIM:FCR), appointed July 2011). He resigned as a director of that company on 29 April 2014. - Otherwise, he has not been a director of a listed company in the last three years. He is the Chairman of the Carpentaria Audit Committee and a member of the Carpentaria Remuneration Committee.

Bin Cai
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 20 years of experience in resources investment, Bin and the Conglin Group have an outstanding record of successful strategic investments in emerging Australian resources companies.

The Conglin Group has longstanding partnerships with major steel producers in China, having developed a successful coking coal and iron ore trading business in the Asian economic powerhouse.

Bin is currently a Director of the ASX listed Orion Metals Limited (ASX:ORM appointed July 2012), and Alternate Director for ASX listed Northern Minerals Limited (ASX:NTU appointed August 2013). Otherwise, he has not been a director of a listed company in the last three years.

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

Paul has over 30 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, Operations of major Australian oil and gas company Oil Search Limited (ASX:OSH appointed early 2013).

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

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

Former Director

Nick Sheard FAIG, R.P. GEO,ASEG - Resigned 1 July 2014
Chairman

Nick has over 40 years of experience in the industry – most recently Vice President-Exploration for Inco Limited, formerly the world's second largest producer of nickel. Prior to that, he was the Global Exploration Manager for MIM Holdings Limited, after being initially employed by MIM as Chief Geophysicist.

Nick helped develop the novel MIMDAS electrical survey system currently being used commercially as a deep seeking quality EM and IP system. He is a member of Australian Society of Exploration Geophysicists (ASEG) and Australian Institute of Geoscientists (AIG) and is a Registered Professional Geoscientist – Mineral Exploration and Geophysics.

Effective 1 September 2013, Nick has relinquished his role as Executive Chairman of Carpentaria. Nick resigned from the Board on 1 July 2014.

Nick was also a Non-Executive Director of ASX listed Mirabela Nickel Ltd (MBN appointed 2007 Resigned April 2014). Otherwise, he has not been a director of a listed company in the last three years.



Interests in the shares and options of the Company

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

Director	Ordinary Shares	Non-Recourse Employee Shares	Options
Quentin Hill	668,064	1,500,000	300,000
Bob Hair	30,000	1,500,000	-
Bin Cai	10,479,000 ¹	-	500,000
Neil Williams	-	-	500,000
Paul Cholakos	-	-	500,000

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

SENIOR MANAGEMENT

The names and details of the Company's key personnel during the financial year and until the date of this report are as follows.

Doug Brewster *Exploration Manager*

Doug is a career minerals exploration geologist with over 26 years of Australian and international multi-commodity experience. He is an eastern Australia specialist and graduate of the University of Sydney.

Doug worked initially for CRAE (now Rio Tinto) and then in a senior role at Delta Gold (now Barrick), where he assisted rebuilding their eastern Australia exploration effort in the late 1990s. He subsequently operated as a successful mineral exploration consultant providing services to a number of major and junior mining companies, including Troy Resources, Inco (now Vale) and Toro Energy.

He is experienced in gold, base-metal massive sulphide, porphyry copper, iron-oxide copper-gold, iron ore, coal, uranium, diamond, clay and mineral sand exploration. Doug is a member of the Geological Society of Australia (GSA), Society of Economic Geologists (SEG), Society of Mining, Metallurgy and Exploration (SME) and the Australian Institute of Geoscientists (AIG).

Effective 4 July 2014 Doug Brewster was made redundant.

Chris Powell *Company Secretary*

Chris as one of the founders of Carpentaria has, along with the 7 years in the resources industry, over 35 years of experience across a number of industries in similar roles. He has a wealth of administration and financial knowledge gathered through employment in senior management roles in New Zealand and Australia. Chris holds a Diploma of Management and is a member of the Australian Institute of Management (FAIM).

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.

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 2014, the loss for the Consolidated Entity after providing for income tax was \$8,592,326 (2013: \$1,821,480):

	2014 \$	2013 \$
Revenue	180,998	174,178
Fair value loss on financial assets at fair value through profit or loss	(112,471)	(755,695)
Employment benefit expenses	(1,647,956)	(1,184,133)
Depreciation and amortisation expense	(91,865)	(101,864)
Finance costs	(4,942)	(14,113)
Impairment of exploration expenditure	(6,815,430)	-
Rental and other lease expenses	(174,348)	(176,940)
Legal expenses	(117,423)	(848,023)
Project generation and business development expenses	(356,039)	(296,591)
Administration expenses	(576,012)	(719,630)
Profit/(loss) before income tax	(9,715,488)	(3,922,811)
Research and development income tax refund	1,123,162	2,101,331
Profit/(loss) after income tax expense	(8,592,326)	(1,821,480)

Impairment of exploration in 2014 relates to write off of a number of exploration projects. As previously announced to the market, the Board announced that it plans to focus Company resources on the development of its flagship asset, the Hawsons Iron Project. The Company will seek to dispose or relinquish its non-core exploration projects over the coming year. This impairment can be regarded as a one-off item to the extent it will not be incurred in future periods unless additional receivables are impaired.

Excluding this impact, which is not recurring in nature or comparable, the loss for the 2014 financial year is approximately \$45,655 less than the adjusted loss of 2013.

This decrease is attributable to:

	\$
Decrease in loss of value of GUF shares	643,224
Other increases in administrative and employee costs	(350,000)
Decreases in legal expenses	730,600
Decrease in research and development income tax refund	(978,169)
	45,655

The large decrease in legal expenses from 2013 is attributable to the reduction in legal costs related to the joint venture of the Hawsons Iron Project.



Cash Position

The Consolidated Entity's cash position increased from year end 2013 by \$138,664 as a result of:

- Capital raised during the period of \$1,746,885 after costs.
- Refund of costs relating to the Hawsons Iron Project from the joint venture partner of \$3,356,875.

The effects of the additional cash inflows were offset with by the income tax refund relating to the Research & Development program for 2013 financial year not being received until early in the 2015 financial year

Business Strategies and Prospects For Future Financial Years

The company expects to co fund the development of the Hawsons Iron Project with its Joint Venture partner easing the financial burden. The work programs for the next twelve months are well within existing available funds and are targeted to add certainty to various aspects of the project and align all aspects of the project to the same level of certainty. This program will provide the platform for attracting further investment in the project to advance the feasibility study and increase company value.

The company has sharpened its focus towards the Hawsons Iron Project since regaining management of the project in June 2014. This has meant a shift away from exploration. In line with this, a reduction in overheads and staff has allowed the company to maintain a strong financial position. A review of options for the remaining existing exploration licences other than Hawsons is underway.

The company will continue to monitor commodity markets and review its strategy periodically and adjust it 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 2014 the Company had 123,887,777 (including 11,200,000 non-recourse employee shares) shares and 4,100,000 options on issue.

Treasury policy

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

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 2014 (2013: 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

Exploration

During the year Carpentaria progressed and grew its exploration portfolio with a particular focus on intrusion related gold systems in the central Lachlan Fold Belt in New South Wales. Management of the Hawsons Iron Project, the Company's flagship asset, was undertaken by joint venture partner Pure Metals. Carpentaria also progressed its other iron projects in South Australia.



Hawsons Iron Project

Carpentaria (CAP) and Pure Metals (PM) continued feasibility and development activities under the terms of the Hawsons joint venture agreement (JV). PM, as manager, oversaw their commitment to spend \$5M for the 12 month period up to 12 June 2014. CAP is now manager of the joint venture.

The following significant results that will underpin the continued development of the Hawsons Iron Project were delivered in the last twelve months

Establishment of development base-case

A detailed study completed by GHD (ASX Announcement 19 February 2014) demonstrated that by matching project size to the existing 10 million tonnes per annum of spare port, rail and power infrastructure capacity, capital costs and development timeframes have potential for major reduction. Furthermore, the results demonstrated the potential for very competitive CFR China costs (cost to land concentrate in China) and excellent investment returns, boosting the projects development credentials.

Maiden Indicated Resource

A maiden Indicated Resource and significant upgrade to the previously published Inferred Resource (ASX Announcement 26 March 2014) was completed that demonstrates the robustness and scalability of the Hawsons deposit.

Total Inferred plus Indicated contained iron concentrate has risen by 20% to 263 million tonnes compared to the December 2010 inferred estimate of 220Mt. A premium grade of 69.7% Fe and just 3.1% combined silica and alumina has been maintained for the new total resource.

Infrastructure

A transport review from infrastructure advisory Balance Resources Balance concluded, on the basis of available data, that Carpentaria's transport plan for concentrate from the Hawsons Iron Project contains no fatal flaws for product transport to port. In addition, Balance considers it represents the lowest and most efficient capital and operating cost option that is currently available.

Balance Resources also stated the transport cost estimate for rail loading at Broken Hill to ship loading offshore at Port Pirie of approximately \$21 per tonne is reasonable for the project.

Product Marketing

The iron ore market group, Ferrum Consultants, provided a review of the proposed Hawsons concentrate and its likely markets. The Company will target the premium end of the market where demand and value is highest.

Water Supply and Environmental

A significant program of water bore drilling and pumping tests was completed. The results are comparable to or better than assumptions used in project studies with sustainable flow rates of 100- 150 litres per second expected to be available for any future mining operations. Water quality testing of this deep aquifer also confirmed that water quality will not be suitable for use as long term stock water.

Seasonal surveys for the EIS completed and other specialist studies continued as part of the EIS.

Central Lachlan Gold Project (CAP 100%) EL 8095, 7896 and 8189

At *Advene* a diamond drilling program was undertaken to test the highly encouraging gold in soil geochemical anomaly discovered for significant gold mineralisation.

At *Barellan* a power auger weathered bedrock and rock geochemical survey that in progress at years end has now been completed.

At *Grong Grong*, following successful granting of the licence this year preliminary field reconnaissance including first pass was completed.



Temora Gold/Copper Project (EL 6901, 7375 and 7680)

Detailed geological mapping and investigation of potential drill testing options at the Mother Shipton Prospect continued.

Braemar JV (CAP earning in) and South Dam (CAP 100%) (EL 5181, EL 4395)

The Braemar South Project, comprising the contiguous Braemar JV (EL 5181) and 100% South Dam (EL 4395) licences, is located at the southern end of the highly prospective magnetite-bearing Braemar Iron Formation, 200km north-east of Adelaide.

Subsequent to year end, CAP has withdrawn from the Braemar JV (EL 5181).

Broken Hill Tin and Tungsten/Base Metal Project (100% CAP) (ELs 6936, 7829, 7921, 7957)

A preliminary mining concept study has been completed and identified that additional resources and/or an increase in the tungsten price will be required to enhance its prospects for development.

Koonenberry (100% CAP) – Nickel, Platinum Group Elements (ELs 7735, 7736, 7737, 7738, 7739 & 7740)

Carpentaria is reviewing options for this project.

Mount Agate (ActivEX Ltd earning 75%) – Copper, Gold (EPM 14955)

The Mt Agate licence south of Cloncurry was farmed out to ActivEX Ltd in April 2010. Exploration is targeting iron oxide copper and gold (IOCG) deposits similar to the Ernest Henry deposit.

ActivEX is continuing field activities on EPM 14955.

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 Fellow of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist -Mineral Exploration and Geophysics. Mr Hill is a full time employee of Carpentaria Exploration 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.

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.

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 2014 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>
Nick Sheard	3	3	-	-	-	-
Bob Hair	3	3	1	1	1	1
Bin Cai	1	3	-	-	-	-
Neil Williams	3	3	1	1	1	1
Paul Cholakos	3	3	1	1	1	1



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 Exploration 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, Carpentaria paid a premium of \$10,709 to insure the directors and secretary of the Company and its Australian-based controlled entities.

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 its auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

SHARE OPTIONS

As at the date of this report there was a total of 4,100,000 ordinary shares of Carpentaria Exploration Limited under options:

Number of Options	Exercise Price	Vesting Date	Expiry Date
2,600,000	\$0.290	16 December 2011	15 December 2014
1,500,000	\$0.440	30 November 2012	29 November 2015

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

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

Expiry Date	Exercise Price	Movements			
		1 July 2013	Issued	Exercised	Expired
15 December 2014	\$0.290	2,600,000	-	-	-
29 November 2015	\$0.440	1,500,000	-	-	-
		4,100,000	-	-	-

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



REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for the directors and key management personnel of Carpentaria Exploration 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 amount 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 directors and 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.

In accordance with best practice corporate governance, the structure of non-executive director and executive director and key management personnel remuneration is separate and distinct except that non-executive directors, as well as executives, participate in incentives involving the issue to them of securities in the Company.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Company's specific policy for determining the nature and amount 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 \$40,000 per annum (plus superannuation) and the Chairman of Directors is entitled to receive \$60,000 per annum (plus 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 2014 is detailed in Table 1 of this Remuneration Report.

Executive Directors and Key Management Personnel Remuneration

The Company aims to reward the executive directors and 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.



REMUNERATION REPORT (continued)

The remuneration of the Executive Director and key management personnel for the period ended 30 June 2014 is detailed in Tables 1 and 2 and details of options issued are set out in Table 3.

Employment Contracts

Agreement with Former Executive Chairman

On 17 August 2007, the Company and Mr Nick Sheard entered into an agreement containing the terms and conditions under which he will provide his services as chief executive officer of the Company. The agreement came into effect upon the Company's listing on the Australian Securities Exchange, which occurred on 14 November 2007.

The agreement:

- extended to 31 August 2015;
- provided for an annual salary of \$230,000 plus statutory superannuation and reimbursement of all reasonable business expenses;
- contained provision for three months' notice for termination. The Company may terminate this employment agreement by providing 12 months written notice or providing payment in lieu of the notice period (being \$230,000, based on the fixed component of Mr Sheard's remuneration); and
- otherwise contained standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Effective 1 September 2013, Nick relinquished his role as Executive Chairman of Carpentaria.

Agreement with Managing Director

Effective 1 September 2013, Mr Quentin Hill was appointed as Managing Director of the Company under the following terms and conditions:

- agreement updated and currently extended to 31 August 2015;
- annual salary of \$240,000 plus statutory superannuation payments and reimbursement of all reasonable business expenses;
- entitled to participate in a performance bonus on terms determined by the Board from time to time;
- entitled to receive such shares and/or options to acquire shares on terms and conditions (including price) as determined by the Board in its absolute discretion from time to time;
- provision for three months' notice for termination; (being \$60,000, based on the fixed component of remuneration) and
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

Prior to 1 September 2013, Mr Quentin Hill was employed as *Principal Geologist New Business* under the following terms and conditions:

- Annual salary of \$202,500 plus statutory superannuation payments and reimbursement of all reasonable business expenses;
- provision for one month's notice for termination. The Company may terminate this employment agreement by providing one month's written notice and providing payment in lieu of the notice period (being \$16,250 - one month's salary); and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Agreement with Company Secretary

On 1 June 2007, the Company and Mr Chris Powell entered into an agreement containing the terms and conditions under which the services of Company Secretary are provided to the Company. The agreement came into effect upon the Company's listing on the Australian Securities Exchange, which occurred on 14 November 2007.



REMUNERATION REPORT (continued)

The agreement:

- agreement updated and currently extended to 31 August 2015;
- involves the payment to Mr. Powell of an annual salary of \$160,000 plus statutory superannuation payments and reimbursement of all reasonable business expenses;
- has provision for three months' notice for termination; (being \$40,000, based on the fixed component of Mr Powell's remuneration); and
- otherwise contains standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

Agreement with Exploration Manager

On 9 August 2007, the Company and Mr Doug Brewster entered into an agreement containing the terms and conditions under which the services of Exploration Manager are provided to the Company. The agreement came into effect upon the Company's listing on the Australian Securities Exchange, which occurred on 14 November 2007.

The agreement:

- extended to 30 September 2014
- annual salary of \$212,125 plus statutory superannuation and reimbursement of all reasonable business expenses;
- three months' notice for termination. The Company may terminate this employment agreement by providing three months' written notice and providing payment in lieu of the notice period (being \$53,031, three months' salary based on the fixed component of Mr Brewster's remuneration); and
- otherwise contained standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Effective 4 July 2014 Doug Brewster was made redundant.

Details of Directors and Key Management Personnel

Directors

Name	Position	Detail
Dr Neil Williams	Non-Executive Chairman	Appointed 1 January 2012
Quentin Hill ²	Managing Director	Appointed 1 September 2013
Robert William Hair	Non-Executive Director	Appointed August 2007
Bin Cai	Non-Executive Director	Appointed May 2011
Paul Cholakos	Non-Executive Director	Appointed 2 April 2012
Stuart Nicholas Sheard ¹	Former Executive and Non-Executive Chairman	Appointed March 2007. Resigned as Executive Chairman, and appointed as Non-executive director on 1 September 2013. Resigned from the Board on 1 July 2014.

¹ Mr Sheard retired from his Executive Chairman role on 1 September 2013 and remained as Non-Executive Chairman until his resignation on 1 July 2014.

² Mr Hill was appointed Managing Director on 1 September 2013.

Key Management Personnel

Name	Position	Detail
Doug Brewster ³	Exploration Manager	Commenced 9 August 2007
Quentin Hill	Principal Geologist New Business/ Project Development Manager	Classified as key management from 1 July 2013 until his appointment as Managing Director on 1 September 2013
Chris Powell	Company Secretary	Commenced 1 June 2007

³ Mr Brewster was made redundant effective 4 July 2014

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



REMUNERATION REPORT (continued)

Table 1: Director Remuneration

2014	Short Term			Post-Employment	Long-term benefits	Share-based Payments	Total	Performance Related %	% consisting of NRE shares
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Annual & Long service leave	Options/NRE shares			
\$	\$	\$	\$	\$	\$	\$	\$		
Directors									
Nick Sheard ¹	166,144	-	-	14,628	-	-	180,772	-	-
Quentin Hill ²	205,103	-	-	20,823	-	-	225,926	-	-
Robert Hair	40,000	-	-	3,600	-	-	43,600	-	-
Bin Cai	40,000	-	-	3,600	-	-	43,600	-	-
Neil Williams	40,000	-	-	3,600	-	-	43,600	-	-
Paul Cholakos	40,000	-	-	3,600	-	-	43,600	-	-
	531,247	-	-	49,851	-	-	581,098		

- (1) Mr Sheard retired from his Executive Chairman role on 1 September 2013 and remained as Non-Executive Chairman until his resignation on 1 July 2014.
(2) Mr Hill was appointed Managing Director on 1 September 2013.

2013	Short Term			Post-Employment	Long-term benefits	Share-based Payments ⁽¹⁾	Total	Performance Related %	% consisting of options
	Salary & Fees	Cash Bonus ⁽²⁾	Non-cash benefits	Superannuation	Annual & Long service leave	Options/NRE shares			
\$	\$	\$	\$	\$	\$	\$	\$		
Directors									
Nick Sheard	230,000	30,000	-	20,700	-	-	280,700	10.69%	-
Robert Hair	40,000	-	-	3,600	-	-	43,600	-	-
Bin Cai	40,000	-	-	3,600	-	37,350	80,950	-	46.14%
Neil Williams	40,000	-	-	3,600	-	37,350	80,950	-	46.14%
Paul Cholakos	40,000	-	-	3,600	-	37,350	80,950	-	46.14%
	390,000	30,000	-	35,100	-	112,050	567,150		

- (1) The value of equity instruments granted in the year is the fair value of the options and employee share plan calculated at grant date using a Black-Scholes option-pricing model. The value of instruments granted and treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payment.
(2) Discretionary bonus granted on 28 June 2013 in recognition of commencement of BFS. 100% of the bonus vested in the 2013 financial year and will be paid in the 2014 financial year.

Table 2: Remuneration of key management personnel

2014	Short Term			Post-Employment	Long-term benefits	Share-based Payments ⁽¹⁾	Total	Performance Related %	% consisting of options
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Long service leave	Options/NRE shares			
\$	\$	\$	\$	\$	\$	\$	\$		
Key Management Personnel									
Doug Brewster ³	213,553	-	-	21,604	-	46,500	281,657	-	16.51%
Quentin Hill ²	34,167	-	-	3,160	-	46,500	83,827	-	55.47%
Chris Powell	161,938	-	-	16,829	-	46,500	225,267	-	20.64%
	409,658	-	-	41,593	-	139,500	590,751		

- (1) The value of equity instruments granted in the year is the fair value of the options and employee share plan calculated at grant date using a Black-Scholes option-pricing model. The value of instruments granted is treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payments.
(2) Mr Hill was appointed Managing Director on 1 September 2013.
(3) Mr Brewster was made redundant effective 4 July 2014



REMUNERATION REPORT (continued)

2013	Short Term			Post-Employment	Long-term benefits	Share-based Payments	Total	Performance Related %	% consisting of options
	Salary & Fees	Cash Bonus ⁽¹⁾	Non-cash benefits	Superannuation	Long service leave	Options/NRE shares			
\$	\$	\$	\$	\$	\$	\$	\$		
Key Management Personnel									
Doug Brewster	212,125	20,000	-	19,091	-	-	251,216	7.96%	-
Quentin Hill	202,500	20,000	-	18,225	-	-	240,725	8.31%	-
Chris Powell	160,000	20,000	-	14,214	-	-	194,214	10.30%	-
	574,625	60,000	-	51,530	-	-	686,155		

(1) Discretionary bonus granted on 28 June 2013 in recognition of commencement of BFS. 100% of the bonus vested in the 2013 financial year and will be paid in the 2014 financial year.

No termination benefits have been paid or accrued for any director or key management personnel in the year ended 30 June 2014 (2013:Nil).

Table 3: Equity Instruments issued as part of remuneration for the year ended 30 June 2014

NRE Shares

All NRE shares are issued by Carpentaria Exploration Limited for nil consideration. All NRE Shares vest on issue and therefore hold no vesting conditions. The number and terms of the NRE Shares issued are as follows:

		No. of NRE shares granted and vested	Fair value at grant date \$	Exercise price per NRE share \$	Total value of NRE shares \$	Expiry date	Vesting and first exercise date	% of NRE shares vested	% of NRE shares forfeited
Grant date									
Key Management Personnel									
Chris Powell	05/07/2013	500,000	0.0930	0.30	46,500	05/07/2016	05/07/2013	100%	0%
Doug Brewster	05/07/2013	500,000	0.0930	0.30	46,500	05/07/2016	05/07/2013	100%	0%
Quentin Hill	05/07/2013	500,000	0.0930	0.30	46,500	05/07/2016	05/07/2013	100%	0%

The value of NRE shares granted in the year is the fair value of the options calculated at grant date using a Black-Scholes pricing model. The total value of the NRE shares granted is included in the table above. This amount is allocated to remuneration over the vesting period. The model takes into account the following factors:

Inputs into pricing model	
Grant date	5 July 2013
Vesting date	5 July 2013
Exercise price	\$0.30
Share price at grant date	\$0.19
Life of the NRE share	3 years
Underlying share price volatility	88%
Expected dividends	Nil
Risk free interest rate	2.82%

These NRE Shares have no further service or performance conditions attached and will not affect future years' remuneration.

The NRE Shares issued formed part of the standard remuneration of each key management personnel and as such were not dependent upon a performance condition.



REMUNERATION REPORT (continued)

Table 4: Equity instruments (including options and NRE shares) granted as part of remuneration

2014	Value of equity instruments granted during the year \$	Value of equity instruments exercised during the year \$ ¹	Value of equity instruments lapsed during the year \$
Directors			
Nick Sheard	-	-	-
Quentin Hill ²	-	-	-
Robert Hair	-	-	-
Bin Cai	-	-	-
Neil Williams	-	-	-
Paul Cholakos	-	-	-
Key Management Personnel			
Doug Brewster	46,500	-	-
Quentin Hill ²	46,500	-	-
Chris Powell	46,500	-	-

¹ The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

² Options were granted as part of remuneration to Mr Quentin Hill prior to being appointed as Managing Director.

Shares issued on exercise of remuneration options

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

Equity instruments issued as part of remuneration

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

Table 5: Director/Key Management Personnel shareholdings (number of shares, including NRE shares)

2014	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Nick Sheard	3,500,000	-	-	503,125	4,003,125
Quentin Hill ²	-	-	-	2,168,064	2,168,064
Bob Hair	1,530,000	-	-	-	1,530,000
Bin Cai ¹	10,479,000	-	-	-	10,479,000
Neil Williams	-	-	-	-	-
Paul Cholakos	-	-	-	-	-
Key Management Personnel					
Doug Brewster	1,515,000	500,000	-	5,000	2,020,000
Quentin Hill ²	410,000	500,000	-	(910,000)	-
Chris Powell	1,140,000	500,000	-	(500,000)	1,140,000
Total	18,574,000	1,500,000	-	1,266,189	21,340,189

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

² Mr Hill was appointed Managing Director on 1 September 2013.



REMUNERATION REPORT (continued)

Table 6: Director/Key Management Personnel option holdings (number of options)

2014	Opening Balance	Granted as remuneration	Options Exercised	Net Change Other	Closing Balance	Vested and exercisable
Directors						
Nick Sheard	-	-	-	-	-	-
Quentin Hill ¹	-	-	-	300,000	300,000	300,000
Bob Hair	-	-	-	-	-	-
Bin Cai	500,000	-	-	-	500,000	500,000
Neil Williams	500,000	-	-	-	500,000	500,000
Paul Cholakos	500,000	-	-	-	500,000	500,000
Key Management Personnel						
Doug Brewster	300,000	-	-	-	300,000	300,000
Quentin Hill ¹	300,000	-	-	(300,000)	-	-
Chris Powell	300,000	-	-	-	300,000	300,000
Total	2,400,000	-	-	-	2,400,000	2,400,000

¹ Mr Hill was appointed Managing Director on 1 September 2013

Relationship between remuneration and Company performance

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

Measures	2014 \$	2013 \$	2012 \$	2011 \$	2010 \$
Share price at end of financial year	0.064	0.205	0.350	0.310	0.340
Market capitalisation at end of financial year (\$M)	7.93	22.14	36.81	32.47	24.70
Profit/(loss) for the financial year	(8,592,326)	(1,821,480)	197,017	(3,407,685)	1,565,849
Cash spend on exploration programs	2,191,721	3,622,822	3,768,081	1,398,629	1,827,615
Director and Key Management Personnel remuneration	1,171,849	1,253,305	1,074,214	2,095,828	897,281

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 2014 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) 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	\$30,439
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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 a separate section of this report.

EVENTS AFTER BALANCE SHEET DATE

There have been no events since 30 June 2014 that impact upon the financial report.

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in dark ink, appearing to read 'Q S Hill', is written over a horizontal line.

Q S Hill
Director

Dated this 29th day of September 2014

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

As lead auditor of Carpentaria Exploration Limited for the year ended 30 June 2014, 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 Exploration Limited and the entities it controlled during the period.



K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 29 September 2014



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Carpentaria Exploration Limited ("Board") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Carpentaria Exploration Limited (CAP) on behalf of the shareholders by whom they are elected and to whom they are accountable.

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of CAP. The Board supports a system of corporate governance to ensure that the management of CAP is conducted to maximise shareholder wealth in a proper and ethical manner. This statement has been placed on the Company's website www.capex.net.au. The references in this statement to the "Recommendations" are references to the "Corporate Governance Principles and Recommendations", Second Edition, published by ASX, and a reference to an "ASX Principle" is a reference to a principle contained in the Recommendations.

The Company's Corporate Governance Statement is structured with reference to the Recommendations, which are as follows:

- | | |
|--------------|--|
| Principle 1. | Lay solid foundations for management and oversight |
| Principle 2. | Structure the board to add value |
| Principle 3. | Promote ethical and responsible decision making |
| Principle 4. | Safeguard integrity in financial reporting |
| Principle 5. | Make timely and balanced disclosure |
| Principle 6. | Respect the rights of shareholders |
| Principle 7. | Recognise and manage risk |
| Principle 8. | Remunerate fairly and responsibly |

Given the size of the Company and the number of Board members, the Company is not in a position to be fully compliant with the Recommendations. The Company's current policies do not meet the set out recommended practices in the following areas:

ASX Principle 2.3 requires that the roles of a chairman and chief executive officer (or the like) should not be exercised by the same person. Mr Nick Sheard, for part of the year, was the Chairman and chief executive officer of the Company.

While the Board recognised the importance of the need for the division of responsibilities between the Chairman and the Managing Director, it considered that the existing structure provided unified leadership important to a small company with early stage exploration projects. Mr Sheard's dual role made him responsible (along with the whole Board) for determining strategic direction of the Company, as well as having primary responsibility for day to day management. This dual role assisted the Company to run in a cost effective and efficient manner. Mr Sheard has now resigned from his position on the Board, and the Board is satisfied that CAP complies with ASX Principle 2.3.

ASX Principle 2.4 requires listed entities to establish a nomination committee. The Company does not have a separately established nomination committee. Given the current size of the Board, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board's charter (available on the Company's website).

ASX Principle 2.6 Information: The Board will undertake an annual review of the performance of the Board and the individual directors and examine the appropriate mix of skills to ensure maximum effectiveness and contribution to the results of the company business.

The evaluation for this financial period will be conducted at the Board meeting to be held November 2014. The process of the review will include:

- discussions as to the expertise and experience of the current Board members
- having regard to the present and future needs of the Company whether the number of Directors is adequate

The present Board will be maintained until the review takes place to cover the Company's current activities as it met all the principles required as set out in the Board Charter under "*Roles of the Board and Management*" (Board Charter available on Company's website.)

The Audit and Remuneration Committees' performance will be discussed and will be re-constituted as set out in the Directors' Report.



ASX Principles 3.1 and 3.2 require the Company to make available a summary of the Company's Code of Conduct and its Share Trading Policy and suggest that these should be posted on the Company's website. These policies have been posted on the Company's website. In relation to the Share Trading Policy there are internal review processes requiring advice to be made when there is trading in the Company's securities by directors and senior executives. This is coupled with an "alert" offered by the registry in the event of any trading.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. The Company also takes into account the criteria for independence set out in the Recommendations.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively material on the following basis - balance sheet items are material if they have a value of more than 5% of pro-forma net assets and profit and loss items are material if they will have an impact on the current year operating result of 10% or more. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of the Company are considered to be independent:

Name	Position
Mr Bob Hair	Non-Executive Director
Dr Neil Williams	Non-Executive Chairman
Mr Paul Cholakos	Non-Executive Director

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of the Company are not considered to be independent:

- Mr Quentin Hill, Managing Director. Held the position of Managing Director during the period.
- Mr Bin Cai, Non-Executive Director. Officer of a substantial shareholder.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Mr Bob Hair	6 years 11 months
Mr Bin Cai	3 years 2 months
Dr Neil Williams	2 years 6 months
Mr Paul Cholakos	2 years 3 months
Mr Quentin Hill	10 months

It is the whole Board's responsibility in respect of appointing and removing the Company Secretary.

All directors have unlimited access to all company information to discharge their responsibilities, if required.

Policies for reporting unethical practices and legal obligations are contained in the Company's Corporate Governance Charter available on the website. Functions of the Board and Senior Management are set out in the Board Charter under "Roles of the Board and Management" (Board Charter available on Company's website.)

Performance

The performance of the Board and executives is reviewed against both measurable and qualitative indicators. The next review will be undertaken in November 2014. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be sanctioned.

Details of the criteria used in these evaluations are included in the Remuneration Report.



Remuneration Committee

The Board has established a Remuneration committee to ensure that the Board continues to operate within the established guidelines. The committee during the year comprised three directors namely Paul Cholakos (Chairman), Bob Hair and Neil Williams.

Role

The role of the committee is to review and make recommendations as to remuneration packages for directors and senior executives including employee incentive and equity-based plans.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and executives' emoluments to the Company's financial and operational performance. Each executive's remuneration is reviewed annually based upon individual and Company performance. The expected outcomes of the remuneration structure are the retention and motivation of executives, the attraction of quality management to the company and performance incentives which allow executives to share the rewards of the success of the Company.

For details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year and for all directors, refer to the Remuneration Report in the Directors' Report.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team.

A copy of the 'Remuneration Policy' is available on the Company's website.

Audit Committee

The Audit Committee operates under a charter (available on the Company's website) approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company that is specific to the material business risks that the Company faces. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control, risk management and ethical standards for the management of the Company to the Audit Committee. The Audit Committee meets as required to ensure that it can undertake its role effectively. Minutes of the audit committee meetings are recorded and provided to the board in the next full Board meeting.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The members of the Audit Committee during the year were Bob Hair (Chairman), Neil Williams and Paul Cholakos.

Audit Process

As part of the Company's commitment to safeguarding integrity in financial reporting, Carpentaria Exploration's accounts are subject to annual audit by an independent, professional auditor, who also reviews the half-yearly accounts. The Auditor attends and is available to answer questions at, the Company's annual general meetings.

Auditor Independence

The Company has implemented procedures to monitor the independence and competence of the Company's external auditors.

Details of the amounts paid for both work and non-audit services are set out in each annual report. The Board requires that adequate handovers occur in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

For additional details of directors' attendance at Audit and Risk Management Committee meetings and to review the qualifications of the members of the Audit and Risk Management Committee, please refer to the Directors' Report.



Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required. The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange.

The Company Secretary also liaises with the Chairman and the Managing Director in relation to continuous disclosure matters. The Managing Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders. The Company's continuous disclosure policy may be viewed on the Company's website.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting CAP. Information is communicated to shareholders through the distribution of annual reports; and presentation to shareholders at the Annual General Meeting, which they are encouraged to attend. The Company's Communications Policy has been placed on the website. In addition, all reports, including quarterly reports and releases made by CAP throughout the year with respect to its activities are distributed widely via the Australian Securities Exchange and are posted on the Company's website.

Diversity

Carpentaria, as the context permits is committed to workplace diversity. Carpentaria recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Carpentaria values diversity in all aspects of its business and is committed to creating an environment where the contribution of all its personnel is received fairly and equitably. The Company's Diversity Policy has been placed on the website.

ASX Recommendation 3.4 provides that companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Board has at this stage not set measurable objectives for achieving gender diversity. The directors and key management personnel are selected on the basis of their qualifications and experience. If and when the company grows and expands its interest it anticipates a greater level of workplace diversity.

ASX Recommendation 3.4 provides that companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The table in respect of this follows:

Measure	Female Proportion
Organisation	20%
Senior Management	Nil
Board	Nil

Risk Management

CAP has developed a framework for a risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Company's affairs. This framework has been designed to specifically address the material business risks faced by the Company. The Managing Director is responsible for ensuring maintenance of, and compliance with appropriate systems.

Oversight of the risk management system

The Board monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements. Operational, financial reporting and regulatory compliance risks are continually assessed, monitored and managed at management level, and any specific areas of significant risk are dealt with at Board level. Whilst the Board acknowledges that it is responsible for the overall internal control framework, it is also cognisant that no cost-effective internal control system will preclude all errors and irregularities.



To manage the Company's risk profile, the Board has established an internal control framework comprising:

- for financial reporting accuracy and compliance with the financial reporting regulatory framework:
 - there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly financial results are reported against budget and revised forecasts for the remainder of the year are prepared when necessary;
 - cash flow statements are also prepared and included within a package of information reported to the Managing Director weekly and directors on a monthly basis;
 - half-yearly and annual statutory reports which are reviewed and audited respectively by the Company's external auditors and reported to the ASX;
- risk exposures relating to interest rate fluctuations are managed in accordance with the Board's Policy;
 - in that the interest rate risk is exposed to the Australian market and given the current policy of Government backed guarantees on funds held at Australian Banks the risk is acceptable and in accordance with the Policy. The Risk Management Committee comprising all Board members which meets regularly to determine, with the assistance of external treasury advisers where appropriate, appropriate interest rate hedging strategies to manage these risks and ensure that such activities are conducted in compliance with the Company's Policy;
- all business transactions of a material nature are properly authorised and executed; and
- the recruitment and retention of personnel with due experience, commitment and integrity.

The financial reporting risk management framework and associated internal controls have been assessed by management and found to be operating effectively and efficiently. The operational risk management procedures are reviewed on an ongoing basis to ensure they appropriately support corporate objectives.

Financial

The Company's financial situation is not complex. Weekly cash flow reports and monthly management accounts are prepared and circulated to directors for review and consideration. All major project expenditure must be approved by the Board. Carpentaria Exploration maintains appropriate insurance cover. This includes cover in respect of:

- workers' compensation;
- public liability; and
- property insurance.

The Company may obtain cover for directors' and officers' liability, to the extent permitted by the Corporations Act 2001. The Company implements appropriate data backup of its financial and other electronic information, this includes an off-site back-up of this information. Physical records are held within the Company's office and are contained, where appropriate, in a fire-proof safe.

Risk Factors

The risk factors associated with the Company and its business were set out in its prospectus dated September 2007 and lodged with the Australian Securities and Investments Commission in that month. These risk factors are still considered by Carpentaria Exploration's Board to be relevant to the Company and are appended to this policy.

Other risks faced by the Company and disclosed in the Financial Report are:

- Credit risk;
- Market risk – Interest rate risk and price risk; and
- Liquidity risk.

A copy of the CAP's Risk Management Policy can be obtained from the Company's website.

Prior to signing the Group's annual financial statements, CAP's Managing Director and Company Secretary report in writing to the Board that:

- the statement given in accordance with recommendation 7.2 and 7.3 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in relation to financial risks.



Chief Executive Officer and Company Secretary certification

In accordance with section 295A of the Corporations Act 2001, the Chief Executive Officer and Company Secretary have provided a written statement to the board that:

- The assurance provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects in relation to financial risks. For further information on corporate governance policies adopted by the Company, refer to our website: www.capex.net.au or contact the Company Secretary.



**Statement of Comprehensive Income
For the year ended 30 June 2014**

	Note	2014 \$	2013 \$
Revenue	2	177,174	174,178
Other income	2	3,824	-
Fair value loss on financial assets at fair value through profit or loss		(112,471)	(755,695)
Employment benefit expenses		(1,647,956)	(1,184,133)
Depreciation and amortisation expense		(91,865)	(101,864)
Finance costs		(4,942)	(14,113)
Impairment of exploration expenditure	13	(6,815,430)	-
Rental and other lease expenses		(174,348)	(176,940)
Legal expenses		(117,423)	(848,023)
Project generation and business development expenses		(385,161)	(296,591)
Administration expenses		(546,890)	(719,630)
Profit/(loss) before income tax		(9,715,488)	(3,922,811)
Research and development income tax refund	3	1,123,162	2,101,331
Profit/(loss) after income tax expense		(8,592,326)	(1,821,480)
Other comprehensive income		-	-
Total comprehensive income		(8,592,326)	(1,821,480)
		Cents	Cents
Earnings per share			
Basic earnings/(loss) per share	5	(8.02)	(1.85)
Diluted earnings/(loss) per share	5	(8.02)	(1.85)

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



**Balance Sheet
As at 30 June 2014**

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	7	4,275,569	4,136,905
Trade and other receivables	8	24,690	227,768
Financial assets at fair value through profit or loss	9	112,126	224,597
Current tax asset		1,123,162	-
Other current assets	10	353,708	334,178
TOTAL CURRENT ASSETS		5,889,255	4,923,448
NON-CURRENT ASSETS			
Plant and equipment	11	79,384	157,221
Exploration and evaluation assets	13	2,879,245	11,463,708
Intangible assets	12	1,309	31,936
TOTAL NON-CURRENT ASSETS		2,959,938	11,652,865
TOTAL ASSETS		8,849,193	16,576,313
CURRENT LIABILITIES			
Trade and other payables	14	598,017	1,696,178
Borrowings	15	7,279	98,419
Provisions	16	132,401	170,902
TOTAL CURRENT LIABILITIES		737,697	1,965,499
NON-CURRENT LIABILITIES			
Borrowings	15	8,483	15,762
TOTAL NON-CURRENT LIABILITIES		8,483	15,762
TOTAL LIABILITIES		746,180	1,981,261
NET ASSETS		8,103,013	14,595,052
EQUITY			
Share capital	17	19,972,480	18,225,593
Share based payment reserve	18	2,140,433	1,787,033
Accumulated losses		(14,009,900)	(5,417,574)
TOTAL EQUITY		8,103,013	14,595,052

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



**Statement of Changes in Equity
For the year ended 30 June 2014**

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2012	17,629,473	2,017,477	(3,751,268)	15,895,682
Transactions with owners in their capacity as owners				
Issue of share capital	408,800	-	-	408,800
Share-based payment expense	-	112,050	-	112,050
Transfers	187,320	(342,494)	155,174	-
Comprehensive income				
Profit after income tax	-	-	(1,821,480)	(1,821,480)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,821,480)	(1,821,480)
Balance at 30 June 2013	18,225,593	1,787,033	(5,417,574)	14,595,052
Balance at 1 July 2013	18,225,593	1,787,033	(5,417,574)	14,595,052
Transactions with owners in their capacity as owners				
Issue of share capital	1,931,454	-	-	1,931,454
Share issue costs	(184,567)	-	-	(184,567)
Share-based payment expense	-	353,400	-	353,400
	1,746,887	353,400	-	2,100,287
Comprehensive income				
Loss after income tax	-	-	(8,592,326)	(8,592,326)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(8,592,326)	(8,592,326)
Balance at 30 June 2014	19,972,480	2,140,433	(14,009,900)	8,103,013

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



Cash Flow Statement
For the year ended 30 June 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,852,925)	(2,604,178)
Interest received		177,825	207,346
Interest paid		(4,942)	(14,113)
Research and development income tax refund received		-	2,101,331
Net cash used in operating activities	20	(2,680,042)	(309,614)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(5,878)	(12,134)
Proceeds from the sale of property, plant & equipment		10,964	-
Receipt of deposit from Pure Metals Pty Ltd		-	1,000,000
Proceeds received for exploration and evaluation assets		3,356,875	228,825
Payments for exploration and evaluation assets		(2,191,721)	(3,622,822)
Proceeds from the sale of financial assets		-	210,288
Net cash used in investing activities		1,170,240	(2,195,843)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,931,452	408,800
Costs associated with the issue of shares		(184,567)	-
Repayment of finance leases		(98,419)	(104,885)
Net cash provided by financing activities		1,648,466	303,915
Net increase/(decrease) in cash and cash equivalents		138,664	(2,201,542)
Cash and cash equivalents at the beginning of the financial year		4,136,905	6,338,447
Cash and cash equivalents at the end of the financial year	7	4,275,569	4,136,905

The 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 Exploration Limited (the “Company”) and its controlled entities (together referred to as the “Consolidated Entity”). Carpentaria Exploration 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 29 September 2014.

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 Exploration 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. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

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. There were no key adjustments during the year which required estimates and/or judgements.

Key judgements – exploration & evaluation assets

The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies

(a) 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

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

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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

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

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

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income Tax (continued)

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.

(c) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of asset is:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	20%
Plant and equipment under lease	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and Evaluation Assets

Exploration and evaluation assets incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Consolidated Entity, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(f) Financial Instruments

Recognition 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 (i.e. trade date accounting is adopted).

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.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

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.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated Entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature more than 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold more than 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) 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.

(h) Employee Benefits

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 national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The volatility input in the pricing model is determined by the historical volatility of the Company's share price over a similar period to the exercise period. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(i) Cash and Cash Equivalents

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.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

(k) 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.

(l) Share Capital

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.

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 Payments". The shares are disclosed in the financial statements as non-recourse employee shares (NRE Shares).

(m) Earnings per Share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS 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 EPS 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.

(n) Comparative Figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Parent Entity Financial Information

The financial information for the parent entity, Carpentaria Exploration Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Carpentaria Exploration Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New Accounting Standards and Interpretations

The Consolidated Entity adopted the following new Accounting Standard and Interpretations during the year:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle, and
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

There were no material impacts on the financial statements of the Consolidated Entity as a result of adopting these standards.

(q) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 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 2017. 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 does not expect any material impacts when the standard is adopted.



	2014	2013
	\$	\$

NOTE 2 REVENUE & OTHER INCOME

Revenue

Bank interest	177,174	174,178
Other revenue	3,824	-
	180,998	174,178

NOTE 3 INCOME TAX

A reconciliation of income tax expense (benefit) applicable to accounting profit/ (loss) before income tax at the statutory income tax rate to income tax expense (benefit) recognised for the years ended 30 June 2014 and 2013 is as follows:

Accounting profit /(loss) before income tax	(9,715,488)	(3,922,811)
Tax at the Australian tax rate of 30% (2013: 30%)	(2,914,646)	(1,176,843)
Non-deductible expenses	121,485	523,367
Other	-	-
Deferred tax assets not brought to account	1,669,999	653,476
Research and development income tax refund	(1,123,162)	(2,101,331)
Income tax	(1,123,162)	(2,101,331)

Recognised deferred tax assets

Unused tax losses	525,964	2,856,294
Deductible temporary differences	707,641	587,373
	1,233,605	3,439,112

Recognised deferred tax liabilities

Assessable temporary differences	1,233,605	3,443,667
	1,233,605	3,443,667

Net deferred tax recognised

		-
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Unrecognised temporary differences and tax losses

Unused tax losses and temporary differences for which no deferred tax asset has been recognised	4,369,799	3,553,550
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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.



	2014	2013
	\$	\$

NOTE 4 AUDITORS' REMUNERATION

Amounts received or due and receivable by the Auditors for:

- auditing and reviewing the financial reports – BDO Audit Pty Ltd 49,950 41,950

Non audit services:

- Taxation services – BDO (QLD) Pty Ltd 30,439 22,260

80,389 64,010

NOTE 5 EARNINGS PER SHARE

Earnings used to calculate basic and dilutive EPS (8,592,326) (1,821,480)

	2014	2013
	#	#
Weighted average number of ordinary shares outstanding during the year	107,111,774	98,432,123
Adjustments for calculation of diluted earnings per share - options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	107,111,774	98,432,123

Options, including in-substance options related to NRE shares, could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share for 2014 or 2013 as they were anti-dilutive.

NOTE 6 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.

	2014	2013
	\$	\$

NOTE 7 CASH & CASH EQUIVALENTS

Cash on hand and at bank	264,515	1,286,038
Cash on deposit	4,011,054	2,850,867
	4,275,569	4,136,905

NOTE 8 TRADE & OTHER RECEIVABLES

Other receivables	10,160	212,587
Interest receivables	14,530	15,181
	24,690	227,768



	2014	2013
	\$	\$

NOTE 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Shares in Guilford Coal Limited	112,126	224,597
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NOTE 10 OTHER CURRENT ASSETS

Prepayments	12,569	13,039
Bonds and deposits	341,139	321,139
	353,708	334,178

NOTE 11 PLANT & EQUIPMENT

Plant and equipment

At cost	130,582	124,704
Accumulated depreciation	(114,750)	(93,996)
	15,832	30,708

Plant and equipment under lease

At cost	189,930	225,935
Accumulated depreciation	(126,378)	(99,422)
	63,552	126,513

Total plant and equipment

79,384	157,221
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Movements in carrying amounts

	Plant and equipment	Plant and equipment under lease	Total
	\$	\$	\$
Balance at 1 July 2012	47,310	143,559	190,869
Additions	12,134	-	12,134
Additions – finance lease	-	25,375	25,375
Depreciation expense	(28,736)	(42,421)	(71,157)
Balance at 30 June 2013	30,708	126,513	157,221
Balance at 1 July 2013	30,708	126,513	157,221
Additions	5,880	-	5,880
Disposals	-	(22,479)	(22,479)
Depreciation expense	(20,756)	(40,482)	(61,238)
Balance at 30 June 2014	15,832	63,552	79,384

Leased assets held under hire purchase are pledged as security for the related finance lease liabilities.



	2014	2013
	\$	\$

NOTE 12 INTANGIBLE ASSETS

Software – at cost	7,759	7,759
Software – at cost (under lease)	87,465	87,465
Accumulated amortisation	(93,915)	(63,288)
	1,309	31,936

Movements

Opening balance	31,936	62,643
Additions	-	-
Additions – finance lease	-	-
Amortisation	(30,627)	(30,707)
Closing balance	1,309	31,936

Leased assets are pledged as security for the related finance leases.

NOTE 13 EXPLORATION AND EVALUATION ASSETS

Opening balance	11,463,708	8,248,488
Net current year expenditure	2,207,842	3,444,045
Disposals	(3,976,875)	(228,825)
Impairment of exploration expenditure	(6,815,430)	-
	2,879,245	11,463,708

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of areas of interest, and the sale of minerals or the sale of the respective areas of interest.

Impairment of exploration expenditure in 2014 relates to write off of a number of exploration projects. As previously announced to the market, the Board announced that it plans to focus Company resources on the development of its flagship asset, the Hawsons Iron Project. As a result the Company no longer intends to continue exploration activities on projects that are no longer considered to be core projects and the costs associated with these have been impaired.

NOTE 14 TRADE & OTHER PAYABLES

Other payables and accrued expenses	598,017	696,178
Deposit paid by Pure Metals Pty Ltd	-	1,000,000
	598,017	1,696,178

NOTE 15 BORROWINGS

Current

Finance leases	7,279	98,419
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Non-Current

Finance leases	8,483	15,762
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The above facilities represent the only finance facilities available to the Consolidated Entity. There are no unused facilities at balance date (2013: Nil).

The finance leases are secured over the individual assets that the leases relate to.



	2014	2013
	\$	\$

NOTE 16 PROVISIONS

Employee benefits	132,401	170,902
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NOTE 17 SHARE CAPITAL

Fully paid ordinary shares	19,972,480	18,225,593
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Ordinary Shares

	2014	2013	2014	2013
	\$	\$	#	#
At the beginning of the year	18,225,593	17,629,473	99,291,301	96,491,301
Share placement ¹	1,335,399	-	8,615,470	-
Exercise of options ²	-	408,800	-	2,800,000
Rights Issue ³	539,556	-	3,481,006	-
Transfer from reserves ⁴	-	187,320	-	-
Transfer from treasury shares ⁵	56,499	-	364,500	-
Share issue costs	(184,567)	-	-	-
At reporting date	19,972,480	18,225,593	111,752,277	99,291,301

Non-recourse employee shares (NRE)

At the beginning of the year	-	-	7,400,000	7,400,000
NRE shares issued ⁶	-	-	3,800,000	-
At reporting date	-	-	11,200,000	7,400,000

Treasury shares

At the beginning of the year	-	-	1,300,000	1,300,000
Transfer to ordinary shares ⁵	-	-	(364,500)	-
At reporting date	-	-	935,500	1,300,000

Total Ordinary, NRE and Treasury Shares	19,972,480	18,225,593	123,887,777	107,991,301
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¹ 2014: 8,615,470 ordinary fully paid shares issued at \$0.155 each.

² 2013: 2,800,000 options were exercised during the period for consideration of \$408,800. Exercise prices ranged between \$0.114 and \$0.29 per share.

³ 2014: 3,481,006 ordinary fully paid shares issued at \$0.155 each.

⁴ 2013: \$187,320 was transferred out of the options reserve into share capital. This transaction had no impact on cashflows or total equity.

⁵ 2014: 364,500 treasury shares were sold at \$0.155 each.

⁶ 2014: 3,800,000 NRE shares issued to staff with a calculated value of \$0.093 per NRE share. This resulted in the recognition of a share based payment expense of \$353,400.

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.



NOTE 17 SHARE CAPITAL (continued)

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. Refer to Note 20 for further details.

Options

Expiry Date	Exercise Price	Movements				31 December 2013
		1 July 2013	Issued	Exercised	Expired	
15 December 2014	\$0.290	2,600,000	-	-	-	2,600,000
29 November 2015	\$0.440	1,500,000	-	-	-	1,500,000
		4,100,000	-	-	-	4,100,000

2014
\$

2013
\$

NOTE 18 RESERVES

Share based payment reserve	2,140,433	1,787,033
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Share based payment reserve movements during the year

Opening balance	1,787,033	2,017,477
Share based payments	353,400	112,050
Transfer to share capital	-	(187,320)
Transfer to accumulated losses (expired options)	-	(155,174)
Closing balance	2,140,433	1,787,033

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.



	2014	2013
	\$	\$

NOTE 19 CASH FLOW INFORMATION

Reconciliation of profit/ (loss) after income tax to net cash outflow from operating activities

Profit/(loss) after income tax	(8,592,326)	(1,821,480)
Depreciation and amortisation	91,865	101,864
Non-cash employee benefits expense – share-based payments	353,400	112,050
Impairment of exploration expenditure	6,815,430	-
Loss on sale of property, plant and equipment	11,512	-
Fair value loss on financial assets at fair value through profit or loss	112,471	755,695
<i>Change in operating assets and liabilities</i>		
(Increase)/decrease in receivables	203,078	(19,104)
(Increase)/decrease in current tax asset	(1,123,162)	-
(Increase)/decrease in other assets	(19,530)	6,467
(Decrease)/increase in trade payables and accruals	(494,279)	499,680
(Decrease)/increase in provisions	(38,501)	55,214
Net cash outflow from operating activities	(2,680,042)	(309,614)

Non-cash transactions investing & financing activities

2014: Nil.

2013: Plant and equipment totalling \$25,375 was acquired by way of finance lease.



NOTE 20 SHARE BASED PAYMENTS

Equity based instruments - Options

The establishment of the CAP Employee Option Plan was approved by shareholders at the 2006 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns.

The Company has granted options over ordinary shares to directors, employees and consultants as part of their remuneration packages. 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:

2014

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
14	16 Dec 2011	15 Dec 2014	\$0.290	2,600,000	-	-	-	-	2,600,000
15	30 Nov 2012	29 Nov 2015	\$0.440	1,500,000	-	-	-	-	1,500,000
				4,100,000	-	-	-	-	4,100,000
Weighted average exercise price				0.34	-	-	-	-	0.34

2013

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
8	20 July 2009	31 July 2012	\$0.114	600,000	-	(600,000)	-	-	-
9	1 Oct 2009	31 July 2012	\$0.114	100,000	-	(100,000)	-	-	-
10	26 Nov 2009	26 Nov 2012	\$0.150	2,000,000	-	(2,000,000)	-	-	-
11	16 Feb 2010	16 Feb 2013	\$0.250	600,000	-	-	(600,000)	-	-
13	1 March 2011	2 March 2013	\$0.850	1,300,000	-	-	(1,300,000)	-	-
14	16 Dec 2011	15 Dec 2014	\$0.290	2,700,000	-	(100,000)	-	2,600,000	2,600,000
15	30 Nov 2012	29 Nov 2015	\$0.440	-	1,500,000	-	-	1,500,000	1,500,000
				7,300,000	1,500,000	(2,800,000)	(1,900,000)	4,100,000	4,100,000
Weighted average exercise price				0.33	0.44	0.15	0.66	0.34	0.34
Weighted average share price at date of exercise						0.26			

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.81 years. (2013: 1.81 years).

Fair value of options granted

The assessed fair value at the date of grant of options issued is determined using a black scholes 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.



NOTE 20 SHARE BASED PAYMENTS (continued)

The value of the options was calculated by using the Black-Scholes pricing model applying the inputs shown below:

	Tranches issued in 2013
Inputs into pricing model	15
Grant date	30 November 2012
Vesting date	30 November 2012
Exercise price	\$0.440
Share price at grant date	\$0.21
Life of the options	3 years
Underlying share price volatility	80%
Expected dividends	Nil
Risk free interest rate	3.25%
Fair value per option	0.0747

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 Payments”. In line with AASB2 “Share Based Payments”, 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:

2014

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	1,500,000	-	-	-	1,500,000	1,500,000
Director 2	31 May 2011	31 May 2013	\$0.48	1,500,000	-	-	-	1,500,000	1,500,000
Employee 1	1 March 2011	2 March 2013	\$0.60	4,400,000	-	-	-	4,400,000	4,400,000
Employee 2	5 July 2013	5 July 2013	\$0.30	-	3,800,000	-	-	3,800,000	3,800,000
				7,400,000	3,800,000	-	-	11,200,000	11,200,000
Weighted average exercise price				0.58	0.35	-	-	0.48	0.48

2013

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	1,500,000	-	-	-	1,500,000	1,500,000
Director 2	31 May 2011	31 May 2013	\$0.48	1,500,000	-	-	-	1,500,000	1,500,000
Employee 1	1 March 2011	2 March 2013	\$0.60	4,400,000	-	-	-	4,400,000	4,400,000
				7,400,000	-	-	-	7,400,000	7,400,000
Weighted average exercise price				0.58	-	-	-	0.58	0.58



NOTE 20 SHARE BASED PAYMENTS (continued)

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%

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2014 \$	2013 \$
Options issued under employee option plan	-	112,050
Shares issued under employee share scheme	353,400	-
	353,400	112,050

NOTE 21 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.

	2014 \$	2013 \$
Summary		
Short-term employee benefits	940,905	1,054,625
Post-employment benefits	91,444	86,630
Share-based payments	139,500	112,050
	1,171,849	1,253,305

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

Amounts Owed to Key Management Personnel and Other Related Parties

There were no amounts payable to Directors, key management personnel or other related parties at 30 June 2014 (2013: nil).

Transactions with Related Parties

There were no other transactions between the Consolidated Entity and its related parties during the year (2013: nil).



NOTE 22 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 2014.

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions. With the receivable balance almost exclusively relating to funds due from the Australian Tax Office, the Consolidated Entity does not have any material credit risk exposure.

Maximum exposure to credit risk

	2014 \$	2013 \$
Non-trade receivables	24,690	227,768
Cash and cash equivalents	4,275,569	4,136,905
	4,300,259	4,364,673

Ageing of receivables

Not past due	24,690	227,768
Past due 0-90 days	-	-
Past due >90 days	-	-
Impaired	-	-
	24,690	227,768

Credit risk - Cash and cash equivalents

The credit quality of financial assets that are neither past due nor impaired is considered strong. The counterparty to these financial assets is Commonwealth Bank and Westpac, large financial institutions with strong credit ratings.



NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

(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 2014. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2014	2013
	\$	\$
<u>Less than one year</u>		
Trade and other payables	598,017	696,178
Finance leases	8,156	103,361
<u>One to five years</u>		
Finance leases	8,835	16,991
	615,008	816,530

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.
- Finance leases are secured by way of fixed charge over the leased assets. The finance leases are a subject to an interest rate of 7.03%.

(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's interest rate exposure is limited to its variable rate cash and cash equivalents assets.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.



NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014	2013	2014	2013
	\$	\$	\$	\$
+1.00% (100 basis points)	2,645	1,286	2,645	1,286
-1.00% (100 basis points)	(2,645)	(1,286)	(2,645)	(1,286)

Price risk

The Consolidated Entity's exposure to securities in the current period arose from an investment in one listed company, Guilford Coal Ltd. The Consolidated Entity actively monitors the underlying investment in the context of its overall strategic and financial objectives.

At 30 June 2014, the Consolidated Entity had the following exposure to price risk:

	2014	2013
	\$	\$
Shares in Guilford Coal Limited	112,126	224,597

At 30 June 2014, if the market prices had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014	2013	2014	2013
	\$	\$	\$	\$
+ 25%	28,031	56,149	28,031	56,149
- 25%	(28,031)	(56,149)	(28,031)	(56,149)

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Level 1 Investments: Quoted prices (unadjusted) in active markets for identical assets

For the year ended 30 June 2014 the value of the listed shares was based on the closing price of Guilford Coal Ltd's securities as quoted on the ASX on 30 June 2014. Total realised and unrealised losses for the period included in profit and loss that relate to financial assets held at fair value through profit or loss at the end of the reporting period were \$112,471 (2013: \$755,695).

(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 17. 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.



NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair Values

The fair values of financial assets and liabilities approximate their carrying value. Except for shares in Guildford Coal Limited, no financial assets or liabilities are readily traded on organised markets in standardised form.

NOTE 23 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.

	2014	2013
	\$	\$

NOTE 24 COMMITMENTS

Operating leases

Minimum lease payments:

Payable within one year	123,933	121,244
Payable within one year and five years	18,205	230,256
Total contracted at balance date	142,138	351,500

The Consolidated Entity leases various offices and office equipment under non-cancellable operating leases expiring within one to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Finance leases

Future minimum lease payments:

Payable within one year	8,156	103,361
Payable between one year and five years	8,835	16,991
	16,991	120,352
Less future interest payments	(1,229)	(6,171)
	15,762	114,181

Present value of minimum lease payments:

Current (Note 15)	7,279	98,419
Non-Current (Note 15)	8,483	15,762
	15,762	114,181

Finance leases relate to vehicles with a written down value of \$19,370. Under the lease terms, the Consolidated Entity will acquire the leased assets at the end of the lease.



NOTE 24 COMMITMENTS (continued)

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.

	2014	2013
	\$	\$
<i>Exploration obligations to be undertaken:</i>		
Payable within one year	285,947	1,723,869
Payable between one year and five years	2,838,442	3,768,409
	3,124,389	5,492,278

To keep tenements in good standing, work programs 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 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2014 that require disclosure in the financial report.



NOTE 26 PARENT ENTITY INFORMATION

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

	2014 \$	2013 \$
<u>Parent Entity Financial Information</u>		
Current assets	5,849,255	4,658,851
Non-current assets	2,959,938	12,102,867
Total assets	8,809,193	16,761,718
Current liabilities	737,697	1,965,498
Non-current liabilities	8,483	15,762
Total liabilities	746,180	1,981,260
Net assets	8,063,013	14,780,458
Issued capital	19,972,480	18,225,593
Share based payment reserve	2,140,433	1,787,033
Accumulated losses	(14,049,900)	(5,232,168)
Total equity	8,063,013	14,780,458
Profit/(loss) after income tax	(8,817,732)	(1,821,480)
Other comprehensive income	-	-
Total comprehensive income	(8,817,732)	(1,821,480)

Controlled Entities of the Parent Entity

	Percentage Owned	
	2014 %	2013 %
Willyama Prospecting Pty Ltd	100%	100%

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 24 for details.

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

NOTE 27 EVENTS AFTER BALANCE SHEET DATE

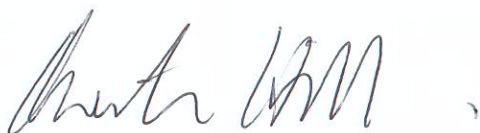
There have been no events since 30 June 2014 that impact upon the financial report.

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 2014 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 2014, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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



Q S Hill
Director

Brisbane
29 September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Carpentaria Exploration Limited

Report on the Financial Report

We have audited the accompanying financial report of Carpentaria Exploration Limited, which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, 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 Carpentaria Exploration Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- A. the financial report of Carpentaria Exploration Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- B. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report 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 2014. 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.

Opinion

In our opinion, the Remuneration Report of Carpentaria Exploration Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd



K L Colyer
Director

Brisbane, 29 September 2014



ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 25 SEPTEMBER 2014

Number of Securities Held	Ordinary shares fully paid No. of holders
1 to 1,000	168
1,001 to 5,000	503
5,001 to 10,000	345
10,001 to 100,000	814
100,001 and over	147
	1,997
Number of shareholders holding less than a marketable parcel of shares	1,016

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	SILVERGATE CAPITAL PTY LTD	17,990,800	14.52%
2	AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	10,479,000	8.46%
3	NEFCO NOMINEES PTY LTD	3,974,324	3.21%
4	SYDNEY EQUITIES PTY LTD	3,550,000	2.87%
5	MR CONGLIN YUE	3,100,000	2.50%
6	SILVERGATE CAPITAL PTY LTD	2,953,706	2.38%
7	MR STUART NICHOLAS SHEARD	2,503,125	2.02%
8	BNP PARIBAS NOMS PTY LTD	1,977,469	1.60%
9	QUENTIN HILL	1,706,814	1.38%
10	BEST EXPAND INVESTMENTS LIMITED	1,550,735	1.25%
11	CHRISTOPHER JOHN BYNON-POWELL & VICTORIA ANNE BYNON-POWELL	1,500,000	1.21%
12	CAMCOVE PTY LTD	1,500,000	1.21%
13	MR STUART NICHOLAS SHEARD	1,500,000	1.21%
14	JOHN DONOHUE	1,500,000	1.21%
15	DOUGLAS CHARLES BREWSTER	1,500,000	1.21%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,448,057	1.17%
17	FORSYTH BARR CUSTODIANS LTD	1,197,427	0.97%
18	CARPENTARIA EXPLORATION LTD	935,500	0.76%
19	MS LINDA LAU	915,000	0.74%
20	MR TECK MING LOO & MRS SHINKO LOO	909,476	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 25 September 2014 are:

Name of Shareholder	Ordinary Shares
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 Exploration Limited as the principal and sole holder with 100% unencumbered share, apart from those marked accordingly in the table below:

Licence Number	Notes	Name	Original Grant Date	Expiry Date	Sub Blocks	Area Km ²	%
EL 6901		Combaning	08-10-07	08-10-15	154	435.8	100%
EL 6936	1	Euriowie	07-11-07	07-11-15	16	46.9	100%
EL 6979	2, 3	Redan	11-12-07	11-12-16	62	179.8	60%
EL 7208	3	Burta	22-09-08	22-09-15	100	289.7	60%
EL 7375		Dirnaseer	30-07-09	30-07-15	41	115.9	100%
EL 7504	3, 4	Little Peak	8-04-2010	8-04-2014	14	40.6	60%
EL 7655		McDougalls C	06-12-10	06-12-15	24	70.7	100%
EL 7656		McDougalls A	06-12-10	06-12-15	19	55.8	100%
EL 7657		McDougalls B	06-12-10	06-12-15	34	100.2	100%
EL 7680		Ilabo	11-01-11	11-01-15	18	50.8	100%
EL 7735		Koonenberry 1	16-05-11	16-05-16	29	86.3	100%
EL 7736		Koonenberry 2	16-05-11	16-05-16	21	62.3	100%
EL 7737		Koonenberry 3	16-05-11	16-05-16	15	44.4	100%
EL 7738		Koonenberry 4	16-05-11	16-05-16	8	23.7	100%
EL 7739		Mt Shannon	16-05-11	16-05-16	46	137.1	100%
EL 7740		Wertago	16-05-11	16-05-16	29	85.5	100%
EL 7741		McDougalls D	16-05-11	16-05-16	13	38.3	100%
EL 7829		Yanco Glen	02-09-11	02-09-16	50	146.2	100%
EL 7896	4	Barellan	06-02-12	06-02-14	100	283.4	100%
EL 8082		Tooloom	01-05-13	01-05-16	100	297.4	100%
EL 8095		Advene	28-05-13	28-05-15	100	287.1	100%
EL 8189		Grong Grong	29-10-13	29-10-16	148	418.7	100%

Licence Total	22	1141	3297
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¹ 100 % Willyama Prospecting Pty Ltd (wholly owned subsidiary of Carpentaria)

² 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.

³ JV farm-out; Pure Metals Pty Ltd

⁴ Under Renewal Process