



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016



CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Robert William Hair

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Auditors BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 Telephone: 07 3237 5999 Fax: 07 3221 9227 Website: www.bdo.com.au	Share Registry Link Market Services Limited Level 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 2016.

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
Bin Cai	Non-Executive Director	Appointed 31 May 2011
Paul Cholakos	Non-Executive Director	Appointed 2 April 2012

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

Dr Williams has had a distinguished career spanning all aspects of mineral exploration, both in Australia and internationally, including serving for 15 years as the Chief Executive Officer of the Australian government's geoscience agency, Geoscience Australia, and as Chief Geologist - Exploration 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 a member of the Board of Australian Marine Science & Technology Ltd for 15 years and was Chairman of the Board for 13 of those years. He was also a member for 7 years of the Snowy Mountains Council that had oversight of the running of the Snowy Mountains Hydro-electric Authority and served as Chairman of the Council for the last 5 of those years.

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

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

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

Quentin is a geologist with over 19 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 1.8Bt Hawsons Iron Project, where he also managed the successful resource drilling.

Prior to his 9 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.

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



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

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

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

Paul has not been a director of any other 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
Quentin Hill	668,064	1,500,000
Bin Cai	10,479,000 ¹	-
Neil Williams	-	-
Paul Cholakos	-	-

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.

Bob Hair *BA (Hons)*

Company Secretary

Bob is by background a lawyer (having been admitted as a barrister in Queensland in 1983) with over 26 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.

Mr Hair resigned from the Board and took up the position of Company Secretary from 1 October 2015.



Chris Powell
Former Company Secretary

Chris as one of the founders of Carpentaria has, along with the 8 years in the resources industry, over 36 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).

Effective 30 September 2015 Chris Powell left the Company's employ.

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 2016, the loss for the Consolidated Entity after providing for income tax was \$1,381,168 (2015: \$2,847,740):

Excluding the impact of project impairments and government grants, all of which are not recurring in nature or comparable, the loss for the 2016 financial year is \$878,619 less than the adjusted pre-tax loss of 2015.

	2016 \$	2015 \$
Loss after income tax	(1,381,168)	(2,847,740)
<u>Adjustments for non-recurring or not comparable items</u>		
Impairment of exploration expenditure	118,192	1,195,130
Government grants – R&D tax concession	-	(488,985)
Adjusted loss after income tax expense	(1,262,976)	(2,141,595)



This improvement is attributable to:

	\$
Reductions in rental, legal, administrative and employee costs	735,220
Decrease in depreciation	20,646
Decrease in business development expenses	204,464
Decrease in interest and other revenue	(97,440)
Decrease in other items	15,729
	878,619

The large decrease in administrative and employment costs was attributable to a reduction in head count and across the board cost savings

Business development expenses is attributable to the Company promoting the Hawsons Iron Project to potential financiers, investors and partners.

Cash Position

The Consolidated Entity's cash position decreased from year end 2015 by \$544,112.

Business Strategies and Prospects For Future Financial Years

The Company is focussed on developing the Hawsons Iron Project (HIP) and expects to fund the development with others, including its joint venture partner, easing the financial burden.

Work programs implemented this year have generated great interest in HIP's potential product offering from buyers of steel making raw materials. The Company believes the strategic value of the Hawsons product offering to end users will ultimately attract investment in the project to advance the feasibility study and increase company value.

The work programs for the next twelve months will be directed to resource upgrade and prefeasibility study milestones. The programs will be funded by capital raising, including a placement and rights issue. The cost of the work programs will be set to maximise the Company's ability to attract additional investment and to maintain a strong financial position.

The Company will continue to monitor commodity markets and review its strategy periodically and adjust as required. This strategy should result in the Consolidated Entity maintaining a strong financial position in future years.

REVIEW OF FINANCIAL POSITION

Capital structure

At 30 June 2016 the Company had 123,887,777 shares on issue (including 5,500,000 non-recourse employee shares) and nil options on issue.

Treasury policy

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

Liquidity and funding

Cash includes cash on hand and at call and term deposits with banks readily convertible to cash and is used in the cash management function on a day to day basis.



Dividends

No dividends were paid during the financial year ended 30 June 2016 (2015: nil) and no dividend is recommended for the current year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no matter or circumstance during the financial year that has significantly affected the state of affairs of the Group.

REVIEW OF OPERATIONS

During the period the Company maintained its focus on development of the Hawsons Iron Project achieving significant results and milestones. Carpentaria is manager of the joint venture with Pure Metals Pty Ltd, and work this period demonstrated the great interest the end product has for end users.

Carpentaria has earned an additional 1.6% share of HIP due to the non-participation of Pure Metals following the completion of the annual program and budget. The project share is now Carpentaria 63.7% and Pure Metals 36.3%.

During the period a total of five (5) exploration tenements not relevant to the Hawsons Iron Project have been allowed to expire or have been cancelled. The Company also entered into a joint venture for two other exploration tenements in central NSW and continues to seek divestment of its remaining project in the Lachlan Fold Belt, NSW.

Hawsons Iron Project (HIP) Development Summary

The most significant work programmes were directed to determining product quality and securing market support for the Hawsons product offering.

A pilot plant test work program at the ALS Iron Ore Technical Centre in Perth was completed, including upgrading of the final product using elutriation. This program returned superb results, with over 70%Fe and <2.0% silica making the product a world leader. High-grade concentrate generated, later named Hawsons Supergrade, was sent to the China Iron and Steel Research Institute (CSIRI) for iron ore pelletising test work. The results were impressive, confirming Hawsons Supergrade as an outstanding iron making raw material.

These results supported a very successful product marketing campaign where Mitsubishi Corporation, Bahrain Steel, Gunvor, Formosa Plastics and Emirates Steel signed non-binding letters of intent to buy a total of up to 7.9million tonnes per annum of Hawsons Supergrade as direct reduction iron and blast furnace pellet feed and pellets.

Baseline environmental monitoring continued.

Corporate

During the period the Company near-completed a phase of relinquishment and divestment of its non-Hawsons exploration portfolio. This resulted in personnel restructure and reduction in costs. The company continues to focus on administrative cost reductions and balanced project development in order to protect and promote the value of the HIP.

Competent Person Statement: The information in this report that relates to Exploration Results is based on information compiled by Mr Quentin Hill, who is a member of the Australian Institute of Geoscientists and Society of Economic Geologists. Mr Hill is a full time employee of Carpentaria 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 2016 and the number of meetings attended by each director.

	Directors' Meetings		Audit		Remuneration	
	<i>Attended</i>	<i>Eligible to Attend</i>	<i>Attended</i>	<i>Eligible to Attend</i>	<i>Attended</i>	<i>Eligible to Attend</i>
Neil Williams	3	3	2	2	1	1
Quentin Hill	3	3	-	-	-	-
Bin Cai	3	3	-	-	-	-
Paul Cholakos	3	3	2	2	1	1
Bob Hair	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, the Company paid insurance premiums to insure the Directors and Officers of the Company against certain risks associated with their activities as officers of the Company. The terms of that policy prohibit disclosure of the nature of liability covered, the limit of such liability and the premium paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wrongful act by the officers. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The company has not indemnified the auditor.

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 are Nil ordinary shares of Carpentaria Exploration Limited under options:

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

Expiry Date	Exercise Price	Movements			
		1 July 2015	Issued	Exercised	Expired
29 November 2015	\$0.440	1,500,000	-	-	(1,500,000)
		1,500,000	-	-	(1,500,000)

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 that 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 \$25,000 per annum (plus superannuation) and the Chairman of Directors is entitled to receive \$45,000 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 2016 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 Managing Director and key management personnel for the period ended 30 June 2016 is detailed in Tables 1 and 2 and details of options issued are set out in Table 4.

Employment Contracts

Agreement with Managing Director

Mr Quentin Hill was appointed as Managing Director of the Company under the following terms and conditions:

- annual salary of \$220,000 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; and
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

Agreement with Company Associated with Company Secretary

Effective from 1 October 2016, the Company and a company associated with Robert Hair entered into an agreement containing the terms and conditions under which the services of Company Secretary are provided to the Company by Robert Hair. The contract contains the following terms and conditions:

- monthly fee of \$5,000 (excluding GST) plus reimbursement of all reasonable business expenses;
- participation in any employee incentive plan that may be approved by the Board and shareholders of the Company, if and when such plan may be implemented
- provision for three months' notice for termination; and
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

Agreement with Former 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, and concluded on 30 September 2015. Effective on that date, Chris Powell left the company.

Details of Directors and Key Management Personnel

Directors

Name	Position	Detail
Dr Neil Williams	Non-Executive Chairman	Appointed 1 January 2012
Quentin Hill	Managing Director	Appointed 1 September 2013
Bin Cai	Non-Executive Director	Appointed May 2011
Paul Cholakos	Non-Executive Director	Appointed 2 April 2012

Key Management Personnel

Name	Position	Detail
Robert William Hair ¹	Company Secretary	Appointed 1 October 2015
Chris Powell ²	Former Company Secretary	Commenced 1 June 2007

¹ Mr Hair resigned from the Board and took up the position of Company Secretary from 1 October 2015

² Mr Powell left the Company effective 30 September 2015

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

2016	Short Term			Post-Employment	Long-term benefits	Share-based Payments	Total	Performance Related %	% consisting equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Annual & Long service leave	Options/NRE shares			
\$	\$	\$	\$	\$	\$	\$	\$		
Directors									
Quentin Hill	224,129	-	-	21,138	-	-	245,267	-	-
Robert Hair ¹	7,500	-	-	713	-	-	8,213	-	-
Bin Cai	26,250	-	-	2,494	-	-	28,744	-	-
Neil Williams	48,591	-	-	4,616	-	-	53,207	-	-
Paul Cholakos	26,250	-	-	2,494	-	-	28,744	-	-
	332,720	-	-	31,455	-	-	364,175		

(1) Mr Hair resigned from the Board and took up the position of Company Secretary from 1 October 2015

2015	Short Term			Post-Employment	Long-term benefits	Share-based Payments	Total	Performance Related %	% consisting equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Annual & Long service leave	Options/NRE shares			
\$	\$	\$	\$	\$	\$	\$	\$		
Directors									
Nick Sheard ¹	-	-	-	-	-	-	-	-	-
Quentin Hill	232,500	-	-	22,088	-	-	254,588	-	-
Robert Hair	32,500	-	-	3,088	-	-	35,588	-	-
Bin Cai	32,500	-	-	3,088	-	-	35,588	-	-
Neil Williams	52,500	-	-	4,986	-	-	57,486	-	-
Paul Cholakos	32,500	-	-	3,088	-	-	35,588	-	-
	382,500	-	-	36,338	-	-	418,838		

(1) Resigned on 1 July 2014.

Table 2: Remuneration of key management personnel

2016	Short Term			Post-Employment		Long-term benefits	Share-based Payments	Total	Performance Related %
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Termination payments	Annual & Long service leave	Options/NRE shares		
\$	\$	\$	\$	\$	\$	\$	\$	\$	
Key Management Personnel									
Robert Hair ¹	45,000	-	-	-	-	-	-	45,000	-
Chris Powell ²	40,215	-	-	3,820	98,979	49,045	-	192,059	-
	85,215	-	-	3,820	98,979	49,045	-	237,059	

(2) Mr Hair resigned from the Board and took up the position of Company Secretary from 1 October 2015

(3) Mr Powell left the Company effective 30 September 2015



REMUNERATION REPORT (continued)

2015	Short Term		Post-Employment		Long-term benefits Termination payments	Long-term benefits Annual & Long service leave	Share-based Payments Options/ NRE shares	Total	Performance Related %
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation					
	\$	\$	\$	\$	\$	\$	\$	\$	
Key Management Personnel									
Doug Brewster ¹	-	-	-	-	80,642	59,318	-	139,960	-
Chris Powell	162,446	-	-	15,256	-	-	-	177,702	-
	162,446	-	-	15,256	80,642	59,318	-	317,662	

(1) Mr Brewster left the Company effective 4 July 2014

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

2016	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Quentin Hill	2,168,064	-	-	-	2,168,064
Bin Cai ¹	10,479,000	-	-	-	10,479,000
Neil Williams	-	-	-	-	-
Paul Cholakos	-	-	-	-	-
Key Management Personnel					
Bob Hair ³	1,530,000	-	-	-	1,530,000
Chris Powell	1,140,000	-	-	(1,140,000) ²	-
Total	15,317,064	-	-	(1,140,000)	14,177,064

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

² Mr Powell left the Company effective 30 September 2015

³ On 16 June 2016 2,647,090 treasury shares were transferred by the Company to Mr Robert Hair as trustee pursuant to the Carpentaria Exploration Limited Employee Share Plan Rules for no consideration. Mr Robert Hair, in his capacity as trustee of the Shares pursuant to the Carpentaria Exploration Limited Employee Share Option Plan Rules:

- holds the Shares on an allotted basis for the benefit of eligible employees who have applied for plan shares in accordance with the terms of the Employee Share Option Plan Rules; and
- is not entitled, at his own discretion, to exercise any voting rights attaching to the Shares held on trust; and
- is not entitled to participate or receive any dividends declared by the Company in respect of the Shares.



REMUNERATION REPORT (continued)

Table 4: Director/Key Management Personnel option holdings (number of options)

2016	Opening Balance	Granted as remuneration	Options Exercised	Options Expired	Closing Balance	Vested and exercisable
Directors						
Quentin Hill	-	-	-	-	-	-
Bin Cai	500,000	-	-	(500,000)	-	-
Neil Williams	500,000	-	-	(500,000)	-	-
Paul Cholakos	500,000	-	-	(500,000)	-	-
Key Management Personnel						
Bob Hair	-	-	-	-	-	-
Chris Powell	-	-	-	-	-	-
Total	1,500,000	-	-	(1,500,000)	-	-

Other transactions with key management personnel

There were no other transactions with key management personnel during the year.

Relationship between remuneration and Company performance

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

Measures	2016 \$	2015 \$	2014 \$	2013 \$	2012 \$
Share price at end of financial year	0.050	0.027	0.064	0.205	0.350
Market capitalisation at end of financial year (\$M)	6.19	3.34	7.93	22.14	36.81
Profit/(loss) for the financial year	(1,381,168)	(2,847,740)	(6,726,466)	(1,821,480)	197,017
Cash spend on exploration programs	(1,121,821)	(1,098,993)	2,191,721	3,622,822	3,768,081
Director and Key Management Personnel remuneration	601,234	736,500	1,171,849	1,253,305	1,074,214

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 2016 financial year.



REMUNERATION REPORT (continued)

Voting on the remuneration report at the company's last Annual General Meeting

At the last AGM, some shareholders expressed the view that the company's long-term incentive scheme did not appear to be effective in improving long-term shareholder returns. As a consequence, 37% of the votes cast at that meeting rejected the adoption of the remuneration report.

The company has recently announced further Board and management changes in order to reduce costs. From 1 October 2015:

- Mr Chris Powell ceased to be Company Secretary
- Mr Robert Hair resigned from the Board and took up the position of Company Secretary
- Non-Executive Director remuneration for each individual was reduced by \$5,000 p.a. to \$25,000 p.a.
- The Chairman of the Board remuneration was reduced by \$5,000 p.a. to \$45,000 p.a.
- The Managing Director base remuneration was reduced by \$10,000 p.a. to \$220,000 p.a.

The changes provide a streamlined and cost effective Board and Management structure that is best placed to preserve and promote company value during this period of challenging market conditions.

End of Remuneration Report



NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd and its associated entities) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Taxation services	\$19,285
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AUDITOR'S INDEPENDENCE DECLARATION

The attached Auditor's Independence Declaration forms part of the Directors' Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in another section of this report.

EVENTS AFTER BALANCE SHEET DATE

Subsequent to year end the Company issued 16,372,846 new fully paid ordinary shares at an issue price of \$0.049 per share to raise \$802,269.

On 14 September 2016 the Company lodged a Prospectus on the ASX to issue up to 53,946,394 shares at an issue price of \$0.049 per share to raise up to \$2,643,373. The offer included a non-underwritten, pro-rata, non-renounceable rights offer to Eligible Shareholders on the basis of one (1) New Share for every 2.6 Shares held and an offer of Shortfall Shares. Any shares not applied for under the Priority Offer and the Shortfall Offer will be available for subscription through a Public Offer. As at the date of this report this raising has not been finalised.

There have been no other events since 30 June 2016 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 light blue horizontal line.

Q S Hill
Director
Dated this 30th day of September 2016



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

As lead auditor of Carpentaria Exploration Limited for the year ended 30 June 2016, 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.

A handwritten signature in black ink, appearing to read 'T R Mann'.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2016

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Carpentaria Exploration Limited (Carpentaria) aims to achieve appropriate standards of corporate governance and has established corporate governance policies and procedures, where practicable, consistent with the ASX Corporate Governance Council's *'Corporate Governance Principles and Recommendation – 3rd Edition'* (ASX Principles or Recommendation), which were published on 27 March 2014.

In ensuring appropriate standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company. Nevertheless, the Board is committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with best practice and which unless otherwise stated, were in place during the whole of the period to the date of this statement.

Principle 1

Lay solid foundations for management and oversight

1.1 Roles and Responsibilities of the Board – followed

The Board is governed by the Corporations Act 2001, its formal constitution and by the ASX Listing Rules. The Board's primary role is to set policy regarding the affairs of the Company for the protection and enhancement of long-term Shareholder value.

The Board takes responsibility for the overall corporate governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

1.2 Director appointment – followed

Carpentaria considers the character, experience and skillset as well as interests and associations of potential candidates for appointment to the Board and will conduct appropriate checks to verify the suitability of the candidate, prior to their election. Carpentaria has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director, is disclosed in the notice of meeting provided to shareholders. During the period, Carpentaria did not appoint any new directors.

1.3 Written agreements of appointment – followed

The roles and responsibilities of Directors have been formalised in letters of appointment, which each Director has entered into. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, and insurance and indemnity entitlements.

Contract details of senior executives who are key management personnel are summarised in the Remuneration Report in the Company's Annual Report.

1.4 Company Secretary – followed

The Company Secretary is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board. All directors have access to the Company Secretary.

The appointment or removal of the Company Secretary is a matter for the Board. Details of the Company Secretary's experience and qualifications are set out in the Annual Report.

1.5 Diversity policy – not followed

The Company is committed to creating a diverse working environment and culture.

However, given the size of the Company and scale of its operations, the Board is of the view that a written diversity policy with measurable objectives for achieving gender diversity is not required at this time. Further, as the Company has not established measurable objectives for achieving gender diversity, the Company has not reported on progress towards achieving them.



1.6 Board Reviews – not followed

The Remuneration Committee meets at least annually and the recommendations are made in line with the Company's present circumstances and goals to ensure maximum shareholder benefits from the attraction and retention of a high quality Board and senior management team.

The Board recognises that as a result of the Company's size the assessment of the Board's overall performance and its own succession plan is conducted on an informal basis. Whilst this is at variance with the ASX Recommendations, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place. A more formal process of Board assessment will be considered in the future as the Company develops.

1.7 Management Reviews – followed

The Board evaluates the performance of the Managing Director and Company Secretary on a regular basis and encourages continuing professional development. A review was conducted in association with the annual audit.

Principle 2

Structure Board to add value

2.1 Nomination committee – not followed

The Company does not have a Nominations Committee.

The Company's constitution specifies the number of directors must be at least three. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

The Board is of the opinion that the current structure of the Board is appropriate given the size and nature of the Company. The Board considers that all Directors bring an independent judgement to bear on Board decisions and that the Board's expertise and experience add considerable value to the Company.

2.2 Board skills matrix – not followed

The Company does not have a formal Board skills matrix.

The Board Charter provides that the Board will regularly review the appropriate mix of skills and expertise to facilitate successful strategic direction.

In appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgment, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The Company provides details of each Director, such as their skills, experience and expertise relevant to their position, in the Directors' Report in the Annual Report and also provides these details on its website.

2.3 Details of Independent Directors – followed

From 1 July 2015 until the resignation on 30 September 2015 of Mr Hair as a director, the Board included three independent, non-executive directors. Since that time, the Board has consisted of four directors, three of whom were, including the Chairman, non-executives. Two of these non-executive directors, Dr Williams and Mr Cholakos are independent directors. Mr Cai is a nominee of a substantial shareholder and hence is not considered to be independent. The names of the directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of the Annual Report.

The Company has no relationships with any of the independent directors which the Company believes would compromise the independence of these directors.

2.4 Composition of the Board – not followed

From 1 July 2015 until the resignation on 30 September 2015 of Mr Hair as a director, the Board included three independent, non-executive directors. Since that time, the Board has consisted of four directors, three of whom were, including the Chairman, non-executives. Two of these non-executive directors, Dr Williams and Mr Cholakos are independent directors. Mr Cai and Mr Hill are not independent.



The Company's constitution specifies the number of Directors must be at least three. The Board may at any time appoint a Director to fill a casual vacancy. Directors appointed by the Board are subject to election by Shareholders at the following annual general meeting and thereafter Directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive Directors is linked to their holding of executive office.

The Board is of the opinion that the current structure of the Board is appropriate given the size and nature of the Company. The Board considers that all Directors bring an independent judgement to bear on Board decisions and that the Board's expertise and experience add considerable value to the Company.

2.5 The Chairman – followed

The Chairman is an independent director. The role of Chairman of the Board is separate from that of the Managing Director, who is responsible for the day to day management of the Company. This is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

2.6 Board induction and professional development – followed

An induction process including appointment letters exists to promote early, active and relevant involvement of new members of the Board. All Carpentaria directors are encouraged to further their knowledge through ongoing professional development through professional industry, governance and government bodies.

Principle 3

Act ethically and responsibly

3.1 Code of conduct – followed

The Company aims for a high standard of corporate governance and ethical conduct by directors and employees.

All directors have signed deeds with the Company, which require them to comply with all the obligations of a director under the Corporations Act 2001. Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter, subject to the discretion of the Board.

All directors are required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest.

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. The Corporations Act also prohibits the acquisition and disposal of securities where a person possesses information that is not generally available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available.

The Company has a code of conduct with which directors, senior executives and employees must comply. The code of conduct is published on the Company's website.

Principle 4

Safeguard integrity in financial reporting

4.1 Audit committee – not followed

Carpentaria had an Audit Committee during the year. The Audit Committee was been established to oversee corporate governance, internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

During the financial year until the resignation as a director of Mr Hair, the Audit Committee consisted of three independent, non-executive directors, Dr Williams and Messrs Hair and Cholakos and was chaired by Mr Hair. Since Mr Hair's resignation as a director, the Audit Committee has consisted of two members, Dr Williams and Mr Cholakos and has been chaired by Mr Cholakos.

The Committee meets at least twice yearly and reports to the Board. The Managing Director, Company Secretary and external auditor may, by invitation, attend meetings at the discretion of the Committee.

The Board is of the opinion that the current structure of the Audit Committee is appropriate given the size and nature of the Company.

4.2 CEO and CFO financial statements declaration – followed

The Chief Executive Officer and Chief Financial Officer are required to provide written declarations under s295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. Both the Managing Director and Chief Financial Officer provide said assurances at the time the s295A declarations are provided to the Board.

4.3 External Auditor attendance at AGM – followed

The external auditor of the Company is invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Principle 5

Making timely and balanced disclosure

5.1 Continuous disclosure policy – followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASXCGC best practice recommendations, information is communicated to Shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act;
- the half yearly financial report lodged with the ASX and ASIC and sent to all Shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of Shareholders;
- notices of all meetings of Shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website; and
- disclosure of the Company's corporate governance practices and communications strategy on this Company's website.

The Company has a formal continuous disclosure policy, which is published on its website.

Principle 6

Respect the rights of shareholders

6.1 Information on website – followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and aims to ensure that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

6.2 Investor relations program – not followed

Due to the size of the Company, the Board does not believe that a documented or formalised investor program is required. The Company actively engages with investors at the Annual General Meeting and responds to enquiries made from time to time.

6.3 Security holder participation at meetings – followed

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.



6.4 Facilitate security holder communications – followed

The Company provides its investors the option to receive communications from and send communications to the Company and the share registry electronically.

Principle 7

Recognise and manage risks

7.1 Risk committee – not followed

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, title, native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed.

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company and the current Board structure, the establishment of a risk committee in line with ASX Recommendation 7.1 cannot at this stage be justified by the perceived benefits of doing so.

7.2 Risk assessment and management – followed

The Board with the assistance of the Audit Committee conducts a formal review of the risk profile of the Company annually and monitors risk informally throughout the year. A review was conducted in association with the annual audit.

7.3 Internal Audit function – followed

The Company does not have an internal audit function and does not believe that the size and nature of the Company warrants establishment of said function at this time. The Board with the assistance of the Audit Committee conducts a formal review of the risk profile of the Company annually and monitors risk informally throughout the year. A review was conducted in association with the annual audit.

7.4 Economic, environmental and social risks – followed

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, heritage and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risks is presented to the Board.

Principle 8

Remunerate fairly and responsibly

8.1 Remuneration committee – not followed

The Company has established a Remuneration Committee. The Committee monitors the composition of the Board and reviews the compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance. The Committee makes recommendations to the Board who are ultimately responsible for the Company's remuneration policy.

During the financial year until Mr Hair's resignation as a director on 30 September 2015, the Committee consisted of three independent, non-executive directors, Dr Williams and Messrs Cholakos and Hair Williams. Mr Cholakos is chairman of this committee. Details of the number of and attendance at Committee meetings can be found in the Directors' Report of the Annual Report.

Since Mr Hair's resignation as a director on 30 September 2015, the Committee has comprised of only two members. Nevertheless, the Board believes that given the size of the Company the current membership best serves the interests of the Company.

The Committee has a formal charter.

8.2 Executive and non-executive remuneration policy – followed

The Company's Constitution specifies that the total amount of remuneration of non-executive Directors is to be fixed from time to time by a general meeting. Directors may apportion any amount up to this maximum amount amongst the non-



executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors.

The remuneration of the Managing Director is determined by the Board, taking into account the recommendations of the Remuneration Committee, as part of the terms and conditions of his employment, which are subject to review from time to time. The remuneration of employees is determined by the Managing Director, subject to the approval of the Board.

8.3 Equity-based remuneration scheme – not followed

The Company does not have an equity-based remuneration scheme.



**Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016**

	Note	2016 \$	2015 \$
Revenue	2	61,404	132,021
Other income	2	53,030	568,838
Fair value loss on financial assets at fair value through profit or loss		(43,192)	(58,568)
Employment benefit expenses		(459,965)	(1,032,554)
Depreciation and amortisation expense		(13,181)	(33,827)
Finance costs		-	(353)
Impairment of exploration expenditure	12	(118,192)	(1,195,130)
Rental and other lease expenses		(128,154)	(138,957)
Legal expenses		(5,499)	(82,727)
Project generation and business development expenses		(375,258)	(579,722)
Administration expenses		(352,161)	(426,761)
Loss before income tax		(1,381,168)	(2,847,740)
Income tax expense/(benefit)	3	-	-
Loss after income tax expense		(1,381,168)	(2,847,740)
Other comprehensive income			-
Total comprehensive income		(1,381,168)	(2,847,740)
		Cents	Cents
Loss per share			
Basic and diluted loss per share	5	(1.2)	(5.9)

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



**Consolidated Balance Sheet
As at 30 June 2016**

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	7	1,682,599	2,226,711
Trade and other receivables	8	8,506	1,066,115
Financial assets at fair value through profit or loss	9	10,366	53,558
Other current assets	10	8,647	349,912
TOTAL CURRENT ASSETS		1,710,118	3,696,296
NON-CURRENT ASSETS			
Trade and other receivables	8	60,000	-
Plant and equipment	11	16,895	30,076
Exploration and evaluation assets	12	1,863,288	1,273,489
TOTAL NON-CURRENT ASSETS		1,940,183	1,303,565
TOTAL ASSETS		3,650,301	4,999,861
CURRENT LIABILITIES			
Trade and other payables	13	53,530	138,852
Provisions	14	83,917	81,594
TOTAL CURRENT LIABILITIES		137,447	220,446
TOTAL LIABILITIES		137,447	220,446
NET ASSETS		3,512,854	4,779,415
EQUITY			
Share capital	15	20,121,700	20,007,093
Share based payment reserve	16	1,835,063	1,947,113
Accumulated losses		(18,443,909)	(17,174,791)
TOTAL EQUITY		3,512,854	4,779,415

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



Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2014	19,972,480	2,140,433	(14,520,371)	7,592,542
Transactions with owners in their capacity as owners				
Transfer of expired options	-	(193,320)	193,320	-
Issue of share capital	34,613	-	-	34,613
	34,613	(193,320)	193,320	34,613
Comprehensive income				
Loss after income tax	-	-	(2,847,740)	(2,847,740)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(2,847,740)	(2,847,740)
Balance at 30 June 2015	20,007,093	1,947,113	(17,174,791)	4,779,415
Balance at 1 July 2015	20,007,093	1,947,113	(17,174,791)	4,779,415
Transactions with owners in their capacity as owners				
Transfer of expired options	-	(112,050)	112,050	-
Issue of share capital	114,607	-	-	114,607
	114,607	(112,050)	112,050	114,607
Comprehensive income				
Loss after income tax	-	-	(1,381,168)	(1,381,168)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,381,168)	(1,381,168)
Balance at 30 June 2016	20,121,700	1,835,063	(18,443,909)	3,512,854

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



**Consolidated Cash Flow Statement
For the year ended 30 June 2016**

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(941,864)	(2,295,736)
Interest received		61,404	146,551
Interest paid		-	(353)
Net cash used in operating activities	17	(880,460)	(2,149,538)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		-	-
Proceeds from the sale of property, plant & equipment		-	10,000
Proceeds received for exploration and evaluation assets		-	37,500
Payments for exploration and evaluation assets		(1,121,821)	(1,098,993)
Government grants in relation to exploration assets		1,428,656	1,133,322
Net cash provided by investing activities		306,835	81,829
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		29,513	34,613
Costs associated with the issue of shares		-	-
Repayment of finance leases		-	(15,762)
Net cash provided by financing activities		29,513	18,851
Net increase/(decrease) in cash and cash equivalents		(544,113)	(2,048,858)
Cash and cash equivalents at the beginning of the financial year		2,226,711	4,275,569
Cash and cash equivalents at the end of the financial year	7	1,682,599	2,226,711

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 30 September 2016.

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.

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 affects 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 policy).

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 commercial 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.

(p) New Accounting Standards and Interpretations

The Consolidated Entity adopted all new Accounting Standards and Interpretations effective for the year ended 30 June 2016. There were no material impacts on the financial statements of the Consolidated Entity as a result of adopting these standards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

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

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(r) Going Concern

As at 30 June 2016 the Consolidated Entity had cash reserves of \$1,682,599, net current assets of \$1,572,671 and net assets of \$3,512,854. The company incurred a loss of \$1,381,168 for the year ended 30 June 2016 and had an outflow of \$880,460 of cash from operating activities. The Consolidated Entity requires further capital to fund future exploration activity and meet other necessary corporate expenditure.

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

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

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

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

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

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

(s) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to exploration and evaluation assets that have been capitalised are recognised by deducting the grant received from the carrying amount of the exploration and evaluation asset recognised on the balance sheet.



	2016	2015
	\$	\$

NOTE 2 REVENUE & OTHER INCOME

Revenue

Bank interest	61,404	132,021
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Other Income

Government grants	-	488,985
Management fees	53,030	79,853
	53,030	568,838

NOTE 3 INCOME TAX

	2016	2015
	\$	\$

A reconciliation of income tax expense (benefit) applicable to accounting loss before income tax at the statutory income tax rate to income tax expense (benefit) recognised for the years ended 30 June 2016 and 2015 is as follows:

Accounting loss before income tax	(1,381,168)	(2,847,740)
Tax at the Australian tax rate of 30% (2015: 30%)	(414,350)	(854,322)
Non-deductible expenses	349	510
Accounting expenditure subject to R&D tax concession	-	(170,651)
Other	25,528	(158,600)
Deferred tax assets not brought to account	388,473	1,183,063
Income tax	-	-

Recognised deferred tax assets

Unused tax losses	30,849	-
Deductible temporary differences	651,438	382,047
	682,287	382,047

Recognised deferred tax liabilities

Assessable temporary differences	682,287	382,047
	682,287	382,047

Net deferred tax recognised

-

Unrecognised temporary differences and tax losses

Unused tax losses and temporary differences for which no deferred tax asset has been recognised	3,989,264	3,904,954
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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.



	2016 \$	2015 \$
NOTE 4 AUDITORS' REMUNERATION		
Amounts received or due and receivable by the Auditors for:		
- auditing and reviewing the financial reports – BDO Audit Pty Ltd	44,615	42,000
Non audit services:		
- Taxation services – BDO (QLD) Pty Ltd	19,285	30,048
	63,900	72,048

NOTE 5 EARNINGS PER SHARE		
Earnings used to calculate basic and dilutive EPS	(1,381,168)	(2,847,740)
	2016 #	2015 #
Weighted average number of ordinary shares outstanding during the year	114,163,773	112,203,367
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	114,163,773	112,203,367

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 2016 or 2015 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.

	2016 \$	2015 \$
NOTE 7 CASH & CASH EQUIVALENTS		
Cash on hand and at bank	174,539	423,793
Cash on deposit	1,508,060	1,802,918
	1,682,599	2,226,711

NOTE 8 TRADE & OTHER RECEIVABLES

<i>Current</i>		
Other receivables	8,506	48,462
Government grant receivable	-	1,017,653
	8,506	1,066,115
<i>Non-Current</i>		
Security bonds	60,000	-



	2016	2015
	\$	\$

NOTE 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Shares in TerraCom Limited	10,366	53,558
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NOTE 10 OTHER CURRENT ASSETS

Prepayments	8,647	8,773
Bonds and deposits	-	341,139
	8,647	349,912

NOTE 11 PLANT & EQUIPMENT

Plant and equipment

At cost	289,259	289,259
Accumulated depreciation	(272,364)	(259,183)
	16,895	30,076

Total plant and equipment	16,895	30,076
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Movements in carrying amounts

	Plant and equipment	Plant and equipment under lease	Total
	\$	\$	\$
Balance at 1 July 2014	15,832	63,552	79,384
Additions	-	-	-
Disposals	-	(16,790)	(16,790)
Transfers	25,730	(25,730)	-
Depreciation expense	(11,486)	(21,032)	(32,518)
Balance at 30 June 2015	30,076	-	30,076
Balance at 1 July 2015	30,076	-	30,076
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(13,181)	-	(13,181)
Balance at 30 June 2016	16,895	-	16,895



	2016 \$	2015 \$
NOTE 12 EXPLORATION AND EVALUATION ASSETS		
Opening balance	1,273,489	2,368,774
Capitalised expenditure	1,118,994	666,013
Disposals	-	(37,500)
Government grants relating to exploration	(411,003)	(528,668)
Impairment of exploration expenditure	(118,192)	(1,195,130)
	1,863,288	1,273,489

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 2015 and 2016 relates to write down 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 13 TRADE & OTHER PAYABLES

Other payables and accrued expenses	53,530	138,852
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NOTE 14 PROVISIONS

Employee benefits	83,917	81,594
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	2016		2015	
	\$		\$	
NOTE 15 SHARE CAPITAL				
Fully paid ordinary shares	20,121,700		20,007,093	
Ordinary Shares				
	2016	2015	2016	2015
	\$	\$	#	#
At the beginning of the year	20,007,093	19,972,480	112,687,777	111,752,277
Transfer from treasury shares ¹	114,607	34,613	3,052,060	935,500
Share issue costs	-	-	-	-
At reporting date	20,121,700	20,007,093	115,739,837	112,687,777
Non-recourse employee shares (NRE)				
At the beginning of the year	-	-	9,100,000	11,200,000
NRE shares issued	-	-	-	-
Transfer to treasury shares	-	-	(3,600,000)	(2,100,000)
At reporting date	-	-	5,500,000	9,100,000
Treasury shares				
At the beginning of the year	-	-	2,100,000	935,500
Transfer to ordinary shares ¹	-	-	(3,052,060)	(935,500)
Transfer from NRE shares	-	-	3,600,000	2,100,000
At reporting date	-	-	2,647,090	2,100,000
Total Ordinary, NRE and Treasury Shares	20,121,700	20,007,093	123,887,777	123,887,777

¹ 2016: 3,052,060 treasury shares were sold at prices between \$0.037 and \$0.070 each.

2015: 935,500 treasury shares were sold at \$0.037 each.

² On 16 June 2016 the remaining 2,647,090 treasury shares were transferred by the Company to Mr Robert Hair as trustee pursuant to the Carpentaria Exploration Limited Employee Share Plan Rules. Mr Robert Hair, in his capacity as trustee of the Shares pursuant to the Carpentaria Exploration Limited Employee Share Option Plan Rules:

- holds the Shares on an allotted basis for the benefit of eligible employees who have applied for plan shares in accordance with the terms of the Employee Share Option Plan Rules; and
- is not entitled, at his own discretion, to exercise any voting rights attaching to the Shares held on trust; and is not entitled to participate or receive any dividends declared by the Company in respect of the Shares.

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.

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 18 for further details.



NOTE 15 SHARE CAPITAL (continued)

Options

Expiry Date	Exercise Price	Movements				30 June 2016
		1 July 2016	Issued	Exercised	Expired	
29 November 2015	\$0.440	1,500,000	-	-	(1,500,000)	-
		1,500,000	-	-	(1,500,000)	-

	2016	2015
	\$	\$

NOTE 16 RESERVES

Share based payment reserve	1,835,063	1,947,113
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Share based payment reserve movements during the year

Opening balance	1,947,113	2,140,433
Transfer to accumulated losses (expired options)	(112,050)	(193,320)
Closing balance	1,835,063	1,947,113

Share based payment reserve

The share based payments reserve is used to record the value of share based payments provided to directors, employees and contractors as part of their remuneration.

NOTE 17 CASH FLOW INFORMATION

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

Loss after income tax	(1,381,168)	(2,847,740)
Depreciation and amortisation	13,181	33,827
Consulting fees – share-based payments	85,094	-
Impairment of exploration expenditure	118,192	1,195,130
Loss on sale of property, plant and equipment	-	6,790
Fair value loss on financial assets at fair value through profit or loss	43,192	58,568
<i>Change in operating assets and liabilities</i>		
(Increase)/decrease in receivables	39,957	(522,917)
(Increase)/decrease in other assets	281,265	3,796
(Decrease)/increase in trade payables and accruals	(82,496)	(26,185)
(Decrease)/increase in provisions	2,323	(50,807)
Net cash outflow from operating activities	(880,460)	(2,149,538)

Non-cash transactions investing & financing activities

2016: 2,363,730 treasury shares were issued at \$0.036 each to a consultant as payment for services rendered
2015: Nil



NOTE 18 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:

2016

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
15	30 Nov 2012	29 Nov 2015	\$0.440	1,500,000	-	-	(1,500,000)	-	-
Weighted average exercise price				0.44	-	-	0.44	0.44	0.44

2015

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	1,500,000
				4,100,000	-	-	(2,600,000)	1,500,000	1,500,000
Weighted average exercise price				0.34	-	-	0.29	0.44	0.44

The weighted average remaining contractual life of share options outstanding at the end of the prior period was 0.41 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.

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.



NOTE 18 SHARE BASED PAYMENTS

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:

2016

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	-	-	(750,000)	750,000	750,000
Director 2	31 May 2011	31 May 2013	\$0.48	1,500,000	-	-	(750,000)	750,000	750,000
Employee 1	1 March 2011	2 March 2013	\$0.60	3,300,000	-	-	(1,200,000)	2,100,000	2,100,000
Employee 2	5 July 2013	5 July 2013	\$0.30	2,800,000	-	-	(900,000)	1,900,000	1,900,000
				9,100,000	-	-	(3,600,000)	5,500,000	5,500,000
Weighted average exercise price				0.47	-	-	0.46	0.47	0.47

2015

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	-	-	(1,100,000)	3,300,000	3,300,000
Employee 2	5 July 2013	5 July 2013	\$0.30	3,800,000	-	-	(1,000,000)	2,800,000	2,800,000
				11,200,000	-	-	(2,100,000)	9,100,000	9,100,000
Weighted average exercise price				0.47	-	-	0.46	0.47	0.47

The value of the Director and Employee Shares with Non-Recourse Loans was calculated by using the Black-Scholes pricing model applying the inputs shown below:

Inputs into pricing model	Director 1	Director 2	Employee 1	Employee 2
Grant date	31 May 2011	31 May 2011	1 March 2011	5 July 2013
Vesting date	31 May 2011	31 May 2011	1 March 2011	5 July 2013
Exercise price	\$0.48	\$0.48	\$0.60	\$0.30
Share price at grant date	\$0.51	\$0.51	\$0.66	\$0.19
Life of the options	1 year	2 years	2 years	3 years
Underlying share price volatility	54%	54%	54%	88%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	4.68%	4.68%	4.68%	2.82%

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of project generation and business development expenses were as follows:

	2016 \$	2015 \$
Shares issued to consultants	85,094	-
	85,094	-



NOTE 19 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.

	2016	2015
Summary	\$	\$
Short-term employee benefits	417,935	544,946
Post-employment benefits	183,299	191,554
Share-based payments	-	-
	601,234	736,500

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 14.

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 2016 (2015: nil).

Transactions with Related Parties

There were no other transactions between the Consolidated Entity and its related parties during the year (2015: nil).

NOTE 20 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 2016.

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.



NOTE 20 FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk

	2016 \$	2015 \$
Non-trade receivables	68,506	48,462
Cash and cash equivalents	1,682,599	2,226,711
	1,751,105	2,275,173

Ageing of receivables

Not past due	68,506	48,462
Past due 0-90 days	-	-
Past due >90 days	-	-
Impaired	-	-
	68,506	48,462

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 Macquarie Bank and Westpac, large financial institutions with strong credit ratings.

(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 2016. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2016 \$	2015 \$
<u>Less than one year</u>		
Trade and other payables	53,530	138,852
	53,530	138,852

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.

NOTE 20 FINANCIAL RISK MANAGEMENT (continued)

(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.

At 30 June 2016, 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)	
	2016 \$	2015 \$	2016 \$	2015 \$
+1.00% (100 basis points)	1,745	4,238	1,745	4,238
-1.00% (100 basis points)	(1,745)	(4,238)	(1,745)	(4,238)

Price risk

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

At 30 June 2016, the Consolidated Entity had the following exposure to price risk:

	2016 \$	2015 \$
Shares in TerraCom Limited	10,366	53,558

At 30 June 2016, 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)	
	2016 \$	2015 \$	2016 \$	2015 \$
+ 25%	2,592	13,390	2,592	13,390
- 25%	(2,592)	(13,390)	(2,592)	(13,390)



NOTE 20 FINANCIAL RISK MANAGEMENT (continued)

AASB 13 *Fair Value Measurement* 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 2016 the value of the listed shares was based on the closing price of TerraCom Ltd's securities as quoted on the ASX on 30 June 2016. 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 \$43,192 (2015: \$58,568).

(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 15. There are no externally imposed capital requirements. Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management share issues.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

(e) Fair Values

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

NOTE 21 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.



	2016	2015
	\$	\$

NOTE 22 COMMITMENTS

Operating leases

Minimum lease payments:

Payable within one year	52,983	118,885
Payable within one year and five years	-	19,690
Total contracted at balance date	52,983	138,575

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

Future exploration

The Consolidated Entity has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Consolidated Entity.

Exploration obligations to be undertaken:

Payable within one year	481,478	435,771
Payable between one year and five years	488,610	1,059,654
	970,088	1,495,425

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 23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2016 that require disclosure in the financial report.



NOTE 24 PARENT ENTITY INFORMATION

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

	2016 \$	2015 \$
<u>Parent Entity Financial Information</u>		
Current assets	1,710,118	3,301,599
Non-current assets	1,930,183	1,658,262
Total assets	3,640,301	4,959,861
Current liabilities	137,447	220,446
Non-current liabilities	-	-
Total liabilities	137,447	220,446
Net assets	3,502,854	4,739,415
Issued capital	20,121,700	20,007,093
Share based payment reserve	1,835,063	1,947,113
Accumulated losses	(18,453,909)	(17,214,791)
Total equity	3,502,854	4,739,415
Loss after income tax	(1,351,168)	(2,807,740)
Other comprehensive income	-	-
Total comprehensive income	(1,351,168)	(2,807,740)

Controlled Entities of the Parent Entity

	Percentage Owned	
	2016 %	2015 %
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 22 for details.

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

NOTE 25 EVENTS AFTER BALANCE SHEET DATE

Subsequent to year end the Company issued 16,372,846 new fully paid ordinary shares at an issue price of \$0.049 per share to raise \$802,269.

On 14 September 2016 the Company lodged a Prospectus on the ASX to issue up to 53,946,394 shares at an issue price of \$0.049 per share to raise up to \$2,643,373. The offer included a non-underwritten, pro-rata, non-renounceable rights offer to Eligible Shareholders on the basis of one (1) New Share for every 2.6 Shares held and an off of Shortfall Shares. Any shares not applied for under the Priority Offer and the Shortfall Offer will be available for subscription through a Public Offer. As at the date of this report this raising has not been finalised.

There have been no other events since 30 June 2016 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 2016 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 9 to 14 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2016, 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:

A handwritten signature in dark ink, appearing to read 'Q S Hill', is written over a light grey, wavy line that serves as a guide for the signature.

Q S Hill
Director

Brisbane
30 September 2016

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 consolidated balance sheet as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 consolidated entity's financial position as at 30 June 2016 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.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd



T R Mann
Director

Brisbane, 30 September 2016

ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 26 SEPTEMBER 2016

Number of Securities Held	Ordinary shares fully paid No. of holders
1 to 1,000	166
1,001 to 5,000	453
5,001 to 10,000	314
10,001 to 100,000	759
100,001 and over	166
	1,858
Number of shareholders holding less than a marketable parcel of shares	933

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	SILVERGATE CAPITAL PTY LTD	17,990,800	13.35
2	AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	10,479,000	7.78
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,907,209	6.61
4	SYDNEY EQUITIES PTY LTD	3,550,000	2.63
5	MR KOK LEONG WONG	3,425,000	2.54
6	MR CONGLIN YUE	3,100,000	2.30
7	SILVERGATE CAPITAL PTY LTD	2,953,706	2.19
8	CASADA HOLDINGS PTY LTD	2,681,718	1.99
9	MR ROBERT WILLIAM HAIR	2,647,940	1.96
10	BALMAIN SUPER FUND	2,363,730	1.75
11	MS YING JIN	2,270,130	1.68
12	INTERPRAC FINANCIAL PLANNING PTY LTD	2,244,898	1.67
13	MR QUENTIN HILL	2,168,064	1.54
14	BEST EXPAND INVESTMENTS LIMITED	1,550,735	1.15
15	MR JOHN HUEY	1,200,000	0.89
16	FORSYTH BARR CUSTODIANS LTD	1,199,760	0.89
17	KABILA INVESTMENTS PTY LIMITED	1,020,500	0.76
18	SIXTH ERRRA PTY LTD	1,020,500	0.76
19	BABADE PTY LTD	1,020,500	0.76
20	MR STUART NICHOLAS SHEARD	1,000,000	0.74

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 28 September 2015 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:

<u>Licence</u>	<u>Name</u>	<u>Original Grant Date</u>	<u>Expiry Date</u>	<u>Equity</u>	<u>Sub-blocks</u>	<u>Area (km2)</u>
EL 6901	Combaning	8/10/2007	8/10/2017	100%	21	60.9
EL 6979	Redan	11/12/2007	11/12/2016	64%	62	179.8
EL 7208	Burta	22/09/2008	22/09/2020	64%	100	290
EL 7504	Little Peak	8/04/2010	8/04/2017	64%	14	40.6
EL 7896	Barellan	6/02/2012	6/02/2016	100%	25	72.5
EL 8095	Advane	28/05/2013	28/05/2017	100%	100	290
EL 5561	South Dam	10/12/2014	9/12/2016	100%	27	78.3
EPC 1641	Hughenden	27/03/2015	26/03/2017	100%	11	31.9
MLA 460	Hawsons Iron	Under application	Under application	64%	n/a	187
Totals		9 licences and applications			360	1,231.00