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CARPENTARIA RESOURCES LIMITED
ACN 095 117 981

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held online on 2 November 2020 at 11.00am (AEST).

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

The Notice of General Meeting (together with the Explanatory Memorandum), Independent Expert's Report, Independent Technical Expert's Report and Proxy Form should each be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE TRANSACTION IS NOT FAIR BUT REASONABLE

Due to the rapidly evolving coronavirus (COVID-19) outbreak and the Federal Government's self-isolation and large gathering restrictions, the Company is not currently permitted to hold a meeting that Shareholders are physcially able to attend. Accordingly, Shareholders will be offered the opportunity to participate at the Meeting virtually through an online platform at https://agmlive.link/CAP20.

If by the time of the Meeting the Federal Government's self-isolation and large gathering restrictions are lifted, Shareholders will be notified via the ASX's Company Announcement Platform regarding pyhsical attendance at the Meeting.

Due to the legal uncertainty, and the information available to the Company as at the date of this Notice, during these unprecedented times, the Board has determined that all voting on Resolutions at the Meeting will take place by poll and proxy only.

Shareholders are strongly urged to vote by lodging the Proxy Form attached to the Notice by no later than 11.00am (AEST) on 31 October 2020.

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2 October 2020

Dear Carpentaria Shareholders

On behalf of the entire Board of Carpentaria Resources Limited (**Company**), it is my pleasure to invite you to consider not only the usual business conducted at the Company's AGM but also two ordinary resolutions relating to the Company's proposed acquisition of Pure Metals Pty Ltd's[1] (**Pure Metals**) interest in the Hawsons Iron Project Joint Venture[2] (**Proposed Transaction**) and one special resolution relating to proposed amendments to the Company's Constitution as a result of changes to ASX's escrow regime under the ASX Listing Rules which came into effect on 1 December 2019. These are extraordinary times, because of the well-known COVID-19 health crisis that has overtaken the world, and yet the general meeting that your Board has called contains business that is in the Board's view vital to the future of the Hawsons Iron Project and the Company.

Along with the Notice, I would urge all Shareholders to review the Independent Expert's Report and the supporting Independent Technical Expert's Report that have been prepared by BDO Corporate Finance Limited and CSA Global Pty Ltd respectively relating to the Proposed Transaction.

The Proposed Transaction (which will only proceed if Shareholders approve the two ordinary resolutions set out in the Notice and the Proposed Transaction is not opposed by the Foreign Investment Review Board) involves the Company issuing 90,800,000 Shares (**Consideration Shares**) (comprising 24.813% of the Company's issued capital post-transaction) to its Hawsons Iron Project Joint Venture partner, Pure Metals, in consideration for the acquisition of Pure Metals' remaining interest in the project[3]. On Completion, the Company will have an interest in 93.963% of the Hawsons Iron Project.

In the period since 2014, the Company has followed an offtake-led strategy taking critical project development steps, including securing non-binding letters of intent to buy iron ore from tier one steelmakers and upgrading the resource and completing the 2017 prefeasibility study, which positioned the Hawsons Iron Project as the world's leading project of its type according to analysts Wood Mackenzie*.* On 6 August 2018, the Company announced that Mitsui & Co., Ltd had committed A$5.4m of the feasibility study funding for an option over 2 Mtpa of Hawsons Supergrade product offtake, subject to the Company raising the remainder of bankable feasibility study funding. On 31 March 2020, and again on 31st July 2020, the Company announced that Mitsui & Co., Ltd had agreed to extend the term of its existing offtake option with all other terms remaining the same. It is extended until 31 December 2020.

The Proposed Transaction will materially improve the investment case and will deliver a stable platform for developing the Hawsons Iron Project thereby potentially opening up feasibility study funding pathways. The Board is of the view that consolidation of the ownership of the Hawsons Iron Project is in the view of numerous potential equity funding institutions, strategic investors and project financiers a necessary step in order to progress the Hawsons Iron Project significantly.

Opinion of Independent Expert

The Independent Expert is of the opinion that the Proposed Transaction is NOT FAIR BUT REASONABLE. Please see the Indepdendent Expert's Report (which is attached to this Notice at Annexure C) for further detail.

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[1] On or immediately before Completion of the Proposed Transaction (and as a consequence of a proposed reorganisation of the ownership structure of Pure Metals), it is intended that Ms Lau (a director of Pure Metals) and Mr Cheung (who is also a director of Pure Metals) will each individually acquire 50% of Pure Metals' issued share capital (i.e. such that they will together own 100% of Pure Metals' issued share capital). Please see Section 8.2 for further information in relation to this restructure.

[2] Immediately before Completion of the Proposed Transaction, Pure Metals will own 24.149% of the Hawsons Iron Project.

[3] On Completion, the New Hawsons Iron Project Joint Venture Agreement will also commence (see Section 4.4 of the Independent Expert's Report for further detail).

The Board believes that all the Resolutions referred to in this Notice are in the best interests of the Company and its Shareholders and encourage you to vote in favour of all the Resolutions. Shareholders should note that if Resolutions 5 and 6 are not passed, the Proposed Transaction will not proceed.

Your Board is urging you to vote in favour of the two Resolutions relating to the Proposed Transaction to clear the path for the Company to move forward with Hawsons Iron Project. Your Board is also encouraging you to vote in favour of the special resolution to modify the Company's Constitution. This change is required as a result of recent amendments to escrow regime under the ASX Listing Rules, as explained in the Explanatory Statement.

Due to the rapidly evolving coronavirus (COVID-19) outbreak and the Federal Government's self-isolation and gathering restrictions, Shareholders will not be able to physcially attend the Meeting. The Company encourages Shareholders to consider participating in the Meeting virtually through an online platform at https://agmlive.link/CAP20 and voting by proxy.

We are pleased to provide Shareholders with the opportunity to participate in the Meeting virtually through an online platform at https://agmlive.link/CAP20. Shareholders are invited to submit questions in advance of the Meeting by email to the Company Secretary at bob.hair@capres.net.au by no later than 11:00am (AEST) on 31 October 2020 (AEST). Further information on how to do this is set out in the user guide at Annexure B of this Notice. Shareholders will be able to hear and view the Meeting on their own computer and ask questions as if Shareholders were able to be physically present at the Meeting.

Shareholders can vote by proxy by completing the enclosed Proxy Form and returning it in person, by fax or in the envelope provided or by voting online. Instructions on how to appoint a proxy are detailed on the Proxy Form. Proxies must be received no later than 11:00am on 31 October to be valid for the Meeting.

In the event that the Company is required to make alternative arrangements for the Meeting or the Federal Government's self-isolation and large gathering restrictions are lifted, we will notify you by lodging an ASX announcement and updating our website.

On behalf of your Directors, I would like to thank you for your continued support of the Company.

Kind regards

Peter Graham
Chairman

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CARPENTARIA RESOURCES LIMITED
ACN 095 117 981

NOTICE OF ANNUAL GENERAL MEETING, EXPLANATORY MEMORANDUM, INDEPENDENT EXPERT'S REPORT, INDEPENDENT TECHNICAL EXPERT'S REPORT AND PROXY FORM

Notice is hereby given that the annual general meeting of Shareholders of Carpentaria Resources Limited ACN 095 117 981 (**Company**) will be held at 11:00am on 2 November 2020 at 11.00am (AEST) (**Meeting**).

The Company is pleased to provide Shareholders with the opportunity to participate in the Meeting virtually through an online platform at https://agmlive.link/CAP20. Further information on how to participate in the Meeting online is set out in Section 2 of this Notice of Meeting.

An Explanatory Memorandum, Independent Expert's Report, Independent Technical Expert's Report and Proxy Form accompany this Notice and provide additional information on the Proposed Transaction and the Resolutions to be considered at the Meeting. The Explanatory Memorandum, Independent Expert's Report, Independent Technical Expert's Report and Proxy Form form part of this Notice and should be read in conjunction with it.

Capitalised terms used in the Notice are defined in Schedule 1 (Definitions).

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on 30 October at 6.00pm (AEST).

You are encouraged to complete, sign and deliver the accompanying Proxy Form and return it in accordance with the instructions set out below.

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AGENDA

Financial Statements and Directors' Report

The financial statements, Directors' Report and Auditor's Report for the year ended 30 June 2020 are to be tabled.

RESOLUTIONS

1. Adoption of Remuneration Report (Non-binding)

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

"*That for the purposes of section 250R(2) of the Corporations Act and for all other purposes the remuneration report for the Company for the year ended 30 June 2020 be adopted*."

The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

In accordance with section 250(R) of the Corporations Act, a vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

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

(a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or

(b) the person is the Chairman and the appointment of the Chairman as proxy:

  (i) does not specify the way the proxy is to vote on Resolution 1; and

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

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

2. Re-election of Paul Cholakos as a Director

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

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

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

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3. Re-election of Peter Graham as a Director

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

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

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

4. Re-election of Linda Lau as a Director

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

"*That Ms Linda Lau, having been appointed as a Director in accordance with Clause 11.11 of the Constitution by resolution of the Board, retires in accordance with the Clause 3.3 of the Constitution and being eligible, offers herself for election, be re-elected as a Director of the Company*."

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

5. Approval for acquisition of Relevant Interest in Shares

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

'That, subject to Resolution 6 being passed and pursuant to and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes (including for the purposes of Exception 8 of Listing Rule 7.2), Shareholders approve the acquisition by Pure Metals (and, therefore, also by Ms Lau and Mr Cheung) of a Relevant Interest in a total of 90,800,000 Shares on completion of the Sale and Purchase Agreement on the terms and conditions set out in the Explanatory Memorandum.'

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Pure Metals and by and/or on behalf of any Associate of Pure Metals.

However, the Company need not disregard a vote cast in favour of this Resolution if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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

6. Approval to acquire a substantial asset from Pure Metals

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

'That, subject to Resolution 5 being passed and pursuant to and in accordance with Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire the Joint Venture Interest from Pure Metals and to ratify the Company's entry into the New Hawsons Iron Project Joint Venture Agreement with Starlight on the terms and conditions set out in this Explanatory Memorandum.'

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Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 6 by and/or on behalf of Pure Metals and of Starlight and any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a holder of ordinary securities in the Company), and any person who is an Associate of either of those persons.

However, the Company need not disregard a vote cast in favour of this Resolution if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

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

(c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

    (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and

    (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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

7. Modification of Company's Constitution

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

'That, with effect from the close of the Meeting and in accordance with section 136(2) of the Corporations Act and for all other purposes, the Company's Constitution be modified by making the amendments described in the Explanatory Memorandum with effect upon Shareholders passing the Resolution.'

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

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

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

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

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 8 by a person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, and any associates of those persons.

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

However, the Company need not disregard a vote cast on this Resolution 8 by a person described above if:

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

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

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

BY ORDER OF THE BOARD

Bob Hair
Company Secretary
Carpentaria Resources Limited

Dated: 2 October 2020

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CARPENTARIA RESOURCES LIMITED

ACN 095 117 981

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 11:00am (AEST) on 2 November 2020.

The purpose of the Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions set out in this Notice.

An Independent Expert's Report, Independent Technical Expert's Report and Proxy Form accompany this Notice and provide additional information on the Proposed Transaction and the Resolutions to be considered at the Meeting.

This Explanatory Memorandum, Independent Expert's Report, Independent Technical Expert's Report and Proxy Form form part of the Notice and should be read in conjunction with it and should be read in their entirety.

Capitalised terms used in this Explanatory Memorandum have the meaning given to them in Schedule 1.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum, Independent Expert's Report and Independent Technical Expert's Report carefully before deciding how to vote on the Resolutions.

2.1 Voting in person subject to self-isolation rules and large gathering restrictions being lifted

Due to the self-isolation rules and large gathering restrictions put in place by the Federal Government as at the date the Meeting was called, there will be no voting in person and Shareholders are urged to vote by proxy and must ensure that their proxies are received by the Company by no later than 11.00am (AEST) on 31 October 2020.

Voting on the Resolutions at the Meeting will be conducted by poll. Further details of the poll will be provided at the Meeting.

In the event that the Federal Government's self-isolation and large gathering restrictions are lifted before the date of the Meeting, we will lodge an ASX announcement and update our website regarding the voting arrangements for the Meeting.

2.2 Proxies

(a) Voting by proxy

To vote by proxy, either

(i) vote online at https://investorcentre.linkmarketservices.com.au/Login/Login,

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or please complete and sign the Proxy Form enclosed and either:

(ii) deliver the Proxy Form by post to Link Market Services Limited at Locked Mail Bag A14, Sydney South New South Wales 1235, Australia; or

(iii) fax the form to Link Market Services Limited on facsimile number +61 2 9287 0309,

so that it is received not later than 11.00am (AEST) on 31 October 2020. Proxy Forms received later than this time will be invalid.

Please note that:

(i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;

(ii) a proxy need not be a member of the Company; and

(iii) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

(b) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

(i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);

(ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands;

(iii) if the proxy is the chairman of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and

(iv) if the proxy is not the chairman - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(c) Transfer of non-chair proxy to chairman in certain circumstances

Section 250BC of the Corporations Act provides that, if:

(i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;

(ii) the appointed proxy is not the chairman of the meeting;

(iii) at the meeting, a poll is duly demanded on the resolution; and

(iv) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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2.3 Virtual participation

In accordance with Rule 13.7 of the Company's Constitution, and to facilitate Shareholder participation in light of the self-isolation rules and large gathering restrictions, the Chairman has determined that Shareholders will have the opportunity to participate in the Meeting through an online platform.

Shareholders who wish to participate in the Meeting online may do so:

(a) from their computer, by entering the URL in their browser: https://agmlive.link/CAP20; or

(b) from their mobile device by either entering the URL, https://agmlive.link/CAP20, in their browser.

If you choose to participate in the Meeting online, you can log in to the Meeting by entering:

(c) your username is your Link Market internal reference number, which is located on your Proxy Form; and

(d) your password, which is the postcode registered to your holding if you are an Australian Shareholder. Overseas Shareholders will need to enter their country of their registered holding address.

2.4 Forward looking statements

All statements other than statements of historical fact included in this Notice including, without limitation, statements regarding future plans and objectives of the Company are forward-looking statements. When used in this Explanatory Memorandum, forward-looking statements can be identified by words such as 'anticipate', 'believe', 'could', 'estimate', 'expect', 'future', 'intend', 'may', 'opportunity', 'plan', 'potential', 'project', 'seek', 'will' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Notice, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and management of the Company that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and the Listing Rules.

2.5 Enquiries

Shareholders are invited to contact the Company Secretary, Bob Hair on +61(7) 3220 2022 if they have any queries in respect of the matters set out in these documents.

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3. Financial Statements and Directors' Report

The Corporations Act requires the reports of the Directors and of the auditor of the Company and the annual financial report, including the financial statements, to be put before the Meeting. The Corporations Act does not require a vote of Shareholders at the Meeting on the reports or statements. However, Shareholders will be given an opportunity to raise questions on the reports and statements for the year ended 30 June 2020 at the Meeting.

Resolution 1 – Adoption of Remuneration Report

The Remuneration Report is set out in the Directors' Report in the Company's 2020 Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

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

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

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

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

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

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

(a) the person is appointed by writing that specifies how the proxy is to vote on the proposed resolution; or

(b) the person is the Chairman and the appointment of the Chairman as proxy:

  (i) does not specify the way the proxy is to vote on the resolution; and

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

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

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

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

4. Resolution 2 – Re-election of Director

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

In the event that Resolution 2 is passed, the Board will consist of Peter Graham (Chairman and Non-Executive Director), Quentin Hill (Managing Director) and Paul Cholakos (Non-Executive Director).

A profile of Mr Cholakos is provided below.

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

Paul has more than 32 years of resources industry experience, successfully managing complex development projects and operations for leading oil and gas and diversified mining companies, including through executive roles at major Australian oil and gas company Oil Search Limited (ASX:OSH) and Exeter Resources and a variety of operational and commercial roles at MIM Holdings. He has worked in North America, South America and Asia-Pacific. He holds Master of Business Administration and Bachelor of Engineering degrees.

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

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

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

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

5. Resolution 3 – Re-election of Director

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

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A profile of Mr Graham is provided below.

Peter Graham BEc
Non-Executive Chairman

Mr Graham brings to the Board significant knowledge of and experience in the finance industry, including in banking and treasury and corporate advisory. Following university, he worked for Ernst & Young before moving into banking, more specifically, Treasury. Initially with Westpac and then UBS, he provided trading, financing and hedging services to Australian resource companies.

In 1995, Mr Graham moved into equities, commencing as a research analyst covering resource companies. Exposure was also gained to the wagering and gaming and technology sectors. He has since worked in corporate advisory and floated or raised capital for several companies from the late 1990s till now, covering various sectors of the market.

Mr Graham is also Non-Executive Chairman of TZ Limited (ASX: TZL).

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

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

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

6. Resolution 4 – Re-election of Director

Clause 3.3 of the Constitution provides that any Director appointed by the Board automatically retires at the next annual general meeting and is eligible for re-election by that annual general meeting. Accordingly, Resolution 4 seeks the re-election of the Director who retires in accordance with Clause 3.3 of the Constitution, Ms Linda Lau.

A profile of Ms Lau is provided below.

Linda Lau
Non-Executive Director

Ms Lau has been an Australian resident for over 50 years since studying at Australian National University in the 1970s.

Since then Ms Lau has been a corporate consultant for over 30 years, primarily with large corporations such as Newscorp and Mallesons Stephen Jacques. However, it was her experience within the iron and steel industry that was of enormous attraction to the Board.

Included amongst her various roles was setting up China's Anshan Iron & Steel's (now the Ansteel Group) first joint venture in Australia. She was the founding director of Angang Australia Pty Ltd. Ms Lau has also acted as adviser and/or consultant to other major resource companies, with a particular focus on the iron and steel industry.

As at the date of this Notice, Ms Lau has a Relevant Interest in 1,550,735 Shares[4].

[4] These Shares are held by Best Expand (defined below), a Hong Kong-incorporated company which Ms Lau owns and controls.

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Shareholders should also note that on or immediately prior to Completion of the Proposed Transaction, and in addition to being a director of Pure Metals, Ms Lau will acquire 50% of the shares in Pure Metals. As a result of the acquisition of these Pure Metals shares, Ms Lau will also therefore acquire a Relevant Interest in the 90,800,000 Consideration Shares issued to Pure Metals. Please see Section 8.2 for further information.

On Completion of the Proposed Transaction, Ms Lau will have a total Relevant Interest in 92,350,735 Shares (equivalent to 25.237% of the Company's issued equity capital)[5].

The Directors (other than Ms Lau, who abstains from making any recommendation in relation to the Resolution) recommend that Shareholders vote IN FAVOUR of Resolution 4.

7. Conditional Resolutions

Resolutions 5 and 6 (each a **Conditional Resolution**) are inter-conditional, meaning that each Resolution will only take effect if both of the Conditional Resolutions are approved by the requisite majority of Shareholders' votes at the Meeting.

If either of the Conditional Resolutions are not approved at the Meeting, neither of the Conditional Resolutions will take effect. For the avoidance of doubt, the Conditional Resolutions will be withdrawn and of no effect if Shareholders only approve one of the two Conditional Resolutions.

Accordingly, Resolutions 5 and 6 should be considered together as well as individually.

INDEPENDENT EXPERT'S REPORT

Shareholders should carefully consider the report prepared by the Independent Expert attached to this Notice at Annexure C (**Independent Expert's Report**) for the purposes of considering whether to vote in favour of the Conditional Resolutions. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transaction the subject of this Resolution to the Non-Associated Shareholders of the Company.

The Independent Expert considers the Proposed Transaction the subject of this Resolution to be NOT FAIR BUT REASONABLE[6].

8. Background to the Transaction

8.1 Acquisition of Joint Venture Interest in Hawsons Iron Project

On 2 September 2020, the Company announced that it had entered into a sale and purchase agreement dated 1 September 2020 (**SPA**) with Pure Metals and into a number of other arrangements (including, its entry into the New Hawsons Iron Project Joint Venture Agreement with Starlight) in relation to the Hawsons Iron Project. Under the SPA, Pure Metals has agreed to sell, and the Company has agreed to acquire, Pure Metals' 24.149% interest (**Joint Venture Interest**) in the Hawsons Iron Project Joint Venture (**Proposed Transaction**).

The Joint Venture Interest represents all of Pure Metals' interest in the Hawsons Iron Project joint venture which was established under the Exploration Joint Venture Agreement (Hawsons Iron Project) dated 4 May 2013 that was announced on the ASX on 6 May 2013.

[5] Given that Ms Lau will, on or immediately before Completion of the Proposed Transaction, jointly control Pure Metals, Ms Lau will acquire a Relevant Interest in the 90,800,000 Shares to be issued to Pure Metals.

[6] Please see the Independent Expert's Report (which is attached to this Notice at Annexure C) for further detail in relation to the Independent Expert's opinion.

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In consideration for the transfer of the Joint Venture Interest, the Company has agreed to issue Pure Metals (or its nominees) with 90,800,000 Shares (**Consideration**), subject to satisfaction of the following matters (i) Shareholders approving each of the Conditional Resolutions, (ii) the satisfaction (or waiver) of the Conditions Precedent (as to which, please see Section 9 below) and (iii) the Proposed Transaction not being opposed by the Foreign Investment Review Board (**FIRB**). On completion of the SPA, the Company will own 93.963% of the legal and beneficial interest in, and title to, the Hawsons Iron Project.

As noted above, and in addition to its entry into the SPA, the Company also entered into the New Hawsons Iron Project Joint Venture Agreement with Starlight on 1 September 2020. The New Hawsons Iron Project Joint Venture Agreement will commence on Completion on so long as Shareholders ratify the Company's entry into that agreement by passing Resolution 6. A summary of the New Hawsons Iron Project Joint Venture Agreement is referred to in Section 11.

Shareholders should be aware that each of the Conditional Resolutions (i.e. Resolutions 5 and 6) are conditional on Shareholders approving both of the Conditional Resolutions. For the avoidance of doubt, the Conditional Resolutions will be withdrawn and of no effect if Shareholders do not approve both of the Conditional Resolutions.

For detailed information in relation to the nature of the New Hawsons Iron Project, please see the Company's ASX announcement dated 28 July 2020 titled "Hawsons Prefeasibility Study Results". For further information relation to the New Hawsons Iron Project Joint Venture Agreement, please see Section 4.4 of the Independent Expert's Report.

8.2 Cheung / Lau Restructure Agreement

The Company understands that at the end of August 2020, Ample Source[7] (on its own behalf), Ample Source (on behalf of the Pure Metals Trust[8]), Mr Edward McCormack[9], Ms Lau and Mr Cheung entered into an agreement (**Cheung / Lau Restructure Agreement**) pursuant to which (and subject to FIRB notification and no-objection), the shares in Pure Metals that are currently owned by Ample Source (on its own behalf), Ample Source (on behalf of the Pure Metals Trust) and Mr McCormack will be transferred to Ms Lau and Mr Cheung such that on or immediately before Completion of the Proposed Transaction, Ms Lau and Mr Cheung will each own 50% of the shares in Pure Metals in their own names. All references in this notice of meeting to the shareholders of Pure Metals on Completion of the Proposed Transaction assumes therefore that the Cheung / Lau Restructure has or will complete in accordance with the terms of the terms of the Cheung / Lau Restructure Agreement.

8.3 Pure Metals and its Associates

The persons noted in the table below are (or have been deemed as) "Associates" (as that term is defined in the Corporations Act) of Pure Metals for the purposes of the transaction the subject of Resolution 5. The circumstances giving rise that "Association" are also noted in the table below[10].

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[7] As noted elsewhere in this Notice, Mr Cheung is also the sole shareholder and sole director of Ample Source.

[8] The Pure Metals Trust is a discretionary trust with named beneficiaries including Edward McCormack, Ample Source, Silvergate, Mr Cheung and Ms Lau.

[9] Mr McCormack only held 1 Share in Pure Metals in his own name. Mr McCormack is a former director of Silvergate and has a Relevant Interest in 35,000 Shares.

[10] As noted in Section 8.2, the table referred to in Section 8.3 assumes that the Cheung / Lau Restructure Agreement completes in accordance with its terms on or immediately before Completion of the Proposed Transaction.

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Person	Nature of Association
Ms Linda Lau (referred to herein as **Ms Lau**) Ms Lau is also the Director the subject of Resolution 4 As at the date of this Notice, Ms Lau has a Relevant Interest in 1,550,735 Shares (equivalent to 0.564% of the Company's issued capital)	Director and 50% shareholder of Pure Metals (Section 11(a) of the Corporations Act)
Mr Wilson Wai Yin Cheung (referred to herein as **Mr Cheung**) As at the date of this Notice, Mr Cheung has a Relevant Interest in 20,979,506 Shares (equivalent to 7.625% of the Company's issued capital)	Director and 50% shareholder of Pure Metals (Section 11(a) of the Corporations Act)
Ample Source International B.V. (**Ample Source**) As at the date of this Notice, Ample Source has a Relevant Interest in 20,979,506 Shares (equivalent to 7.625% of the Company's issued capital)	Mr Cheung is the sole shareholder and sole director of Ample Source[11] (Sections 12 to 15 of the Corporations Act)
Silvergate Capital Pty Ltd ACN 158 538 580 (**Silvergate**) As at the date of this Notice, Silvergate holds 20,979,506 Shares (equivalent to 7.625% of the Company's issued capital)	Silvergate is a wholly owned subsidiary of Ample Source (Sections 12 to 15 of the Corporations Act)
Best Expand Investments Limited (**Best Expand**) As at the date of this Notice, Best Expand owns 1,550,735 Shares (equivalent to 0.564% of the Company's issued capital)	Best Expand is owned and controlled by Linda Lau (Section 12(2)(c) Corporations Act)
Mr Andrew Chan As at the date of this Notice, Mr Chan has a Relevant Interest in 20,979,506 Shares (equivalent to 7.625% of the Company's issued capital)	Mr Chan[12] is the sole director of Silvergate and is also the son of Ms Linda Lau, a director of both Pure Metals and the Company. (Section 12(2)(c) Corporations Act)

Each of the persons referred to in the above noted table are excluded from voting on Resolution 5 and 6.

[11] As noted in Section 8.2, and immediately prior to the completion of the Cheung / Lau Restructure Agreement, Ample Source held (including a proportion which was held on trust for the beneficiaries of the Pure Metals Trust) approximately 80% of Pure Metals' issued share capital. As noted in Section 8.2 however, this holding will be transferred to Ms Lau and Mr Cheung personally (and in equal proportions) on or immediately prior to Completion of the Proposed Transaction.

[12] Mr Chan replaced Mr McCormack as the sole director of Silvergate on or about 22 September 2020. Mr Chan does not own any Shares in his own name and nor does he control any other company/entity that owns any Shares (whether legally or beneficially) in the Company.

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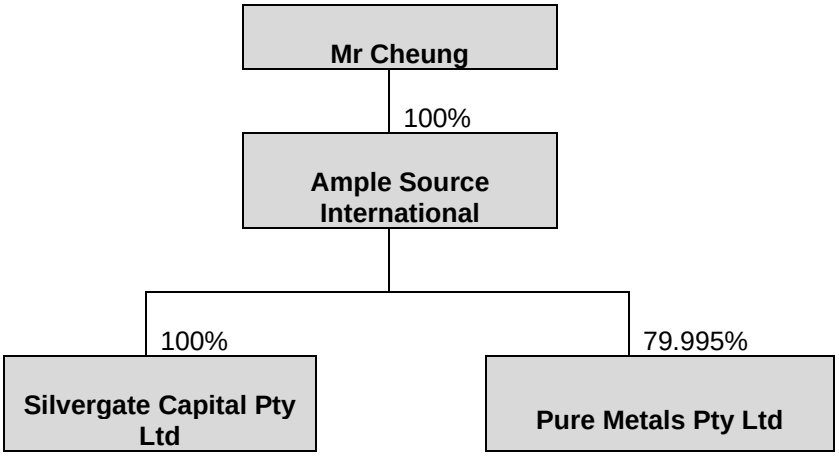
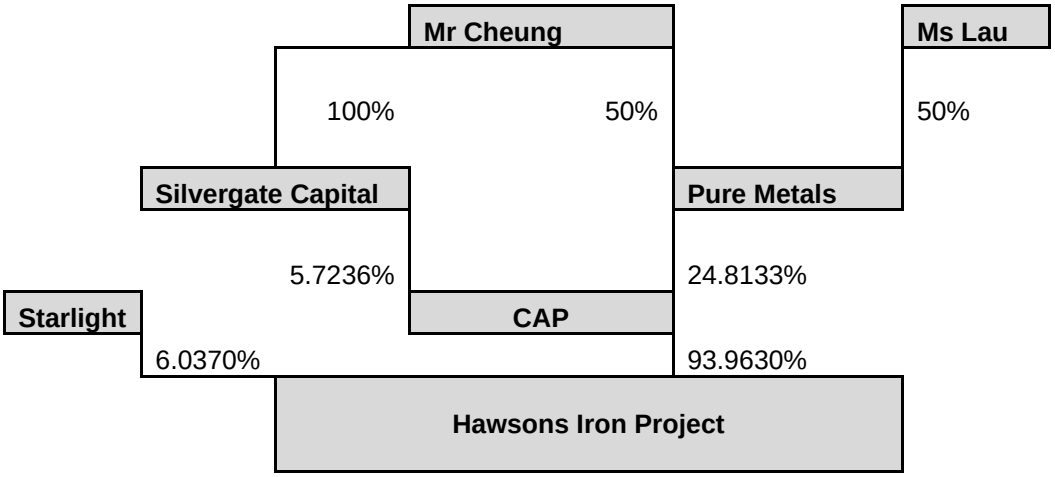
Set out below is a structure diagrams that demonstrate the ownership of Pure Metals and its Associate, Silvergate (as described above) both as at the date of this Notice and after completion of the PM Restructure Deed and the Cheung / Lau Restructure.



Post-restructure:



Mr Cheung is also the Chairman and CEO of Merdeka Financial Group Limited, a company headquartered in Hong Kong that offers financial, information technology and consumer products services. Mr Cheung has served as a director with various Hong Kong listed companies and has had over twenty years' experience in audit, business development and corporate finance. Mr Cheung is currently a member of the Hong Kong Institute of Certified Public Accountants.

Subject to shareholder approval of the Conditional Resolutions, Pure Metals will hold, and under section 608(3)(b) of the Corporations Act, Mr Cheung (because he controls both Silvergate and Pure Metals) will be deemed to hold, a Relevant Interest in approximately 90,800,000 Shares and 111,779,506 Shares, respectively. Ms Lau will also be deemed to hold a Relevant Interest in the 90,800,000 Shares as a consequence of her ability to control Pure Metals. The total Relevant Interests on Completion of Ms Lau and Mr Cheung are noted in the table below.

The table below sets out the indicative Share capital structure of the Company following Completion and assumes that no Shares are issued, or Options exercised, prior to Completion.

	Shares held (As at date of Notice)	**Percentage** (As at date of Notice)	**Shares held** (As at date of Completion)	**Percentage** (As at date of Completion)	**Relevant Int.** (As at date of Completion)	**Relevant Int.** (As at date of Completion)
Pure Metals	0	N/A	90,800,000	24.813%	90,800,000	24.813%
Ms Lau	0	N/A	0%	0%	92,350,735	25.237%
Mr Cheung	0	N/A	0%	0%	111,779,506	30.546%
Ample Source	0	N/A	0%	0%	20,979,506	5.733%
Silvergate	20,979,506	7.625%	20,979,506	5.733%	20,979,506	5.733%
Best Expand	1,550,735	0.564%	1,550,735	0.424%	1,550,735	0.424%
Andrew Chan	20,979,506	7.625%	20,979,506	5.733%	20,979,506	5.733%
Total Group	22,530,241	8.189%	113,330,241	30.970%	113,330,241	30.970%

Notes:

1. Given that Ms Linda Lau jointly controls Pure Metals, Ms Linda Lau will, on Completion of the Proposed Transaction and because of the operation of section 608(3) of the Corporations Act, also be deemed to have a Relevant Interest in the 90,800,000 Shares that will be issued to Pure Metals. Given that Ms Lau owns and controls Best Expand, Ms Lau therefore will have a Relevant Interest in a total of 92,350,735 Shares (equivalent to 25.237% of the Shares on Completion).

2. Given that Mr Cheung jointly controls Pure Metals, Mr Cheung will, on Completion of the Proposed Transaction and because of the operation of section 608(3) of the Corporations Act, also be deemed to have a Relevant Interest in the 90,800,000 Shares that will be issued to Pure Metals. Given that Mr Cheung controls Silvergate[13], Mr Cheung therefore will have a Relevant Interest in a total of 111,779,506 Shares (equivalent to 30.546% of the Shares on Completion).

3. Given that Mr Chan is the sole director of Silvergate, Mr Chan has a Relevant Interest in the 20,979,506 Shares held by Silvergate. . This means that Mr Chan will have a Relevant Interest in 5.733% of the Shares on Completion. As noted above however, Ample Source (an entity which is owned and controlled by Mr Cheung) owns 100% of Silvergate.

[13] Mr Cheung controls Silvergate because he controls Ample Source (ie the entity which owns 100% of Silvergate's issued share capital). This is the case even though Mr Chan is the sole director of Silvergate.

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As at the date of this Notice, the Company has a total of 12,600,000 Options, comprising:

Tranche	Expiry Date	Exercise Price	Vesting Condition
1,825,000 Options	14 December 2021	$0.20	On satisfaction of the company meeting certain performance milestones (as approved by Shareholders at the 2016 annual general meeting).
500,000 Options	4 July 2023	$0.15	On satisfaction of the Company meeting the performance milestones disclosed in Annexure 1 of the Company's 2016 notice of annual general meeting.
625,000 Options	4 July 2023	$0.25	
150,000 Options	4 July 2023	$0.40	
200,000 Options	4 July 2023	$0.50	
2,200,000 Options	14 November 2023	$0.15	On the satisfaction of the Company meeting the performance milestones disclosed in Annexure 1 of the Company's 2018 notice of annual general meeting
2,500,000 Options	14 November 2023	$0.25	
1,400,000 Options	14 November 2023	$0.40	
3,400,000 Options	14 November 2023	$0.50	

Please refer to Section 9 for a summary of the material terms of the SPA.

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9. Material Terms of SPA

The key terms of the SPA are set out in the table below.

Term	SPA
Conditions Precedent	Each of the following conditions precedent (**Conditions Precedent**) will need to be satisfied or waived in accordance with the SPA before Completion may occur: **1. <u>Transfer of Starlight Hawsons Interest to Starlight</u>** The completion of the Pure Metals Restructure Deed (**PM Restructure CP**). **2. <u>New Hawsons Iron Project Joint Venture Agreement</u>** The execution and delivery by the Company and Starlight of the New Hawsons Iron Project Joint Venture Agreement, which agreement will, come into effect upon Completion. **3. <u>Shareholder approval</u>** Shareholders approving (or in the case of Condition Precedent 3(c), ratifying): (a) Pure Metals and its Associates acquiring a Relevant Interest in the Company for the purposes of item 7, section 611 of the Corporations Act and for all other purposes (including for the purposes of Exception 8 of Listing Rule 7.2); (b) the acquisition by the Company of the Joint Venture Interest from Pure Metals under Listing Rule 10.1; and (c) the Company's entry into the New Hawsons Iron Project Joint Venture Agreement. **4. <u>FIRB Approval</u>** Pure Metals has lodged a notification with the Foreign Investment Review Board (**FIRB**) and either: (a) the Treasurer has provided a written no objection notification to the Proposed Transaction either without conditions or with conditions accepted by Pure Metals and the Company acting reasonably; or (b) following notice of the Proposed Transaction having been given by Pure Metals to the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FAT Act**), the Treasurer has ceased to be empowered to make any order under Part 3 of the FAT Act because the applicable time limit on making orders and decisions under the FAT Act has expired.

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Term	SPA
Consideration	The Company will issue 90,800,000 Shares to Pure Metals in consideration for the acquisition of the Joint Venture Interest.
Completion deliverables	On Completion, Pure Metals must deliver to the Company all documentation that is necessary to give effect to the transfer of the Joint Venture Interest, including but not limited to: (a) duly executed instruments of transfer or assignment and assumption required to vest legal and beneficial title in the Joint Venture Interest in the Company in registrable form; (b) duly executed counterpart of the deed of cross security between Pure Metals and the Company to secure their respective performance under the Hawsons Iron Project Joint Venture; (c) evidence to the reasonable satisfaction of the Company that all encumbrances (if any) over the Joint Venture Interest has been discharged; and (d) all records and mining information that are relevant to the Joint Venture Interest.
Termination	The SPA may be terminated before Completion in any of the following circumstances: (a) by Company or Pure Metals if: (i) that party has complied with its obligations to satisfy the Conditions Precedent; and (ii) one of the following applies: (A) the PM Restructure CP is not satisfied before 5 Business Days after the other Conditions Precedent are satisfied or waived (as applicable) or as otherwise agreed by the Company or Pure Metals; or any other Condition Precedent is not satisfied or waived (as applicable) on or before 7 months after 1 September 2020 or such later date as agreed by the Company or Pure Metals; (b) one of the following events occurs before Completion and remains unremedied 10 Business Days after notice of that event is given by the non-defaulting party:

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Term	SPA
	(i) a party fails to Complete or perform or observe any material covenant, agreement or obligation or breaches a warranty under the SPA; (ii) the Company ceases to be admitted to the official list of the ASX or suffers an insolvency event or the trading of the ordinary shares of the Company is suspended (except with the prior written consent of Pure Metals); (iii) the Company fails to issue the Consideration Shares at Completion.
Governing law	New South Wales

The SPA also contains additional provisions, including warranties and indemnities which are considered standard for an agreement of this nature.

10. Material terms of the PM Restructure Deed

The key terms of the PM Restructure Deed are set out in the table below.

Term	PM Restructure Deed
Conditions Precedent	(a) the shareholders of Pure Metals pass a resolution in accordance with section 257D of the Corporations Act authorising the selective share buy-back in accordance with the terms of that document; and (b) either: (i) Starlight and the Company execute the New Hawsons Iron Project Joint Venture Agreement and SPA Termination has not occurred; or (ii) if the SPA Termination has occurred, Pure Metals, Starlight and Starlight execute the restatement of the Hawsons Iron Project Joint Venture Agreement.
Consideration	Pure Metals agrees to buy-back the Shares from Starlight, and Starlight agrees to sell Starlight's Pure Metals shares to Pure Metals in consideration of the transfer by Pure Metals of 6.037% interest in the HIP Joint Venture.
Consent and undertaking	(a) The Company consents for the purposes of Clause 10.1(a) of the Hawsons Iron Project Joint Venture Agreement to the sale and transfer to Starlight of the 6.037% interest in the HIP Joint Venture.

	(b) The Company undertakes following completion to assist Starlight to have its HIP Joint Venture interest noted on the relevant titles in accordance with section 161 of the *Mining Act 1992 (NSW)*.
Releases and indemnities	(a) Pure Metals and Starlight give releases and indemnities in respect of the interests being transferred; and (b) The Company agrees to give certain releases and indemnities to Starlight in respect of claims or liabilities accruing before completion in respect of the 6.037% interest in the HIP Joint Venture being transferred to Starlight.
Repayment of loan	Pure Metals agrees to repay to Starlight a shareholders' loan.

11. Material terms of the New Hawsons Iron Project Joint Venture Agreement

The material terms of the New Hawsons Iron Project Joint Venture Agreement are set out in Section 4.4 of the Independent Expert's Report.

12. Independent Expert's Report

The Company has engaged BDO Corporate Finance Ltd ACN 010 185 725 (**Independent Expert**) to prepare an independent expert's report to provide an opinion as to whether or not Pure Metals' acquisition of the Relevant Interest is fair and reasonable to the Non-Associated Shareholders.

The Independent Expert's Report was prepared to satisfy the recommendation of ASIC Regulatory Guide 74 (Acquisitions approved by members) (**ASIC RG 74**) in relation to Resolution 5 and to satisfy the requirement in Listing Rule 10.5.10 in relation to the provision of an independent expert's report. If Shareholders approve Resolutions 5 and 6, Ms Lau and Mr Cheung will also be deemed to acquire a Relevant Interest in more than 20% of the Company due to their control over Pure Metals and Silvergate as detailed in this Notice.

The Independent Expert assessed Pure Metals and its Associates', Ample Source, Ms Lau, Mr Cheung, Silvergate, EMC Resources and Best Expand, acquisition of the Relevant Interest and concluded that the Transaction is NOT FAIR BUT IS REASONABLE.

The Directors recommend that you read the Independent Expert's Report in full, a copy of which is in Annexure C.

As part of the Independent Expert's Report, CSA Global Pty Ltd ACN 077 165 532 prepared a Specialist's Report to provide an independent Technical Assessment and Valuation report on the Hawsons Iron Project. The Independent Technical Expert's Report was prepared in accordance with the VALMIN Code and is in Appendix B of the Independent Expert's Report attached to this Notice in Annexure C.

12.1 Basis of the Independent Expert's Report

Below is a summary of some of the advantages and disadvantages of Pure Metals (and therefore, technically, also Ms Lau and Mr Cheung) acquiring the Relevant Interest in the Company. Please refer to the Independent Expert's Report at Annexure C for the advantages and disadvantages in full.

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(a) **Advantages**

(i) If the Proposed Transaction is approved by Shareholders, the Non-Associated Shareholders will continue to be exposed to the Company projects, including the Hawsons Iron Project.

(ii) The Board is of the view that consolidation of the ownership of the Hawsons Iron Project as a result of the Proposed Transaction is in the view of numerous potential equity funding institutions, strategic investors and project financiers a necessary step in order to progress the Hawsons Iron Project significantly.

(iii) The Board is of the view that the proposed ownership structure of the Hawsons Iron Project by the Company simplifies the investment case for the Hawsons Iron Project by reducing legal, valuation and project finance uncertainty and creates more commercial freedom in structuring investment and will not require navigating the contracts, agreements and counterparty risk associated with the current Joint Venture.

(iv) The Board is of the view that if the Proposed Transaction is approved by Shareholders, any counterparty risk and legal obstructions associated with the current ownership structure of the Hawsons Iron Project will be removed.

(v) If the Proposed Transaction is approved by Shareholders, Pure Metals will become a Shareholder and will be incentivised to assist the Company in achieving its objectives, particularly regarding the development of Hawsons Iron Project.

(vi) The Board is of the view that the proposed ownership structure of the Hawsons Iron Project by the Company creates greater value because the whole asset is worth more than the sum of its parts as a premium is generally ascribed by the market for certainty and simplicity.

(vii) In the period since 2014, the Company has followed an offtake-led strategy taking critical project development steps, including securing non-binding letters of intent to buy iron ore from tier one steelmakers, upgrading the resource and completing the 2017 prefeasibility study, which positioned the Hawsons Iron Project as the world's leading of its type according to analysts Wood Mackenzie. On 6 August 2018, the Company announced that Mitsui & Co Ltd had committed A$5.4m of the feasibility study funding, subject to the Company raising the remainder of bankable feasibility study funding. Despite being widely recognised as the number one undeveloped high quality iron ore project, discussions with potential equity funding institutions, strategic investors and project financiers identified the ownership structure of the asset, uncertainties associated with the intentions and ability to finance of Pure Metals and inability to transact at the asset level as impediments to feasibility study investment. Notwithstanding these impediments, the Company has developed a market of willing product buyers with some intending to negotiate a role at the end of the bankable feasibility study. Consolidation of asset ownership will remove these impediments, materially improve the investment case and widen the pool of potential investors, meaning a second offtake investor is more likely.

(viii) If the Proposed Transaction is approved by Shareholders, the Non-Associated Shareholders will retain a controlling interest in the Company (being approximately 69% of the issued share capital of the Company).

(ix) In light of the advantages set out above, the Proposed Transaction will increase the chance of receiving a future takeover offer for the Company and/or the Hawsons Iron Project.

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(b) **Disadvantages**

(i) Dilution of Shareholders' interest

As at the date of this Notice, Non-Associated Shareholders hold 91.811% of the issued capital in the Company. Subject to the Conditional Resolutions being approved and the Completion of the Proposed Transaction, Shareholders will be diluted by 22.781% and will hold 69.030% of the issued capital in the Company on Completion.

Unless Pure Metals and its Associates sell down their Shares (in whole or in part), Pure Metals and its Associates will continue to have a Relevant Interest in more than approximately 30% of the Company unless, or until such a time that, the Company carries out further capital raisings which may have the effect of diluting Pure Metals and its Associates' aggregate Relevant Interest.

(ii) Restriction of special resolutions by Pure Metals

If the Proposed Transaction is approved by Shareholders, Non-Associated Shareholders will not be able to pass special resolutions without the support of Pure Metals. Special resolutions require 75% of Shareholders' votes cast to be in favour of the resolution to pass the resolution.

Resolutions that require a special majority include, but are not limited to, amending the constitution, certain changes to the Company's capital structure (for example, by issuing preference shares), change of control via scheme of arrangement and entering into external administration or winding up.

(iii) Uncertain future for Hawsons Iron Project

If the Transaction were not to proceed, the Board views this as a missed opportunity to complete a necessary step for development and be faced with stark choices. The Board might choose to put the Hawsons Iron Project on care and maintenance and steer a new path for the Company; it might sell the Company's 70% joint venture interest to a third party; or it might continue efforts to move the project forward, prospects of which are uncertain, and which, under current valuations, would erode the upside for Shareholders.

(iv) Non-recoverable costs and loss of opportunity to consolidate Hawsons Iron Project

The Company has incurred significant costs in relation to the Proposed Transaction. The Company will not be able to recover the costs that it has incurred in relation to the Proposed Transaction, irrespective of whether or not the Proposed Transaction is approved. The Board considers consolidation of the ownership of Hawsons Iron Project is an important development step to further advance the project. Shareholders should be aware that if the Proposed Transaction is not approved, there is no guarantee there will be another opportunity to consolidate the ownership of the Hawsons Iron Project on similar or better terms to the Proposed Transaction.

(c) **Other Factors**

(i) Avoidance of Takeover Bid

Approval of Resolution 5 enables Pure Metals (and also, as a technical securities law matter (albeit, indirectly), Ms Lau and Mr Cheung) to acquire the Relevant Interest in the Company without making a formal takeover bid for the Company. If the Proposed Transaction is approved by Shareholders, Pure

Metals and its Associates' combined increased Relevant Interest in the Company of a total of approximately 30.970% may reduce the chance of Shareholders receiving a takeover offer for their Shares without the support of Pure Metals and its Associates. In particular, Pure Metals alone will have the ability to unilaterally block the approval of a change of control by way of a scheme of arrangement, which requires a special resolution of shareholders.

13. Independent Technical Expert's Report

A Technical Expert's Report has been prepared by CSA Global Pty Ltd in connection with the Company's assets. A full copy of the Independent Technical Expert's Report accompanies this Notice and can be found at Appendix B of the Independent Expert's Report at Annexure C.

14. Resolution 5 - Approval for Pure Metals, Ms Lau and Mr Cheung to acquire a Relevant Interest in the Consideration Shares

14.1 General

Subject to Shareholders approving the Conditional Resolutions, Pure Metals (and therefore, technically, also Ms Lau and Mr Cheung) will acquire a Relevant Interest in 90,800,000 Shares equivalent to 24.813% of the Company's issued share capital on Completion.

Please refer to Sections 8 and 9 for a summary of the Proposed Transaction and material terms of the SPA respectively.

14.2 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

(a) a related party;

(b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the Company;

(c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or

(e) a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains approval from shareholders.

The Company will not seek shareholder approval for Listing Rule 10.11 in reliance of Listing Rule 10.12 (Exception 6). Listing Rule 10.12 (Exception 6) exempts listed entities from seeking shareholder approval under Listing Rule 10.11 if the issue of securities is approved by shareholders pursuant to Item 7 section 611 of the Corporations Act[14].

[14] Furthermore, the Company will not seek shareholder approval of the issuance of the Consideration Shares to Pure Metals under Listing Rule 7.1 in reliance on Exception 8 of Listing Rule 7.2. Exception 8 of Listing Rule 7.2

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The Company is seeking shareholder approval for Pure Metals (and, as a technical securities law matter, for Ms Lau and Mr Cheung) to acquire a Relevant Interest in the Consideration Shares pursuant to Item 7 section 611 of the Corporations Act. The Board considers it is unnecessary therefore to also seek a separate shareholder approval under Listing Rule 10.11 or Listing Rule 7.1 due to the operation of Listing Rule 10.12 (Exception 6) and Listing Rule 7.2 (Exception 8), respectively.

14.3 Section 611 of the Corporations Act

Section 606 of the Corporations Act contains a prohibition on a person acquiring a Relevant Interest in issued voting shares in a listed company through a transaction which results in the person's voting power in the Company:

(a) increasing from below 20% to more than 20%; or

(b) increasing from a starting point of more than 20% to a higher percentage,

unless a specific exemption applies.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an 'associate' of the other person (**first person**) if:

(a) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:

  (i) a body corporate the first person controls;

  (ii) a body corporate that controls the first person; or

  (iii) a body corporate that is controlled by an entity that controls the person;

(b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

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also exempts an entity from seeking an approval under Listing Rule 7.1 if that issuance is approved in accordance with the requirements of item 7 of section 611 of the Corporations Act.

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(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(a) a body corporate in which the person's voting power is above 20%;

(b) a body corporate that the person controls.

An acquisition of a Relevant Interest (such as the acquisition of the Consideration Shares by Pure Metals as is contemplated in this Notice and accompanying documents) under section 606 is not prohibited if it has been approved by a resolution at a general meeting of the listed entity under section 611 item 7 of the Corporations Act.

As demonstrated in the table in Section 8.3 and in the table below, Pure Metals will be issued with 90,800,000 Shares (equivalent to 24.813% of the Company's voting shares) on Completion of the Proposed Transaction. Shareholders should note however that when Pure Metals' holding of 90,800,000 Shares is combined with the holdings of its Associates and other affiliates, the total Relevant Interests of this group of Associates and other affiliates or Pure Metals on Completion of the Proposed Transaction is 113,330,241 (equivalent to 30.970% of the Company's post-Completion issued share capital).

Ms Lau and Mr Cheung (given that they will both jointly control Pure Metals on completion of the Cheung / Lau Restructure Agreement), will both also be deemed to acquire a Relevant Interest in the 90,800,000 Consideration Shares that will be issued to Pure Metals on Completion of the Proposed Transaction. Accordingly, the Company is required to seek Shareholder approval pursuant to item 7 of section 611 of the Corporations Act.

Particulars with respect to the Relevant Interest of Pure Metals and its Associates (and their affiliates) in the Company on Completion are set out below.

Holder of Relevant Interest	Registered Holder of Securities	Nature of Relevant Interest in the Company	Class and number of Securities	Person's votes
Mr Cheung[15]	Pure Metals & Silvergate[16]	Section 608(1)	111,779,506 FPO	111,779,506
Ms Lau	Pure Metals & Best Expand	Section 608(3)	92,350,735 FPO	92,350,735
Pure Metals[17]	Pure Metals	Section 608(1)	90,800,000 FPO	90,800,000
Silvergate	Silvergate	Section 608(1)	20,979,506 FPO	20,979,506
Mr Chan	Silvergate	Section 608(3)	20,979,506 FPO	20,979,506

[15] As noted elsewhere in this Notice, Mr Cheung indirectly controls Silvergate because he owns 100% of the issued share capital of Ample Source which in turn owns 100% of the issued share capital of Silvergate.

[16] As noted elsewhere in this Notice, Silvergate is a wholly owned subsidiary of Ample Source (which in turn is wholly owned by Mr Cheung).

[17] As at the date of this Notice, Pure Metals does not hold any of the Company's Shares. Pure Metals will receive the Consideration Shares on Completion of the Proposed Transaction.

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14.4 Information required by item 7 of section 611 of the Corporations Act and ASIC RG 74

Specific information is required to be provided to Shareholders under item 7 of section 611 of the Corporations Act and ASIC RG 74 when seeking to obtain approval under item 7 of section 611 of the Corporations Act.

In particular, item 7 of section 611 of the Corporations Act and ASIC RG 74 requires that the following information be provided to Shareholders:

(a) **The identity of the person proposing to make the acquisition and their associates**

Subject to Shareholders approving the Conditional Resolutions and Completion occurring, Pure Metals will acquire the Consideration Shares giving it a direct interest (and voting power) in 90,800,000 Shares. As at the date of this Notice however, Pure Metals' does not own any Shares.

The Associates and affiliates of Pure Metals are: Ms Lau, Mr Cheung, Ample Source, Silvergate, Best Expand and Mr Chan.

As noted elsewhere in this Notice, under section 608(3)(b) of the Corporations Act, and subject to Shareholders approving the Conditional Resolutions and Completion occurring, Ms Lau and Mr Cheung, will also both be deemed to acquire a Relevant Interest in the 90,800,000 Consideration Shares that will be issued to Pure Metals. This is because Ms Lau and Mr Cheung will, on completion of the both the Cheung / Lau Restructure Agreement and the Proposed Transaction, jointly control Pure Metals.

(b) **The maximum extent of the increase in that person's voting power in the company that would result from the acquisition**

The maximum extent of the increase in Pure Metal's voting power is 24.813% (ie from 0% to 24.813% on Completion of the Proposed Transaction). Please see the table in Section 8.3 for further detail.

(c) **The voting power that person would have as a result of the acquisition**

On Completion of the Proposed Transaction, Pure Metals will, of itself, have a voting power in 24.813% of the Company.

When Pure Metals' voting power is combined with the voting power of its Associates (Ms Lau, Mr Cheung, Ample Source, Silvergate, Best Expand and Mr Chan), Pure Metals and its Associates will have a combined total voting power of 113,330,241 votes (equivalent to 30.970% of the Company's voting securities).

Please see the table in Section 8.3 and the table in the below Section of this Notice for further detail.

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(d) **The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition**

As noted in the table in Section 8.3, the following person's voting power will increase by the following extents on Completion of the Proposed Transaction:

Person	Voting power (as at the date of Notice)	Increase of voting power	Voting power (on Completion)
Ms Lau	1,550,735 (0.564%)	90,800,000 (24.813%)[18]	92,350,735 (25.237%)
Mr Cheung	20,979,506 (7.625%)	90,800,000 (24.813%)	111,779,506 (30.546%)
Ample Source	20,979,506 (7.625%)	0 (0%)	20,979,506 (5.733%)
Pure Metals	0 (0%)	90,800,000 (24.813%)	90,800,000 (24.673%)
Silvergate	20,979,506 (7.625%)	0 (0%)	20,979,506 (5.733%)
Best Expand	1,550,735 (0.564%)	0 (0%)	1,550,735 (0.424%)
Mr Chan	20,979,506 (7.625%)	0 (0%)	20,979,506 (5.733%)
Total group	22,530,241 (8.189%)	90,800,000 (24.813%)	113,330,241 (30.970%)

(e) **The voting power that each of that person's associates would have as a result of the acquisition**

Please see the table immediately above for detail of each of Pure Metals' Associate's Relevant Interest in Shares on Completion of the Proposed Transaction.

(f) **An explanation of the reasons for the proposed acquisition**

The Company notes that, in accordance with item 7, section 611 of the Corporations Act, it is seeking Shareholder approval for Pure Metals (and also, for Ms Lau and Mr Cheung) to acquire a Relevant Interest in the Company because Pure Metals will be issued the Consideration Shares which, on Completion, will comprise 24.813% of the issued capital in the Company. Please refer to Sections 8 and 9 for further detail on the background to the Transaction and a summary of the material terms of the SPA.

Following the issue of the Consideration Shares to Pure Metals:

(i) Pure Metals will be deemed by the statutory operation of section 606(1) of the Corporations Act to have acquired a Relevant Interest in the Company; and

(ii) Mr Cheung's Relevant Interest will increase by 90,800,000 on Completion following the issuance of the Consideration Shares to Pure Metals. Prior to Completion, Mr Cheung has a Relevant Interest in 7.625% of the Company by virtue of his control of both Ample Power and Silvergate.

[18] This percentage of 24.813% has been calculated by dividing 90,800,000 by 365,932,537 (being the number of Shares the Company expects to have on Completion).

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(g) **When the proposed acquisition is to occur**

Pure Metals will acquire the Consideration Shares on Completion of the Proposed Transaction.

(h) **The material terms of the proposed acquisition**

Refer to Section 9 for a summary of the material terms of the SPA.

(i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their Associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition**

The target is a party to the PM Restructure Deed, under which the acquirer will transfer to Starlight a 6.038% interest in the Hawsons Iron Project Joint Venture. The target and Starlight entered into a new Hawsons Iron Project Joint Venture Agreement, which will come into effect upon completion of the SPA.

There are no other contracts or proposed contracts between the Company and Pure Metals or Silvergate which are conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition other than the SPA. Please refer to Section 9 for a summary of the material terms of the SPA.

(j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition**

The Company understands that Pure Metals does not have a present intention to:

(i) change the business of the Company;

(ii) inject further capital into the Company;

(iii) change the Board of the Company;

(iv) make changes in relation to the future employment of employees of the Company; or

(v) transfer, or redeploy, any assets of the Company.

(k) **Any intention of the acquirer to significantly change the financial or dividend policies of the entity**

The Company understands that Pure Metals does not have a present intention to change the financial or dividend policies of the entity.

(l) **The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph 12.4(k) above**

Ms Linda Lau is a Director of the Company and is also a non-executive director of Pure Metals. Ms Lau's re-election as a Director of the Company is the subject of Resolution 4.

(m) **Details about any person who it is intended will become a director if members approve the acquisition**

Nil

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14.5 Independent Expert's Report

The Independent Expert's Report prepared by BDO Corporate Finance Ltd (a copy of which is attached as Annexure C to this Notice) assesses whether the Proposed Transaction contemplated by Resolution 5 is fair and reasonable to the Non-Associated Shareholders of the Company.

The Independent Expert's Report concludes that the Proposed Transaction is NOT FAIR BUT REASONABLE. Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

14.6 Independent Technical Expert's Report

The Company engaged CSA Global Pty Ltd to provide the Independent Technical Expert's Report in support of the Independent Expert's Report, relating specifically to the following:

(a) a review of the Hawsons Iron Project ore reserves, mineral resources and exploration potential; and

(b) a market valuation of the mineral assets subject to the Hawsons Iron Project.

The preparation of the Independent Technical Expert's Report is in accordance with the VALMIN Code and JORC Code to assist the Independent Expert to form a view on the Proposed Transaction.

The Independent Technical Expert's Report prepared by CSA Global Pty Ltd accompanies the Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and Proxy Form and can be found in Annexure B of the Independent Expert's Report.

14.7 Board recommendation

The Board is not aware of any other information that Shareholders would reasonably require to make a decision whether it is in the best interests of the Company to pass Resolution 5.

The Board recommends that Shareholders vote in favour of Resolution 5 on the basis that the advantages outweigh the disadvantages outlined in Section 10.1 and the IER at Annexure C.

Each Director (and their Associates) who holds Shares and is entitled to vote intends to vote those Shares in favour of Resolution 5.

The Chairman intends to exercise all available proxies in favour of Resolution 5.

15. Resolution 6 - Approval to acquire a substantial asset from Pure Metals

15.1 General

The Company seeks shareholder approval to acquire the Joint Venture Interest from Pure Metals pursuant to Listing Rule 10.1. On Completion, the Company will own 93.963% of the Hawsons Iron Project.

As it is a Condition Precedent under the SPA, the Company is also seeking shareholder ratification of the Company's entry into the New Hawsons Iron Project Joint Venture Agreement with Starlight. The New Hawsons Iron Project Joint Venture Agreement will commence on Completion.

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15.2 Listing Rule 10.1

Listing Rule 10.1 provides that an entity must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of a substantial asset to, any of the following persons without shareholder approval:

(a) a related party;

(b) a child entity;

(c) a person who is, or was at any time, in the 6 months before the transaction, a substantial (10%+) holder in the Company;

(d) an associate of a person referred to in Listing Rules 10.1.1 to 10.1.3; or

(e) a person whose relationship with the Company or a person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by Shareholders.

ASX has indicated that it is in the public interest of Shareholders that the Company seek shareholder approval for the Transaction under Listing Rule 10.1.5 as one of the Directors, Ms Linda Lau, is also a director of Pure Metals (the vendor of the Joint Venture Interest).

An asset is 'substantial' if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the ASX Listing Rules.

The acquisition of the Joint Venture Interest pursuant to the SPA falls within Listing Rule 10.1.5 as it involves the acquisition of a substantial asset. The value of the consideration for the Joint Venture Interest, being the Consideration Shares, constitutes more than 5% of the equity in the Company. For this reason, the Company seeks shareholder approval under Listing Rule 10.1.

15.3 Independent Expert's Report

Shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the Proposed Transaction from an independent expert. The Independent Expert's Report set out in Annexure C concludes that the Proposed Transaction is NOT FAIR BUT REASONABLE to the Non-Associated Shareholders.

15.4 Specific information required by Listing Rule 10.5

The following information in relation to the granting of security is provided to Shareholders for the purposes of Listing Rule 10.5:

Name of person who is acquiring the substantial asset or to whom the entity is disposing of the substantial asset	The Company is acquiring the substantial asset (being the Joint Venture Interest) from Pure Metals pursuant to the SPA. Please see Section 8 for further information in relation to Pure Metals and its Associates. Whilst not technically an "acquisition" which requires approval under Listing Rule 10.1, the Company is however also seeking shareholder ratification of the Company's entry into the New Hawsons Iron Project Joint Venture Agreement with Starlight as it is a Condition Precedent under the SPA that shareholders ratify the New Hawsons Iron Project Joint Venture Agreement. Since shareholder ratification of the New Hawsons Iron Project Joint Venture Agreement is a Condition Precedent to Completion under the SPA, the

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	Company believes that it is appropriate for this ratification to be included in Resolution 6 rather than as a standalone resolution.
Which category in Listing Rules 10.1.1-10.1.5 the person falls within and why	The Company has been advised by ASX that it is in the interests of Shareholders that the Company seek shareholder approval for the Proposed Transaction under Listing Rule 10.1.5 as one of the Directors, Ms Linda Lau, is also a director of Pure Metals (the vendor of the Joint Venture Interest).
Details of the asset being acquired or disposed of	The asset is the Joint Venture Interest. Please refer to Section 8.1 for a summary of the Transaction and for further information in relation to the HIP.
The consideration for the acquisition or disposal	In consideration for the Joint Venture Interest, the Company will issue the Consideration Shares to Pure Metals.
Intended source of funds to pay for the acquisition	Not applicable, as the acquisition of the Joint Venture Interest will be paid for by the issue of the Consideration Shares.
Timetable for completing the acquisition or disposal	The parties intend to complete the SPA within three months of the date the agreement was executed being on or before 1 December 2020.
Material terms of the SPA	Please refer to Section 9 for a summary of the material terms of the SPA.
Independent Expert's Report	The Company has obtained an Independent Expert's Report prepared by the Independent Expert to comment on whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders (being those Shareholders that are eligible to vote on the Resolution 6). The Independent Expert's Report has concluded that the Proposed Transaction is NOT FAIR BUT REASONABLE for Non-Associated Shareholders. The Independent Expert's Report is set out in Annexure C of this Notice.
Independent Technical Expert's Report	The Company has obtained an Independent Technical Expert's Report to assist the Independent Expert to form a view on the Proposed Transaction. The Independent Technical Expert's Report is set out in Appendix B of the Independent Expert's Report which is set out in Annexure C of this Notice.
Consequence of non-approval	If Shareholders do not pass either Resolution 5 or Resolution 6, the Proposed Transaction will not proceed. The Company believes that this outcome would however severely disadvantage the Company as the Proposed Transaction is being pursued by the Company in an attempt to remove some of the previously identified impediments to the development/third-party financing of the HIP. The inability of the Company to procure the external financing it needs has impaired its ability to progress the HIP to the next stage of its development.
Completion	Assuming that Shareholders pass both of the Conditional Resolutions, the Proposed Transaction will complete as soon as possible after each of the

	Conditions Precedent have been satisfied or waived. Unless extended by the parties, all Conditions Precedent must be satisfied on or before the date which is 7 months after 1 September 2020 (i.e. the Conditions Precedent must be satisfied on or after 1 April 2021).
Voting exclusion statement	A voting exclusion statement is included in the Notice in relation to Resolution 6.

15.5 Board recommendation

The Board is not aware of any other information that Shareholders would reasonably require to make a decision whether it is in the best interests of the Company to pass Resolution 6.

The Board recommends that Shareholders vote in favour of Resolution 6 on the basis that the advantages outweigh the disadvantages outlined in Section 12.1 and the IER at Annexure C.

Each Director (and their Associates) who holds Shares and is entitled to vote intends to vote those Shares in favour of Resolution 6.

16. Resolution 7 - Modification of Company's Constitution

16.1 General

Section 136 of the Corporations Act allows a company to modify its constitution by a special resolution passed at a general meeting of the company. A special resolution must be passed by at least 75% of the votes cast by Shareholders who are entitled to vote on the resolution.

Resolution 7 is a special resolution proposing to modify the Constitution by deleting the current Rule 29.4 of the Constitution relating to restricted securities and inserting a new Rule 29.4 in its place.

16.2 Rationale for amendment

The rationale behind the modification of the Constitution is to be in line with Listing Rule 15.12 and ASX's two-tiered escrow regime which came into effect on 1 December 2019.

According to Listing Rule 15.12, for so long as an entity has any restricted securities on issue, its constitution must provide:

(a) a holder of restricted securities must not dispose of, or agree or offer to dispose of, the securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;

(b) if the securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the restricted securities are to be kept on the entity's issuer sponsored subregister and are to have a holding lock applied for the duration of the escrow period applicable to those securities;

(c) the entity will refuse to acknowledge any disposal (including, without limitation, to register any transfer) of restricted securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;

(d) a holder of restricted securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX; and

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(e) if a holder of restricted securities breaches a restriction deed or a provision of the entity's constitution restricting a disposal of those securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.

The above requirements provide the constitutional underpinning for ASX's escrow regime.

16.3 Amendment

The current Rule 29.4 of the Constitution does not provide for the ASX's modified escrow regime. A modification of the Constitution is therefore sought by deleting the current Rule 29.4 and inserting a new Rule 29.4 in its place which will be on the following terms:

'29.4 Restricted Securities

(a) The Company must comply with the Listing Rules in respect of Restricted Securities (as defined in the Listing Rules).

(b) Notwithstanding the generality of Rule 29.4(a):

(i) a holder of Restricted Securities must not dispose of, or agree or offer to dispose of, the securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;

(ii) if the Restricted Securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a Holding Lock (as defined in the Listing Rules) applied for the duration of the escrow period applicable to those securities;

(iii) the Company will refuse to acknowledge any disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;

(iv) a holder of Restricted Securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX; and

(v) if a holder of Restricted Securities breaches a restriction deed or a provision of this Constitution restricting a disposal of those securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.'

Any restricted securities issued before 1 December 2019 must continue to comply with the provisions of Listing Rule 15.12 in force immediately prior to this date. A copy of the Constitution with the amendment proposed will be made available for review by Shareholders at the office of the Company. A copy of the Constitution with the proposed amendment will be available for inspection at the Meeting.

Directors' Recommendation

The Directors believe that Resolution 7 is in the best interests of the Company and unanimously recommend that Shareholders vote IN FAVOUR of this Resolution.

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

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17. Resolution 8 – Approval of 10% Placement Facility

General

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

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

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

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

The approval of Resolution 8 will provide the Company with flexibility to issue Equity Securities under the 10% Placement Facility during the 10% Placement Period, in addition to the Company's 15% annual placement capacity granted under ASX Listing Rule 7.1, without a further requirement to obtain the prior approval of Shareholders.

Resolution 8 is a Special Resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

ASX Listing Rule 7.1A

(a) Shareholder approval

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

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The Shares on issue are fully paid, ordinary shares.

(c) Formula for calculating 10% Placement Facility

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

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

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Where:

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

(a) plus the number of fully paid Shares issued in the 12 months under an exception in ASX Listing Rule 7.2;

(b) plus the number of partly paid Shares that became fully paid in the 12 months;

(c) plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under ASX Listing Rule 7.1 and 7.4. This does not include an issue of fully paid ordinary Shares under the entity's 15% placement capacity without Shareholder approval;

(d) less the number of fully paid Shares cancelled in the 12 months.

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

D is 10%.

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

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

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

As at the date of this Notice, the Company has on issue 275,132,537 Shares and therefore has a capacity to issue:

(i) 41,269,881 Equity Securities under ASX Listing Rule 7.1; and

(ii) subject to the approval of Resolution 8, an additional 27,513,253 Equity Securities under ASX Listing Rule 7.1A.

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

(b) Minimum Issue Price

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

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within five (5) Trading Days of the date in subparagraph (i) above, the date on which the Equity Securities are issued.

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(c) 10% Placement Period

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

(i) the date that is 12 months after the date of the Annual General Meeting at which the approval is obtained; or

(ii) the date of the approval by Shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(**10% Placement Period**).

Specific information required by ASX Listing Rule 7.3A

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

(a) Minimum price

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

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within five (5) Trading Days of the date in subparagraph (i) above, the date on which the Equity Securities are issued.

(b) Potential risk of economic and voting dilution

If Resolution 8 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in Table 1 below. There is a risk that:

(i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and

(ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

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

Table 1 below shows the dilution of existing Shareholders on the basis of the market price of Shares (as at 9 September 2020) and the number of Shares as at the date of this Notice (Table 1) calculated in accordance with the formula in ASX Listing Rule 7.1A(2), representing variable "A".

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Table 1 also shows:

(i) two examples where each variable "A" has increased, by 50% and 100%; and

(ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price of AU$0.048 (being the closing price of the Shares on ASX on 9 September 2020).

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

Variable 'A' in Listing Rule 7.1A.2		**Dilution**		
		$0.024 **50% decrease in Issue Price**	**$0.048** **Issue Price**	**$0.096** **100% increase in Issue Price**
Variable A 275,13,253 Shares	**10% Voting Dilution**	27,513,253 Shares	27,513,253 Shares	27,513,253 Shares
	Funds raised	$660,318.07	$1,320,636.14	$2,641,272.29
50% increase in current Variable A 412,698,806 Shares	**10% Voting Dilution**	41,269,880 Shares	41,269,880 Shares	41,269,880 Shares
	Funds raised	$990,477.11	$990,477.11	$3,961,908.43
100% increase in current Variable A 550,265,074 Shares	**10% Voting Dilution**	55,026,507 Shares	55,026,507 Shares	55,026,507 Shares
	Funds raised	$1,320,636.14	$2,641,272.29	$5,282,544.58

Table 1 has been prepared on the following assumptions:

(i) With respect to the number of ordinary securities, there are currently 275,132,537Shares on issue.

(ii) The assumed issue price is AU$0.048, being the closing price of the Shares on ASX on 9 September 2020.

(iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.

(iv) The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

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(v) No Options are exercised into Shares before the date of the issue of the Equity Securities.

(vi) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

(vii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

(viii) The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1.

(ix) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.

Table 2 has been prepared on the assumption that Resolutions 5 and 6 are approved and the 90,800,000 Shares the subject of these Resolutions are issued.

TABLE 2 – Current number of ordinary securities plus 90,800,000 issued under SPA

Variable 'A' in Listing Rule 7.1A.2		**Dilution**		
		$0.024 **50% decrease in Issue Price**	**$0.048** **Issue Price**	**$0.096** **100% increase in Issue Price**
Variable A 365,932,537 Shares	**10% Voting Dilution**	36,593,254 Shares	36,593,254 Shares	36,593,254 Shares
	Funds raised	$878,238.089	$1,756,476.178	$3,512,952.355
50% increase in current Variable A 548,898,806 Shares	**10% Voting Dilution**	36,593,254 Shares	36,593,254 Shares	36,593,254 Shares
	Funds raised	$1,317,357.133	$2,634,714.266	$5,269,428.533
100% increase in current Variable A 731,865,074 Shares	**10% Voting Dilution**	73,186,507 Shares	73,186,507 Shares	73,186,507 Shares
	Funds raised	$1,756,476.178	$3,512,952.355	$7,025,904.710

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(c) Timing of potential issue

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval provided by Shareholders under Resolution 8 for the issue of Equity Securities pursuant to the 10% Placement Facility will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).

(d) Purpose of potential issue

The Company may seek to issue the Equity Securities to raise capital to fund (or partially fund) a detailed feasibility study in respect of the Hawsons Iron Project, to fund (or partially fund) the acquisitions of new assets that accelerate the development of the Hawsons Iron Project or for general working capital purposes.

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

(e) Allocation policy under the 10% Placement Facility

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

(i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing holders of Equity Securities can participate;

(ii) the effect of the issue of the Equity Securities on the control of the Company;

(iii) the financial situation and solvency of the Company; and

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

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

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

(f) Prior Shareholder approval

The Company previously obtained Shareholder approval under ASX Listing Rule 7.1A at its last Annual General Meeting in 2019. For the purposes of ASX Listing Rule 7.3A.6, the following information is supplied:

(i) In the 12 months period preceding the date of this notice, no Shares in total have been issued by the Company;

(ii) No other applicable information.

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(g) Voting exclusion statement

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

Directors' Recommendation

The Directors believe that Resolution 8 is in the best interests of the Company and unanimously recommend that Shareholders vote IN FAVOUR of this Resolution.

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

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Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

$ means Australian Dollars.

AEST means Australian Eastern Standard Time, being the time in Brisbane, Queensland.

Ample Source means Ample Source International, a company incorporated in the British Virgin Islands having the BVI Company Number 1575638.

ASIC means the Australian Securities and Investments Commission.

ASIC RG 74 has the meaning ascribed in Section 12 of the Explanatory Memorandum.

Associate has the meaning ascribed to it in Part 1.2 Division 2 of the Corporations Act.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Best Expand means Best Expand Investments Pty Ltd.

Board means the board of Directors of the Company.

Business Day means a day that is not a Saturday, Sunday or public holiday in New South Wales or Queensland.

Chairman means the Chairman of the Meeting.

Cheung / Lau Restructure means the transactions described in Section 8.2.

Company means Carpentaria Resources Limited ACN 095 117 981 (ASX: CAP).

Completion means completion of the Proposed Transaction and **Complete** has a corresponding meaning.

Conditional Resolutions means Resolutions 5 and 6 of this Notice.

Consideration Shares means the issue of 90,800,000 Shares to Pure Metals.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a current director of the Company.

Equity Security has the same meaning as in the Listing Rules and Equity Securities has the corresponding meaning.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Hawsons Iron Project means the project the subject of the Hawsons Iron Project Joint Venture and described as the Hawsons Iron Prospect, together with the Tenements described therein. Please see the Company's announcement to ASX dated 28 July 2017 (titled "Hawsons Prefeasibility Study Results) for further details in relation to the nature of the Hawsons Iron Project.

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Hawsons Iron Project Joint Venture means the joint venture between the Company and Pure Metals established pursuant to the Exploration Joint Venture Agreement dated 4 May 2013 and was created for the development and implementation of the Hawsons Iron Project.

Independent Expert means BDO Corporate Finance Ltd ACN 010 185 725.

Independent Expert's Report means the report prepared by the Independent Expert which is attached to this Notice as Annexure C.

Independent Technical Expert's Report means the independent technical report prepared by CSA Global Pty Ltd ACN 077 165 532 in relation to the Company's assets set out in Appendix B of the Independent Expert's Report which is set out in Annexure C

Joint Venture Interest means the 24.149% interest held by Pure Metals in the Joint Venture representing all of Pure Metals' interest held in the Joint Venture.

JORC Code means the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Listing Rules means the listing rules of ASX, as amended from time to time.

New Hawsons Iron Project Joint Venture Agreement means the joint venture agreement dated 1 September 2020 between the Company and Starlight in respect of the Hawsons Iron Project, a summary of which is set out at Section 11 of the Explanatory Memorandum.

Non-Associated Shareholders means, before the Proposed Transaction, Shareholders other than Best Expand and Silvergate and means, after the Proposed Transaction, Shareholders other than Pure Metals, Best Expand and Silvergate.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

Proposed Transaction means the transaction pursuant to which the Company will acquire the Joint Venture Interest from Pure Metals in accordance with the terms of the SPA.

Proxy Form means the proxy form attached to the Notice.

Pure Metals means Pure Metals Pty Ltd ACN 151 066 321.

Pure Metals Restructure Deed means the deed dated 7 September 2020 between Starlight, the Company and Pure Metals whereby Starlight acquires the Starlight Hawsons Joint Venture Interest, a summary of which is set out at Section 10 of the Explanatory Memorandum

Relevant Interest has the meaning given in section 608 of the Corporations Act.

Resolution means a resolution referred to in the Notice.

Rule means a rule of the Company's constitution as amended from time to time.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means all Equity Securities of the Company, including Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Silvergate means Silvergate Capital Pty Ltd ACN 158 538 580.

SPA or Sale and Purchase Agreement means the agreement dated 1 September 2020 between the Company and Pure Metals pursuant to which Pure Metals will sell, and the Company will acquire, the Joint Venture Interest, in exchange for the issue of the Consideration Shares, as announced on the ASX on 2 September 2020 and on the terms and conditions set out in Section 9 of the Explanatory Memorandum.

Starlight means Starlight Investment Company Pty Ltd ACN 166 007 674 in its personal capacity and as trustee of the Sunflower Family Trust.

Starlight Hawsons Interest means the 6.037% of the Hawsons Iron Project Joint Venture being transferred to Starlight under the Pure Metals Restructure Deed.

Tenements means the tenements (granted under the *Mining Act 1992* (NSW)) or tenement applications relating to the Hawsons Iron Project Joint Venture comprising exploration licence numbers 6979,7208 and 7504, and mining lease application number 460, and includes any renewal, reissuance, extension, modification, substitution, variation, amalgamation, replacement or conversion of those tenements and any application for or interest in any of the foregoing which confers or will confer when granted like rights.

VALMIN Code means the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets 2015 Edition.

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Annexures referred to in Notice

Annexure	Document
Annexure A	Proxy Form
Annexure B	Virtual Meeting Online Guide
Annexure C	Independent Expert's Report

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Annexure A - Proxy

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Carpentaria RESOURCES | WORLD'S BEST IRON ORE PRODUCT

ACN 095 117 981

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Carpentaria Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474

X99999999999

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PROXY FORM

I/We being a member(s) of Carpentaria Resources Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am (AEST) on Monday, 2 November 2020** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in: Online at **https://agmlive.link/CAP20** (refer to details in the Virtual Meeting Online Guide).

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

		For	Against	Abstain*
1	Adoption of Remuneration Report (Non-binding)			
2	Re-election of Paul Cholakos as a director			
3	Re-election of Peter Graham as a director			
4	Re-election of Linda Lau as a director			
5	Approval for acquisition of Relevant Interest in Shares			
6	Approval to acquire a substantial asset from Pure Metals			
7	Modification of Company's Constitution			
8	Approval of Additional Placement Capacity under ASX Listing Rule 7.1A			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

CAP PRX2001N

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. If you leave this section blank, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AEST) on Saturday, 31 October 2020,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN), Holder Identification Number (HIN) or Employee ID as shown on the front of the Proxy Form).

BY MAIL

Carpentaria Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

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Annexure B - Virtual Meeting Online Guide

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LINK Group

Virtual Meeting Online Guide

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Before you begin

Ensure your browser is compatible. Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up

To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Corporate Markets

Virtual Meeting Online Guide

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Step 1

Open your web browser and go to https://agmlive.link/CAP20 and select the relevant meeting.

Step 2

Log in to the portal using your full name, mobile number, email address, and company name (if applicable).

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

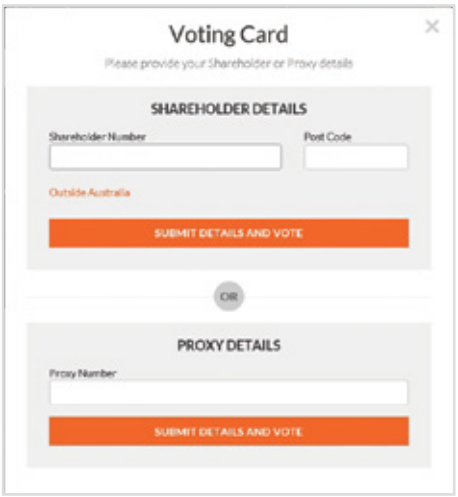
- On the left – a live video webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.



If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.

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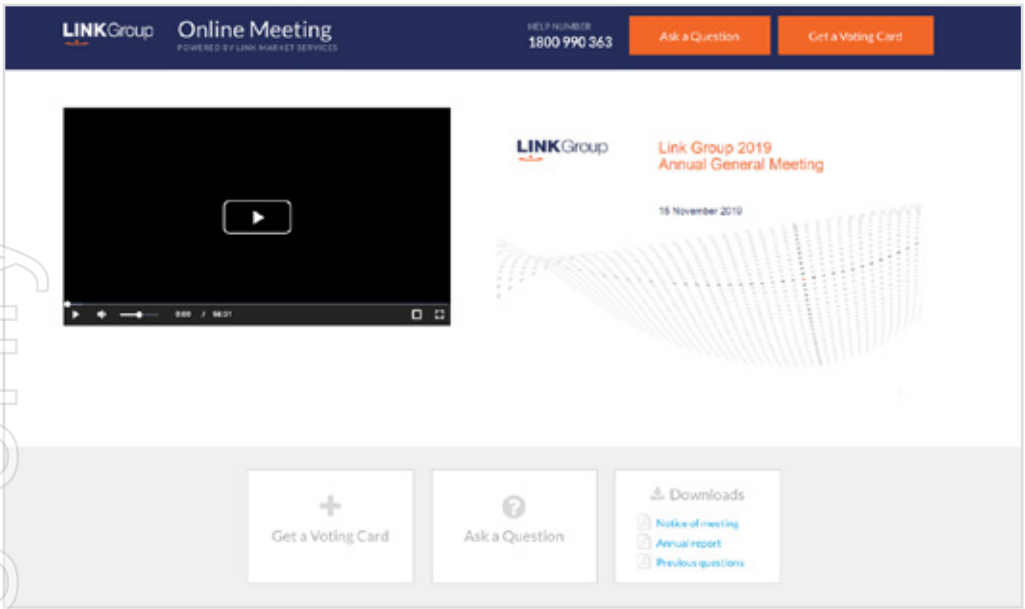
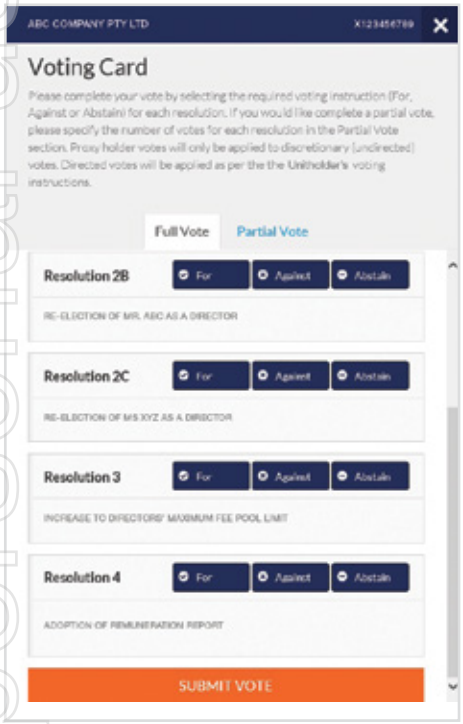




Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

Once voting has been closed all voting cards will automatically be submitted and cannot be changed.

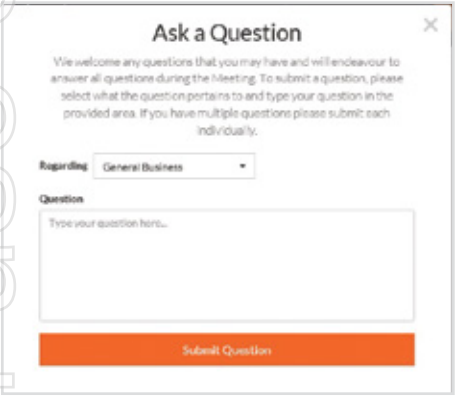
At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

You will only be able to ask a question after you have registered to vote. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The **'Ask a Question'** box will then pop up with two sections for completion.



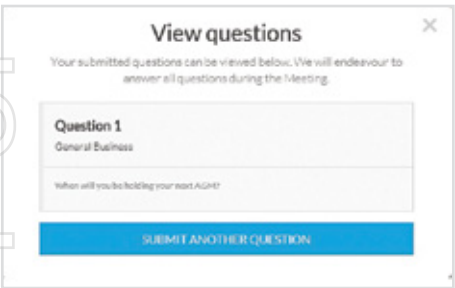
In the **'Regarding'** section click on the drop down arrow and select the category/resolution for your question.

Click in the **'Question'** section and type your question and click on 'Submit'.

A **'View Questions'** box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.



3. Downloads

View relevant documentation in the Downloads section.

Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

At the close of the meeting any votes you have placed will automatically be submitted.

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Contact us

Australia
T 1300 554 474
E info@linkmarketservices.com.au

New Zealand
T +64 9 375 5998
E enquiries@linkmarketservices.co.nz

Annexure C - Independent Expert's Report

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CARPENTARIA RESOURCES LIMITED

Independent Expert's Report and Financial Services Guide

Opinion: The Proposed Transaction is **Not Fair but Reasonable**

23 SEPTEMBER 2020

BDO

FINANCIAL SERVICES GUIDE

Dated: 23 September 2020

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, and interests in managed investment schemes excluding investor directed portfolio services; and

b) Arranging to deal in financial products in relation to securities; and

c) Applying for, acquiring, varying or disposing of a financial product in relation to interests in managed investment schemes excluding investor directed portfolio services, and securities.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to the shareholders of Carpentaria Resources Limited ('Carpentaria' or 'the Company') in relation to the proposed acquisition of Pure Metals Pty Ltd's ('Pure Metals') interest in the Hawsons Iron Project ('Hawsons' or 'the Project') joint venture ('JV') ('the Proposed Transaction').

Further details of the Proposed Transaction are set out in Section 4. The scope of this Report is set out in detail in Section 3.3. This Report provides an opinion on whether or not the Proposed Transaction is 'fair and reasonable' to the non-associated ordinary shareholders ('the Non-Associated Shareholders') and has been prepared to provide information to the Non-Associated Shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. Other important information relating to this Report is set out in more detail in Section 3.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. An individual shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each individual shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, Commissions and Other Benefits we may Receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately $115,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings Limited, a parent entity of BDOCF. All directors and employees of BDO Group Holdings Limited and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings Limited, the person is entitled to share in the profits of BDO Group Holdings Limited.

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From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. While BDOCF has not provided any professional services to Carpentaria in the last two years with the exception of expert reporting, we note that related entities have provided professional services including BDO Services Pty Ltd providing tax compliance services. BDO Audit Pty Ltd is also Carpentaria's external auditor.

The signatories to this Report do not hold any shares in Carpentaria and no such shares have ever been held by the signatories.

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To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

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We are members of the Australian Financial Complaints Authority. Any complaint about our service should be in writing and sent to BDO Corporate Finance Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Australian Financial Complaints Authority. They can be contacted on 1800 931 678. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investments Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

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BDOCF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the Corporations Act 2001.

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GLOSSARY

Reference	Definition
$, AUD	Australian Dollars
ABV	Asset based valuation
Act, the	Corporations Act 2001
AGM	Annual General Meeting
Ample Source	**Ample Source International B.V**
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 Valuation Services
ASIC	The Australian Securities and Investments Commission
Associates	Ms Lau, Mr Cheung, Ample Source, Silvergate, Best Expand Investments Limited and Mr McCormack
ASX	Australian Securities Exchange
BDO Persons	The partners, directors, agents or associates of BDO
BDOCF	BDO Corporate Finance Ltd
BFS	Bankable feasibility study
BMG	Bonython Metals Group Pty Ltd
Board, the	The directors of Carpentaria
CHIA	Chi-X Australia
CME	Capitalised maintainable earnings
Company, the	Carpentaria Resources Limited
Carpentaria	Carpentaria Resources Limited
CSA	CSA Global Pty Ltd
CSA Report, the	The Independent Technical Specialist's Report prepared by CSA and dated 30 XXXXXX 2020.
DB	Deutsche Boerse AG
DCF	Discounted cash flows
DR	Direct reduction
EL	Exploration licence
FSG	The Financial Services Guide
FY	Financial year
Hawsons	Hawsons Iron Project
JORC	Australian Joint Ore Resources Committee
JV	Joint Venture
JVA	Joint Venture Agreement between Carpentaria and Pure Metals dated May 2013, titled Joint Venture Sale and Purchase Agreement
LOI	Letter of intent
Management	The management team of Carpentaria
MBV	Market based valuation
Meeting, the	The Annual General Meeting to be held on or around 2 November 2020
Mitsui	Mitsui & Co, Ltd
Mtpa	Million tonnes per annum
New JVA	The new JV agreement between Carpentaria and Starlight, titled Joint Venture Agreement (Hawsons Iron Project) entered into on 1 September 2020

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Reference	Definition
Non-Associated Shareholders, the	The Shareholders of Carpentaria other than Pure Metals and Associates
Notice of Meeting, the	The Notice of Meeting and Explanatory Memorandum prepared by Carpentaria dated on or about 23 September 2020.
Offeree	Potential third-party acquirer of JV interest in the event a JV party wishes to sell their interest, as defined under the JV agreements
Option Agreement	Carpentaria's binding option off-take agreement with Mitsui
PFS	Prefeasibility study
Pure Metals	Pure Metals Pty Ltd
Pure Metals Restructure Agreement	The restructure agreement resulting in Starlight's holdings in Pure Metals being sold back to the company in consideration of the remaining 6.0% interest in Hawsons being transferred to Starlight, titled Restructure Deed and dated 7 September 2020
Project, the	The Hawsons Iron Project
Proposed Transaction, the	The acquisition of Pure Metals' 24.1% interest in Hawsons by Carpentaria for consideration of 90.8 million fully paid ordinary shares in Carpentaria.
Proceeding JV Party	Any or all of the JV parties that voted for the development proposal of Hawsons under JV agreements
Regulations, the	The Corporation Regulations 2001
Report, the	This independent expert's report prepared by BDOCF and dated 23 September 2020
RG 111	ASIC Regulatory Guide 111: *Content of Expert Reports*
RGs	Regulatory guides published by ASIC
Seller	A potential p[arty to the JV agreements who wishes to sell their interests in the JV, as defined under the JV agreements
Silvergate	Silvergate Capital Pty Limited
SPA	The sale and purchase agreement relating to the Proposed Transaction and the transfer of Pure Metals 24.1% interest in Hawsons to Carpentaria for 90.8 million Carpentaria shares, titled Joint Venture Sale and Purchase Agreement, and dated 1 September 2020
SPP	Share purchase plan in relation to Carpentaria's share raise announced on 17 April 2019
Starlight	Starlight Investment Company Pty Ltd
Substantial Assets	ASX Listing Rule 10.2 defines an asset as substantial if its value or the consideration for it is, or in ASX's opinion is, 5% or more of the value of the equity interests of the entity, as set out in the latest accounts given to the ASX in accordance with the ASX listing rules
Substantial Holder	Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company
Transaction Documents	Transaction documents relating to the Proposed Transaction and titled Restructure Deed, Joint Venture Agreement (Hawsons Iron Project), Appointment of Sales Agent Side Agreement Letter, and Joint Venture Sale and Purchase Agreement
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Specialist Reports
VWAP	Volume Weighted Average Price
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AUSTRALIA

PART I: ASSESSMENT OF THE PROPOSED TRANSACTION

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The Non-Associated Shareholders
C/- The Non-Associated Directors
Carpentaria Resources Limited
Level 6, 345 Ann Street
Brisbane QLD 4000

23 September 2020

Dear Non-Associated Shareholders,

1.0 Introduction

BDO Corporate Finance Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the non-associated ordinary shareholders ('the Non-Associated Shareholders') of Carpentaria Resources Limited ('Carpentaria' or 'the Company') in relation to the proposed acquisition of Pure Metals Pty Ltd's ('Pure Metals') interest in the Hawsons Iron Project joint venture ('Hawsons' or 'the Project') ('the Proposed Transaction'). Broadly speaking, under the Proposed Transaction:

- Carpentaria is to gain an additional 24.1% interest in Hawsons with Carpentaria's total interest in the joint venture ('JV') increasing to 94.0%. Starlight Investment Company Pty Ltd ('Starlight'), a substantial existing shareholder of Pure Metals, will hold the remaining 6.0% interest in Hawsons; and
- Carpentaria is to issue 90.8 million shares to Pure Metals as consideration.

Following the Proposed Transaction, Pure Metals and its associates (which includes Ms Lau, Mr Cheung, Ample Source International B.V ('Ample Source'), Silvergate Capital Pty Limited ('Silvergate'), Best Expand Investments Limited and Mr McCormack (collectively 'the Associates'[1])) will have a relevant interest in Carpentaria of approximately 30.97%, assuming there are no other shares issued in that time. Given the proposed increase in Pure Metals' relevant interest in Carpentaria, the Proposed Transaction will need approval by shareholders under item 7 of section 611 of the Corporations Act 2001 ('the Act').

A more detailed summary of the Proposed Transaction is set out in Section 4.

In this Report we provide our opinions on whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. This Report has been prepared solely for use by the Non-Associated Shareholders to provide them with information relating to the Proposed Transaction. The scope and purpose of this Report are detailed in Sections 3.3 and 3.4, respectively.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Non-Associated Shareholders including the Notice of Meeting and Explanatory Memorandum prepared by Carpentaria and dated on or about 23 September 2020 ('the Notice of Meeting') in relation to the general meeting to be held on 2 November 2020 ('the Meeting').

[1] Pure Metals' associates comprise of Ms Lau (a director of Pure Metals and expected to acquire a 50% interest in Pure Metals on or immediately prior to completion of the Proposed Transaction), Mr Cheung (a director and shareholder of Pure Metals), Ample Source (Mr Cheung is the sole shareholder and sole director of Ample Source), Silvergate (wholly owned subsidiary of Ample Source), Best Expand Investments Limited (owned and controlled by Ms Lau), and Mr McCormack (the sole director of Silvergate and is also the son in law of Ms Lau).

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2.0 Assessment of the Proposed Transaction

This section is set out as follows:

- Section 2.1 sets out the methodology for our assessment of the Proposed Transaction;
- Section 2.2 sets out our assessment of the fairness of the Proposed Transaction;
- Section 2.3 sets out our assessment of the reasonableness of the Proposed Transaction; and
- Section 2.4 sets out our opinion regarding the Proposed Transaction.

2.1 Basis of Evaluation

ASIC have issued Regulatory Guide 111: *Content of Expert Reports* ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

The Proposed Transaction involves Carpentaria potentially increasing the Company's interest in the JV to take its total holdings to 94.0% from 69.8%. Scrip consideration payable under the Proposed Transaction will result in Pure Metals and its Associates relevant interest in Carpentaria increasing from approximately 8.19% to 30.97%. RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Proposed Transaction is a control transaction as defined by RG 111 and we have assessed the Proposed Transaction by considering whether, in our opinion, it is fair and reasonable to the Non-Associated Shareholders.

Under RG 111, a transaction will be considered 'fair' if the value of the consideration to be received by shareholders is equal to or greater than the value of the shares that are the subject of the transaction. To assess whether a transaction is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the transaction. This includes comparing the likely advantages and disadvantages if the transaction is approved with the position of shareholders if the transaction is not approved.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid. Our assessment concludes by providing our opinion as to whether or not the Proposed Transaction is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we assess the fairness and reasonableness issues separately for clarity.

We have assessed the fairness and reasonableness of the Proposed Transaction in Sections 2.2 and 2.3 below and provide an opinion on whether the Proposed transaction is 'fair and reasonable' to the Non-Associated Shareholders in Section 2.4.

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction, the expert should consider the value inclusive of a control premium and assume a 100% ownership interest.

Having regard to RG 111, in our view, it is appropriate to assess whether the Proposed Transaction is 'fair' by:

a) Determining the value of a Carpentaria share on a controlling interest basis prior to the Proposed Transaction;

b) Determining the value of a Carpentaria share on a minority interest basis after the Proposed Transaction; and

c) Comparing the value determined in a) above with the value of b) to determine if the Proposed Transaction is fair.

In accordance with the requirements of RG 111, the Proposed Transaction can be considered 'fair' to the Non-Associated Shareholders if the value determined in b) above is equal to or greater than the value determined in a) above.

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2.2.2 *Value of a Carpentaria Share Prior to the Proposed Transaction on a Controlling Interest Basis*

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of $0.0222 to $0.1020 per Carpentaria share on a controlling interest basis. In forming this view, we considered a Sum-of-the-Parts methodology and a Market-Based Valuation ('MBV') methodology.

In completing our Sum-of-the-Parts methodology, we have relied on the work of CSA Global Pty Ltd ('CSA') who we engaged to value Carpentaria's mineral assets. The CSA Technical Expert's Report dated 23 September 2020 ('the CSA Report') is attached as Appendix B to this Report. While CSA has provided us with information which indicates they have the requisite experience to complete a technical valuation of the mineral assets and we have critically analysed their work, we are not responsible for the CSA Report.

In completing our MBV methodology, we have had reference to recent trading in Carpentaria's shares.

Our valuation of Carpentaria is set out in Section 8. In relation to our valuation, we note that Carpentaria is a company focused on progressing a bankable feasibility study ('BFS') for Hawsons. In our view, the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. The fluctuations in value are further exacerbated at the current time because of the market volatility and economic uncertainty caused by the COVID-19 outbreak.

2.2.3 *Value of a Carpentaria Share After the Proposed Transaction on a Minority Interest Basis.*

Our Sum-of-the-Parts valuation following the Proposed Transaction, on a minority interest basis, is in the range of $0.0204 to $0.0898 per share.

The primary factors driving the change in the valuation range, pre and post the Proposed Transaction, are:

- **94.0% Ownership of Hawsons:** Following the Proposed Transaction, Carpentaria's interest in Hawsons will increase from approximately 69.8% to 94.0%;
- **Reduction in control discount applied to Hawsons:** Prior to the Proposed Transaction, we adopted a 15% discount for Carpentaria's share in the JV having regard to the existing JV agreement and Carpentaria's total overall interest in the JV. Following the Proposed Transaction, we have reduced this discount to 5% reflecting Carpentaria's increased interest in the JV as well as the terms of the amended JV agreement (refer to Section 4.4 for a summary of the current and revised JV agreements);
- **Additional equity instruments**: Following the Proposed Transaction, Carpentaria will have an additional 90.8 million ordinary shares on issue; and
- **Minority interest**: We have calculated the value of Carpentaria on a minority interest basis following the Proposed Transaction.

We have not completed an MBV following the Proposed Transaction and note there is a limited amount of market based information that can be observed on the price at which shares in Carpentaria will trade at following completion of the Proposed Transaction. For completeness, we note that in the period of time from 2 September 2020 to 14 September 2020, approximately 20.1 million shares have been traded on the ASX and CHIA (approximately 8.8% of the 275.1 million shares on issue) at a volume weighted average price of approximately $0.0517.

Our valuation of Carpentaria following the Proposed Transaction is set out in Section 8 of this Report.

2.2.4 *Assessment of the Fairness of the Proposed Transaction*

In order to assess the fairness of the Proposed Transaction, in accordance with RG 111, it is appropriate to compare the value of a Carpentaria share prior to the Proposed Transaction on a controlling interest basis with the value of a share in Carpentaria on a minority basis assuming the Proposed Transaction is implemented.

Table 2.1 below summarises our assessment of the fairness of the Proposed Transaction.

Table 2.1: Assessment of the Fairness of the Relevant Interest Acquisition

$	Low ($/share)	CSA Preferred[1] ($/share)	High ($/share)
Value of a Carpentaria share prior to the Proposed Transaction (controlling interest)	0.0222	0.0631	0.1020
Value of a Carpentaria share post the Proposed Transaction (minority interest)	0.0204	0.0560	0.0898

Source: BDOCF analysis

1 CSA Preferred value refers to the value we have calculated by adopting CSA's Preferred value for Hawsons.

Figure 2.1 summarises our assessment of the fairness of the Proposed Transaction, setting out a graphical comparison of our valuation of a Carpentaria shares prior to the Proposed Transaction on a controlling interest basis and our valuation of a share in Carpentaria on a minority basis.

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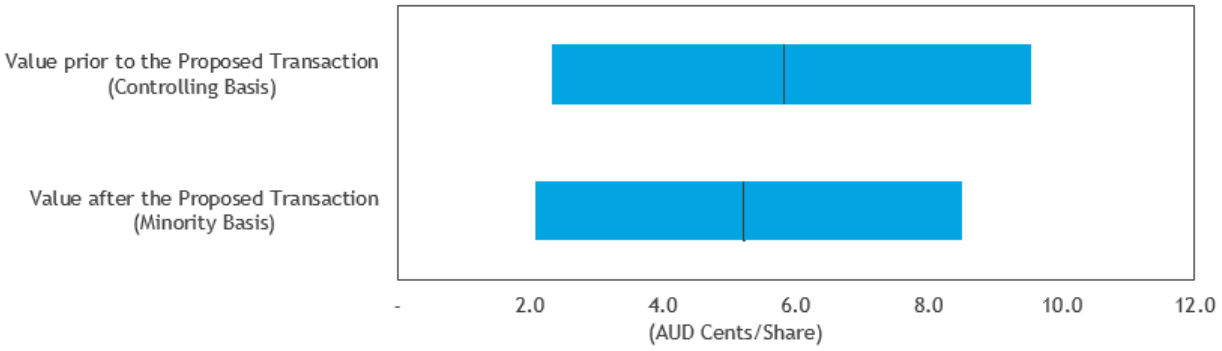
Figure 2.1: Fairness of the Proposed Transaction



Source: BDOCF analysis

With reference to Table 2.1 and Figure 2.1, we note:

- There is a downward shift in the valuation range;
- The high end of the value range after the Proposed Transaction (on a minority interest basis) is less than the high end of the value range (on a control basis) prior to the Proposed Transaction;
- The low end of the value range after the Proposed Transaction (on a minority interest basis) is less than the low end of the value range (on a control basis) prior to the Proposed Transaction; and
- The black line in Figure 2.1 represents the value based on CSA's preferred value and the movement in the black line shows a decrease in value.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of any other information, the Proposed Transaction is **Not Fair** to the Non-Associated Shareholders as at the date of this Report.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors, the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Proposed Transaction is 'reasonable' we consider it appropriate to examine other significant factors to which the Non-Associated Shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a Non-Associated Shareholder if the Proposed Transaction is not approved, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Transaction is set out as follows:

- Section 2.3.2 sets out the potential advantages and disadvantages of the Proposed Transaction to the Non-Associated Shareholders;
- Section 2.3.3 sets out the position of the Non-Associated Shareholders if the Proposed Transaction is not approved; and
- Section 2.3.4 provides our opinion on the reasonableness of the Proposed Transaction to the Non-Associated Shareholders.

2.3.2 Potential Advantages and Disadvantages of the Proposed Transaction

Table 2.2 below outlines the potential advantages of the Proposed Transaction.

Table 2.2: Potential Advantages of the Proposed Transaction

Advantage	Explanation
Non-Associated Shareholders retain control	If the Proposed Transaction is approved, the Non-Associated Shareholders will collectively hold a 69.03% interest in Carpentaria. The Non-Associated Shareholders will collectively continue to hold a controlling interest in Carpentaria if the Proposed Transaction is approved.
Non-Associated Shareholders will retain exposure to the Company's projects, including Hawsons	If the Proposed Transaction is approved, the Non-Associated Shareholders will continue to be exposed to Carpentaria's projects, including Hawsons.

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Advantage	Explanation
The Proposed Transaction reduces counterparty risk and potential legal obstructions from development of Hawsons associated with the current JV arrangement	The new JV arrangement sets out a number of amended clauses including: ▸ If a joint venturer does not agree with the decision to mine, they can elect to sell their interest or be funded. If no election is made, the clause relating to the sale of the interest automatically applies. If a joint venturer agrees with the decision to mine and then defaults, the other joint venturers can acquire their interest at a 20% discount to the value that would have been determined at the decision to mine date. The inclusion of this provision reduces development uncertainty relative to the existing JV arrangement where a joint venturer defaulting at the decision to mine stage has minimal effective penalties in circumstances that the defaulting joint venturer's interest had reached the dilution floor; ▸ There is a new carve out allowing each joint venturer to create or permit the creation of encumbrances over the whole or any part of its Joint Venture Interest after a decision to mine, provided that such encumbrances are reasonably required for the purposes of financing development; and ▸ Each joint venturer is able to enter into their own marketing arrangements. If Starlight haven't entered an agreement within one month of the draft report prepared by the BFS engineer for the purposes of the BFS (which addresses the complete scope of the BFS) being available, Carpentaria is able to appoint a sales agent. The management of Carpentaria ('Management') consider this item beneficial as it provides a timeline to resolve product marketing and obtain project finance before the decision to mine. If the Proposed Transaction is approved, the counterparty risk and potential legal obstructions associated with the current JV arrangement with Pure Metals, including uncertainty over Pure Metals' intentions and ability to finance the development of Hawsons, will be reduced. A more detailed summary of the current JV arrangement to the new JV arrangement is set out in Section 4.4.
Management believes consolidation of Hawsons ownership will be considered favourable by potential investors and financiers	Management considers the legal and other constraints associated with the existing JV arrangement a potential obstruction to obtaining funding to develop Hawsons. If the Proposed Transaction is approved, Carpentaria will be the 94.0% owner of Hawsons, simplifying the investor case for potential investors and financiers. We note that the share price range of Carpentaria in the one month prior to the announcement of the Proposed Transaction was in the range of $0.020 to $0.028. Following the announcement of the Proposed Transaction on 2 September and up to and including 22 September 2020, the Carpentaria share price traded in the range of $0.037 to $0.068. There appears to be an increase in the value shares have traded at post the announcement of the Proposed Transaction (albeit that many factors could influence trading over that period in addition to announcements about the Proposed Transaction, particularly in the heightened volatility of equity markets as at the date of this Report).
Potentially increased chance of receiving future takeover offer	Several of the advantages set out above in relation to approval of the Proposed Transaction may also apply to a potential acquisition of Carpentaria and/or Hawsons. These advantages include: ▸ The Proposed Transaction reduces counterparty risk and potential legal obstructions from development of Hawsons associated with the current JV arrangement; and ▸ Management believes Carpentaria's increased ownership interest in the JV will be considered favourable by potential investors and financiers. If a potential acquirer views Carpentaria more favourably following the Proposed Transaction, there is potentially an increased chance of Carpentaria receiving a takeover offer (refer to the disadvantages for further information in relation to the support required by Pure Metals in the event of a takeover offer).

Source: BDOCF analysis

Table 2.3 below outlines the potential disadvantages of the Proposed Transaction.

Table 2.3: Potential Disadvantages of the Proposed Transaction

Disadvantage	Explanation
The Proposed Transaction is Not Fair	As set out in Section 2.2 above, the Proposed Transaction is not fair to the Non-Associated Shareholders as at the date of this Report.
Dilution of existing Shareholders' interests	The issue of shares to Pure Metals under the Proposed Transaction will have a dilutive effect on the current interest of the Non-Associated Shareholders. It should be acknowledged that in return for the shares issued to Pure Metals (approximately 24.9% of Carpentaria's issued capital post the Proposed Transaction), Carpentaria is receiving Pure Metals' 24.1% interest in Hawsons.
Restriction of special resolutions by Pure Metals	If the Proposed Transaction is approved, Pure Metals and its Associates will hold approximately 30.97% of Carpentaria's issued capital, which will restrict the Non-Associated Shareholders' ability to approve special resolutions without the approval of Pure Metals.

Disadvantage	Explanation
Potentially reduced chance of receiving future takeover offer without Pure Metals' support	If the Proposed Transaction is approved, Pure Metals and its Associates increased ownership interest in Carpentaria of 30.97% may reduce the chance of Carpentaria's shareholders receiving a takeover offer for their shares without the support of Pure Metals. In particular, Pure Metals will have the ability to block the approval of a change of control via scheme of arrangement, which requires a special resolution of shareholders (75% approval).
If the Proposed Transaction is approved, there is potential for a significant number of shares to be sold on the open market	If the Proposed Transaction is approved, an additional 90.8 million new shares in Carpentaria will be issued. If the Proposed Transaction is approved, Pure Metals may elect to sell some of the new Carpentaria shares received on the open market. This may place downward pressure on the share trading price of Carpentaria if the increased supply of Carpentaria shares sufficiently outweighs the demand for Carpentaria shares. For completeness, we note that in circumstances where the interest in the JV being acquired is considered by ASX to be a classified asset (as per the definition in Chapter 19 of the Listing Rules), the 90.8 million shares to be issued to Pure Metals under the Proposed Transaction will be escrowed for a period of twelve months. This would restrict Pure Metals from initially selling down any shares received as part of the Proposed Transaction.

Source: BDOCF analysis

2.3.3 Position of the Non-Associated Shareholders if the Proposed Transaction is Not Approved

Table 2.4 below outlines the potential position of the Non-Associated Shareholders if the Proposed Transaction is not approved.

Table 2.4: Position of the Non-Associated Shareholders if the Proposed Transaction is Not Approved

Position of the Non-Associated Shareholders	Explanation
Continued shareholding in Carpentaria with an indirect 69.80% interest in Hawsons	If the Proposed Transaction is not approved, Pure Metals will not be issued with shares in Carpentaria, the Non-Associated Shareholders will not be diluted and Carpentaria will retain its 69.80% interest in Hawsons.
Share trading price may be materially different to recent share trading prices	If the Proposed Transaction does not proceed, the price of Carpentaria shares may decrease relative to recent trading prices and the decrease may be material. We note that the share price range of Carpentaria in the one month prior to the announcement of the Proposed Transaction was in the range of $0.020 to $0.028. Following the announcement of the Proposed Transaction on 2 September and up to and including 22 September 2020, the Carpentaria share price traded in the range of $0.037 to $0.068. It is possible that shares in Carpentaria will trade at a price that is materially lower than the trading prices following the announcement of the Proposed Transaction if the Proposed Transaction is not implemented.
Non-Associated Shareholders may be able to pass special resolutions	If the Proposed Transaction is not approved, Non-Associated Shareholders will retain approximately 91.81% of the ordinary shares and associated voting rights in Carpentaria, which may enable Non-Associated Shareholders in aggregate to pass special resolutions.
Non-recoverable costs	Carpentaria has incurred costs in relation to the Proposed Transaction. Carpentaria will not be able to recover the costs that it has incurred in relation to the Proposed Transaction irrespective of whether or not the Proposed Transaction is approved.
No guarantee there will be another opportunity to consolidate Hawsons	If the Proposed Transaction is not approved, there is no guarantee there will be another opportunity to consolidate the ownership of Hawsons on similar or better terms to the Proposed Transaction. Management consider consolidation of the ownership in Hawsons to be an important development step to move the project forward.

Source: BDOCF analysis

2.3.4 Other Considerations - Comparison Assuming a Minority Interest Pre and Post the Proposed Transaction

Prior to the Proposed Transaction, individual shareholders could reasonably be considered to be minority shareholders of Carpentaria. If the Proposed Transaction is approved, individual shareholders will remain minority shareholders in the Company.

For the purpose of the analysis set out in this Report, we have also compared the value of a Carpentaria share post the Proposed Transaction on a minority interest basis with the value of a Carpentaria share prior to the Proposed Transaction on a minority interest basis in Table 2.5 below. Non-Associated Shareholders should note that this comparison does not form part of our fairness assessment.

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Table 2.5: Comparison of the Value of a Carpentaria Share on a Minority Interest Basis Prior to and Post the Proposed Transaction

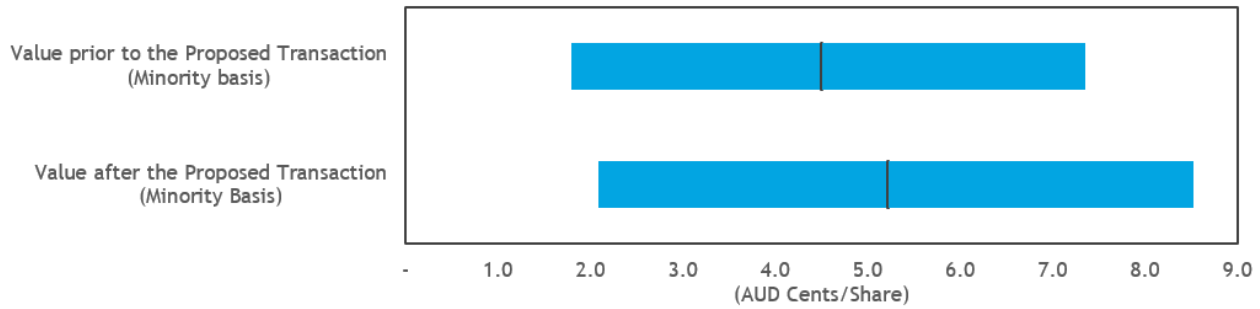
$	Low ($/share)	CSA Preferred[1] ($/share)	High ($/share)
Value of a Carpentaria share prior to the Proposed Transaction (minority interest)	0.0171	0.0631	0.0784
Value of a Carpentaria share post the Proposed Transaction (minority interest)	0.0204	0.0560	0.0898

Source: BDOCF analysis

1 CSA Preferred value refers to the value we have calculated by adopting CSA's Preferred value for Hawsons.

Figure 2.2 below sets out a graphical comparison of our valuation of a Carpentaria share prior to the Proposed Transaction on a minority interest basis and our valuation of a share in Carpentaria on a minority basis following the Proposed Transaction.

Figure 2.2: Comparison of the Value of a Carpentaria Share on a Minority Interest Basis Prior to and Post the Proposed Transaction



Source: BDOCF analysis

With reference to Table 2.5 and Figure 2.2, we note that when a comparison of the value of a Carpentaria share is completed on a minority interest basis, both prior to and post the Proposed Transaction, there is an upward shift in overall value range and each of the low, high and CSA preferred values are higher under the post valuation relative to the pre valuation.

Prior to the Proposed Transaction, we applied a 15% discount to Carpentaria's proportionate interest in the JV having regard to its interest in the JV and the terms of the existing JV agreement. Post the Proposed Transaction we have reduced this discount to 5% noting that Carpentaria's ownership interest in Hawsons has increased from 69.8% to 94.0% interest and that a new JV agreement will be in place. This reduction in discount from 15% to 5% is one of the factors driving the upward shift in value.

2.3.5 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is **Reasonable** to the Shareholders as at the date of this Report.

2.4 Our Opinion

After considering the above assessments, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is **Not Fair but Reasonable** to the Non-Associated Shareholders as at the date of this Report.

Before forming a view on whether to vote in favour of or against the Proposed Transaction, we strongly recommend Non-Associated Shareholders:

- Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 3;
- Consult their own professional advisers; and
- Consider their specific circumstances.

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3.0 Important Information

3.1 Read this Report, and Other Documentation, in Full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the Non-Associated Shareholders in conjunction with this Report should also be read in full, including the Notice of Meeting.

3.2 Shareholders' Individual Circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the Non-Associated Shareholders as a whole. BDOCF has not considered the impact of the Proposed Transaction on the particular circumstances of individual Non-Associated Shareholders. Individual Non-Associated Shareholders may place a different emphasis on certain elements of the Proposed Transaction relative to the emphasis placed in this Report. Accordingly, individual Non-Associated Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Non-Associated Shareholder to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances and accordingly, Non-Associated Shareholders are advised to consider their own circumstances and seek their own independent advice.

Voting in favour of or against the Proposed Transaction is a matter for individual Non-Associated Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Non-Associated Shareholders should carefully consider the Notice of Meeting. Non-Associated Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

With respect to taxation implications of the Proposed Transaction, it is strongly recommended that Non-Associated Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this Report we provide our opinion on whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

This Report has been prepared at the request of the Non-Associated Directors for the sole benefit of the Non-Associated Shareholders, to assist them in their decision to vote in favour of or against the Proposed Transaction. This Report is to accompany the Notice of Meeting to be sent to the shareholders to consider the Proposed Transaction and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Non-Associated Directors and the Non-Associated Shareholders without our written consent. We accept no responsibility to any person other than the Non-Associated Directors and the Non-Associated Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Notice of Meeting. Apart from this Report, we are not responsible for the contents of the Notice of Meeting or any other document associated with the Proposed Transaction. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the Non-Associated Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor did they constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Act, the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC'), the listing requirements of the relevant exchanges (where relevant) and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- We have performed our analysis on the basis that the conditions precedent to the Proposed Transaction are satisfied;
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- All information which is material to the Non-Associated Shareholders decision on the Proposed Transaction has been provided and is complete, accurate and fairly presented in all material respects;
- Australian Securities Exchange ('ASX') announcements and other publicly available information relied on by us are accurate, complete and not misleading;

- If the Proposed Transaction is approved, that it will be implemented in accordance with the stated terms;
- The legal mechanism to implement the Proposed Transaction is correct and effective;
- There are no undue changes to the terms and conditions of the Proposed Transaction, or complex issues unknown to us; and
- Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Carpentaria has engaged other advisers in relation to those matters.

Carpentaria has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by Carpentaria's board of directors ('the Board'), executives and management of all the entities.

3.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Act, the Regulations, the RGs and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 3.4.1 and 3.4.2 below.

3.4.1 Requirements of the Corporations Acts

Section 606 of the Act states that, subject to the exceptions set out in section 611, a 'relevant interest' in issued voting shares in a listed company cannot be increased from 20% or below to more than 20%, or increasing from a starting point that is above 20% and below 90%. A 'relevant interest' is broadly defined as an interest giving the holder the power to control the right to vote or dispose of shares, and includes the interest held by associates and other related parties.

If the Proposed Transaction is approved, Pure Metals will be issued approximately 90.8 million fully paid ordinary Carpentaria shares. Following the Proposed Transaction, Pure Metals and its Associates' relevant interest in Carpentaria will increase from approximately 8.19% to 30.97%. An exemption from section 606 is required under item 7 of section 611 of Act for this to occur.

Item 7 of section 611 allows a party to gain a relevant interest in shares of a public company that would otherwise be prohibited under subsection 606(2) of the Act if the Proposed Transaction is approved in advance by a resolution passed at a general meeting of the company, and:

- No votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares; and
- There was full disclosure of all information known by both the party proposing to make the acquisition, their associates and the company in relation to the transaction which was material to a decision on how to vote on the resolution.

ASIC RG 74: *Acquisitions approved by members* states that the obligation to supply shareholders with all material information can be satisfied by the non-associated directors of Carpentaria by either:

- Undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or
- Commissioning an independent expert's report.

We have been requested to prepare this independent expert's report to provide additional information to the Non-Associated Shareholders to assist them to form a view on whether to vote in favour of or against the Proposed Transaction.

3.4.2 Listing Requirements

ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, a substantial holder or a related party without the approval of non-associated shareholders.

ASX Listing Rule 10.2 defines an asset as substantial if its value or the consideration for it is, or in ASX's opinion is, 5% or more of the value of the equity interests of the entity, as set out in the latest accounts given to the ASX in accordance with the ASX listing rules ('Substantial Asset'). Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company ('Substantial Holder').

Consistent with ASX Listing Rule 10.1.5, ASX may request shareholder's approval be sought when, in ASX's opinion, a person whose relationship to the entity involved in the transaction deems it. ASX has indicated that it is in the public interest of Shareholders that the Company seek shareholder approval for the Transaction under Listing Rule 10.1.5 as one of the Directors, Ms Lau, is also a director of Pure Metals (the vendor of the Joint Venture Interest).

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3.5 Current Market Conditions

Our opinion and the analysis set out in this Report is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision (particularly as the full impact of the COVID-19 outbreak continues to evolve as at the date of this Report).

In circumstances where we become aware of and believe that a change in these conditions, prior to the Meeting, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Carpentaria. BDOCF is not responsible for updating this Report following the Meeting or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Carpentaria recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO Services Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Carpentaria, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management, the information was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Non-Associated Directors represent and warrant to us, for the purpose of this Report, that all information and documents furnished by Carpentaria (either by management directly or through advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Non-Associated Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Carpentaria has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- Carpentaria annual report for the year ended 30 June 2017;
- Carpentaria annual report for the year ended 30 June 2018;
- Carpentaria annual report for the year ended 30 June 2019;
- Carpentaria financial report for the half year ended 31 December 2019;
- Carpentaria cash flow forecast for the year ended 30 June 2021;
- Carpentaria ASX announcements;
- CSA Independent Technical Specialist's Report, dated 23 September 2020;
- Joint Venture Sale and Purchase Agreement in relation to Hawsons dated 1 September 2020;

- Pure Metal's Restructure Deed dated 7 September 2020;
- Joint Venture Agreement (Hawsons Iron Project) dated 1 September 2020;
- Appointment of Sales Agent Side Agreement Letter dated 1 September 2020;
- Notice of Meeting in relation to the Proposed Transaction dated 23 September 2020;
- Hawsons information memorandum, February 2020;
- Capital IQ;
- MergerMarket;
- Other transaction documents;
- Carpentaria company website;
- Other research publications and publicly available data as sourced throughout this Report; and
- Discussions and correspondence with Carpentaria, management and their advisers.

3.9 APES 225 *Valuation Services*

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this Report has originated from the Company's management and is adopted by the Company's directors in order to provide us with a guide to the potential financial performance of Carpentaria. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that management expects to occur and actions that management expects to take and are also subject to uncertainties and contingencies, which are often outside the control of Carpentaria. Evidence may be available to support the directors' best-estimate assumptions on which the forecast is based however, such evidence is generally future-oriented and therefore speculative in nature. In certain circumstances, we may adjust the forecast assumptions provided by management to complete our valuation work. In this instance, the forecasts we have adopted for our valuation work will not be the same as the forecasts provided by management.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management, that all material information concerning the prospects and proposed operations of Carpentaria have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

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3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the ASX Listing Rules of the ASX and the Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Scott Birkett have prepared this Report with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Birkett, BCom/BBusMan, CFA, are directors of BDOCF. Both Mr Whittaker and Mr Birkett have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Birkett are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance Ltd

Mark Whittaker
Director

Scott Birkett
Director

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PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED TRANSACTION

4.0 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- Section 4.1 provides a description of Pure Metals;
- Section 4.2 summarises the Proposed Transaction and its key terms;
- Section 4.3 details the strategic rationale for the Proposed Transaction; and
- Section 4.4 discusses specific terms of the JV agreement between Pure Metals and Carpentaria ('the JVA'), and the new JV agreement between Carpentaria and Starlight ('the New JVA').

This section is a summary only and should not be treated as a complete description of the Proposed Transaction. The Non-Associated Shareholders should refer to the Notice of Meeting for detailed and additional information relating to the Proposed Transaction and the key parties involved.

4.1 Description of Pure Metals

4.1.1 Background of Pure Metals

Pure Metals is an Australian proprietary company that is majority owned by Hong Kong and Chinese interests.

Ample Source International is a BVI company that is owned by Mr Wilson WY Cheung. It holds approximately 80% of Pure Metals and 100% of Silvergate Capital Pty Ltd.

Pure Metals other major shareholder is Starlight Investment Company Pty Ltd (defined as 'Starlight') with a holding of approximately 20%. Starlight invested in Hawsons in 2013 through Pure Metals and is owned by interests associated with Mr Wu Jiping. Starlight intends to fund its share of the feasibility studies.

Carpentaria understands that at the end of August 2020, Ample Source (on its own behalf), Ample Source (on behalf of the Pure Metals Trust), Mr McCormack, Ms Lau and Mr Cheung entered into an agreement pursuant to which (and subject to FIRB notification and no-objection), the shares in Pure Metals that are currently owned by Ample Source (on its own behalf), Ample Source (on behalf of the Pure Metals Trust) and Mr McCormack will be transferred to Ms Lau and Mr Cheung such that on or immediately before completion of the Proposed Transaction, Ms Lau and Mr Cheung will each own 50% of the shares in Pure Metals in their own names.

Additional information in relation to Pure Metals is set out in the Notice of Meeting.

4.1.2 Background to Pure Metals Investment in the Hawsons JV and the JVA

Pure Metals acquired Bonython Metals Group Pty Ltd's ('BMG') 40% JV interest in Hawsons from liquidators and entered into the Hawsons JVA in May 2013. Financial terms of the JVA included:

- Pure Metals to provide $5.0 million towards a BFS in relation to Hawsons over 12 months; and
- Pure Metals to pay Carpentaria $3.8 million, subject to certain events completing, for past expenditure on Hawsons.

The JVA in relation to Hawsons sets out the terms and conditions on which Carpentaria and Pure Metals have agreed to:

- Enter into an exploration JV to explore for minerals; and
- Complete a BFS to make a determination in relation to a decision to mine.

Since entering into the JVA, Pure Metals has elected to dilute its interest in the Hawsons JV in the conduct of the annual programme and budget. The Project ownership structure is currently 69.8% Carpentaria and 30.2% Pure Metals.

4.2 Summary of the Proposed Transaction

4.2.1 Overview of the Proposed Transaction

On 1 September 2020 Carpentaria and Pure Metals entered into a sale and purchase agreement that involves Carpentaria acquiring an additional 24.1% interest in the JV with the consideration comprising 90.8 million fully paid ordinary shares in Carpentaria to be issued to Pure Metals ('the SPA'). Upon completion of the Proposed Transaction:

- Carpentaria will have a 94.0% interest in the JV;
- Starlight will hold the remaining 6.0% interest in the JV. A restructure deed ('the Pure Metals Restructure Agreement') was entered into on 7 September 2020 to enable this to occur; and

- Pure Metals and its Associates will hold a relevant interest in Carpentaria of approximately 30.97%. Table 4.1 sets out the indicative capital structure following completion and assumes that no additional shares are issued, or options exercised, prior to completion.

Table 4.1: Indicative Capital Structure Following the Proposed Transaction

	CAP Shares on Issue	Shareholding of Pure Metals	Shareholding of Pure Metals' Associates	Relevant Interest of Pure Metals[1]
Prior to the Proposed Transaction	275,132,537	Nil	22,530,241	8.19%
Movement from Proposed Transaction	90,800,000	90,800,000	Nil	22.78%
Total Post completion of the Proposed Transaction	**365,931,471**	**90,800,000**	**22,530,241**	**30.97%**

1 This figure is an aggregate of Pure Metals and its Associates.

We recommend that Non-Associated Shareholders consider all requirements of the Proposed Transaction set out in the Notice of Meeting.

4.2.2 Material Terms of the SPA and Key Conditions Precedent

The material terms of the SPA are summarised in Section 9 of the Notice of Meeting. Key conditions precedent that must be satisfied (or waived) in order for the Proposed Transaction to be implemented include:

- The completion of the Pure Metals Restructure Agreement;
- Subject to the previous condition precedent being satisfied, the execution and delivery by Carpentaria and Starlight of the New Hawsons Iron Project Joint Venture Agreement (defined as 'the New JVA') to come into effect upon completion;
- Relevant Carpentaria shareholder approval; and
- FIRB approval.

4.3 Strategic Rationale for the Proposed Transaction

The Non-Associated Directors of Carpentaria view Hawsons as being potentially valuable, as having a sound technical platform and propose that its continued development is the best strategy to create shareholder value.

In relation to the Proposed Transaction, the Non-Associated Directors of Carpentaria are of the view that an asset ownership restructure is a necessary step in the development of Hawsons. They are of the view that the asset ownership restructure delivered by the Proposed Transaction will:

- Deliver a stable platform for developing Hawsons by reducing legal and project finance uncertainty. This includes providing greater control on the development path (e.g. freedom to sell material offtake and sign project finance arrangements); and
- Open up feasibility study funding pathways and remove a barrier to potential off-takers and investors participating in the Project. Discussions Carpentaria has held with potential equity funding institutions, strategic investors and project financiers identified the asset ownership structure and associated uncertainties of Pure Metals' intentions as impediments to feasibility study investment (as opposed to Starlight which has advised Carpentaria that it intends to fund its share of feasibility works upon completion of the Proposed Transaction).

The Non-Associated Directors have announced that they unanimously recommend that the Non-Associated Shareholders vote in favour of the Proposed Transaction.

4.4 Specific Terms of the JVA and the New JVA

Table 4.2 below summarises specific terms of the JVA and any changes in the New JVA.

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Table 4.2: Summary of Specific Terms in the JVA and the New JVA

Category	JVA	New JVA
Objectives and Scope of the Joint Venture	The objectives of the JV are to: ▸ Maintain tenements and explore Hawsons for minerals; ▸ Define a realistic range of scope, strategies, and budget of a BFS for Hawsons; ▸ Convene a Management Committee (as defined in the JVA) meeting to approve commencement of preparation of a BFS; and ▸ If exploration indicates the probable existence of other exploration targets, carry out a BFS to test the feasibility with respect to such exploration targets. The scope of the JVA does not extend to development or mining or any other activities, unless all JV parties otherwise agree in writing. If a BFS for Hawsons has been completed and a decision to mine has been made, the JV parties will use their best endeavours to promptly enter into a mining JV agreement in place of the JVA. However, until such separate mining JV agreement is entered into by the JV parties, development activities must be carried out in accordance with the terms and conditions of the JVA, with such modifications as may be necessary to enable the development activities to proceed.	No change to the objectives of the JV. The scope, terms and conditions are similar to the JVA.
Establishment of a Management Committee	Under the JVA, the JV parties agree to establish a Management Committee: ▸ Each JV party must appoint two representatives; ▸ The role of the Management Committee is to supervise the Manager (as defined in the JVA) in management of the JV and make all strategic decisions relating to conduct of JV activities; ▸ The JV party with the largest individual JV interest must appoint (and may dismiss) its representative to be chair of the Management Committee each year; and ▸ The Manager must appoint (and may dismiss) a person to be secretary of the Management Committee.	Similar to JVA.
Functions of Management Committee	The Management Committee may decide on all matters relating to the conduct of the JV activities, including, but not limited to: ▸ Establishment of policies from time to time covering JV activities; ▸ Approval of cost overruns by the Manager under any approved program/budget; ▸ Rate at which funds can be expended; and ▸ The appointment of an auditor.	Similar to JVA, however: ▸ The approval of cost overruns by the Manager under any approved program/budget is now up to 10% of the amount of such approved program/budget; and ▸ The clause relating to the rate at which funds can be expended has been removed.

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Category	JVA	New JVA
Voting and decision making of Management Committee	At any meeting of the Management Committee: ▸ A JV party may cast, through its representatives, the number of votes equal to its percentage share; ▸ The Manager or its representatives are not entitled to vote; ▸ The chair does not have a second or casting vote; ▸ All decisions of the Management Committee must be determined by majority vote, except for matters requiring unanimous vote, including: • A decision to mine; • Suspension or termination of JV activities for any reason, including extended force majeure; • Sale or disposition of any item of JV property which is material to operation of the JV; • Surrender of the whole or any part of the JV area except as may be necessary for minor boundary adjustments, or as may be required under the Mining Act; • Agreements proposed to be entered into by the Manager with a related body corporate of the Manager; and • Agreements proposed to be entered into by the Manager or JV participants in respect of the JV for a term longer than one year.	Changes to decisions requiring unanimous approval include: ▸ Removed: A decision to mine has been removed; ▸ Removed: Agreements proposed to be entered into for a term of longer than a year; ▸ Added: Changing the nature or scope of JV activities that provides for an annual production from HIP of greater than 14Mtpa; ▸ Added: Variation of the management fee payable to the manager; ▸ Added: actions dealing with court or arbitration proceedings involving the JV involving an amount greater than $50,000; and ▸ Added: Approval of a proposed program and budget for a period less than 12 months. Additionally, the New JVA allows each JV party enter into legally binding offtake agreements for its share of product at any time and, post decision to mine, encumbrances are permitted if reasonably required for purposes of financing development. Management consider this amendment to provide greater control over development of the Project.
Appointment of a Manager	Carpentaria is currently the Manager of the JV. Per the JVA, Carpentaria will remain Manager until: ▸ The majority funding party of the relevant stage of the BFS appoints a new Manager; ▸ The JVA is terminated; ▸ The Manager resigns; orThe Manager suffers an insolvency event or commits a material breach or default in the performance of a material obligation of the JVA.	Similar to JVA, however: ▸ The clause relating to the majority funding party has been replaced by a clause that states if the largest JV interest is no longer held by the Manager, the appointment of the Manager will continue until the management committee determines if and when a new Manager should be appointed.
Functions, Powers and Duties of Manager	The Manager reports to the Management Committee and must: ▸ By itself or through its employees, agents or contractors, manage, direct and control JV activities as agent for and on behalf of the JV parties; ▸ Exercise and discharge its powers and duties in accordance with approved programmes and budgets, and decisions made by the Management Committee; ▸ Conduct activities in a proper manner; and ▸ Act in utmost faith in all its dealings as Manager with each JV party. The Manager is entitled to have possession and control of all JV property and subject to Management Committee approval regarding certain items, conduct all acts reasonably necessary or desirable to fulfil its functions. Items requiring Management Committee approval, include: ▸ Accepting quotes and tenders above certain thresholds; ▸ Agreeing or settling any Native Title claims; ▸ Disposal of JV property; and ▸ Compromising or settling any court proceedings.	Similar to JVA, however: ▸ Added: Clause requiring Manager to arrange for security deposits. Performance bonds and guarantees or other instrument for the performance of the JV parties.

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Category	JVA	New JVA
Disagreement on the Decision to Mine	If a decision to mine is not made by the Management Committee, any or all of the JV parties that voted for the development proposal ('Proceeding JV Party') may elect at their sole discretion to acquire the non-Proceeding JV Parties' interest in the area of the development area at a value agreed between the two parties. Failing agreement on value, the parties shall appoint an expert to determine a fair market value. The Proceeding JV Party will not be required to transact at the value determined by an expert, however the non-Proceeding JV party will be bound by the expert determination.	New JVA provides for a non-Proceeding JV Party to offer to the Proceeding JV Party: ▸ To sell the Non-Proceeding JV party's interest; or ▸ For each Proceeding JV Party to fund the non-Proceeding JV Party so that there is no dilution of the non-Proceeding JV Party's JV interest. If any Proceeding JV Party wishes to purchase the non-Proceeding JV Party's interest, the purchase price will be a value agreed by all JV Parties. If agreement cannot be reached, then the purchase price will be the fair market value determined by expert appointed. If any Proceeding JV Party wishes to fund the non-Proceeding JV Party, the Proceeding JV Party will meet the costs of the non-Proceeding JV Party in return for: ▸ The ability to enter into agreements in respect of, or encumber the non-Proceeding Party's interest in the products of HIP; ▸ The right and entitlement to 90% of the proceeds from the non-Proceeding JV Party's share of products of HIP; and ▸ The ability to charge interest at an interest rate of up to, but not exceeding a margin of 7% on top of the rate at which the development proposal is being funded by project finance facilities. In the event of a JV Party defaulting, consideration payable to the defaulting JV party will be equal to 80% of the fair market value of their JV interest as determined by an expert. Management consider this clause beneficial as a JV party that may be at risk of default is to advise that it is does not intend to proceed, rather than stalling development.
Dilution	Dilution mechanism has a floor whereby the mechanism will not apply to: ▸ Reduce Carpentaria's percentage share lower than 20%; or ▸ Reduce PM's percentage share lower than 13.33%. The JVA does not specify how long the floor is to apply.	Dilution floors apply up to: ▸ Reduce Carpentaria's share lower than 30.67%; or ▸ Reduce Starlight's share lower than 2.66%. The dilution floor under the New JVA only applies up to the Decision to Mine. Management considers this clarification beneficial.
Appointment of Sales Agent	Not contemplated in JVA.	Each joint venturer is able to enter into their own marketing arrangements. If Starlight haven't entered an agreement within one month of the draft report prepared by the BFS engineer for the purposes of the BFS (which addresses the complete scope of the BFS) being available, Carpentaria is able to appoint a sales agent. Management consider this item beneficial as it provides a timeline to resolve product marketing and obtain project finance before the decision to mine.

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Category	JVA	New JVA
Rights and Restrictions Regarding Assignment of Joint Venture Interest	A JV party may not assign, transfer, sub lease or otherwise deal with the whole or any part of its JV interest other than: ▸ As permitted by the JVA; or ▸ With the consent of all other JV parties, which they may give or refuse in their absolute discretion. **Negotiating with Third Parties** The JVA does not restrict the JV parties from negotiating with third parties interested in acquiring a percentage share in the JV with technical and financial capacity to fund a BFS, reimburse any BFS expenditure and subsequent pro rata capital expenditure requirements necessary to support a decision to mine. In negotiating with these potential third parties, the JV parties must use best endeavours to include terms in the transaction that allows for proceeds to be applied pro rata based on each JV party's contribution to certain expenditures, as set out in the JVA. **Tag Along Rights** If a party ('Seller') wants to sell any or all of its percentage interest in the Hawsons JV to a third party, the Seller must give other JV parties notice ('Offeree') in writing of the proposed sale to that third party. The Offeree may elect to 'tag along' by giving notice that it wants to sell a proportion of its interest in the Hawsons JV. The amounts that each JV party sells to the third party will be determined based on each JV party's percentage interest, and percentage interest offered by the Seller to the third party. **Right of Pre-Emption** Where a party receives a bona fide offer to purchase or farm-in to, or intends to make an offer to sell or farm-out the whole or any part of its JV interest which it is willing to accept and dispose of or sell or farm-out, it must provide notice to the other JV parties and make the same offer to the other JV parties. The party must send the offer to the other JV parties immediately upon receiving an offer that it is willing to accept or intends to make an offer. The other JV parties have the option, pro-rata in proportion to their respective JV interests. **Change of Control** if there is a proposed change of control in respect of a joint venturer then that joint venturer is deemed to have offered to sell its Joint Venture Interest to the other joint venturer free from any encumbrance. The cash purchase price will be equal in value to the lower of the fair market value agreed by the joint venturers (or failing agreement, as determined by an expert) and the consideration agreed for the change of control. The change of control clause does not apply to a joint venturer listed on a recognised stock exchange.	Assignment clause is similar to the JVA. Negotiating with third parties clause has been removed. Management consider the removal of constraints on distribution of proceeds of sale beneficial. Starlight may elect to tag along with any sale proposed by Carpentaria of its JV interest to a third party, consistent with the previous tag along rights in the JVA. Carpentaria does not have an option to tag along with any sale proposed by Starlight in relation to its JV interest. Pre-emptive rights clause is similar to the JVA. The change of control clause is similar to the JVA.

Source: JVA and the New JVA

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5.0 Background of Carpentaria

This section is set out as follows:

- Section 5.1 provides an overview on Carpentaria;
- Section 5.2 summarises core assets of Carpentaria;
- Section 5.3 summarises the equity structure of Carpentaria;
- Section 5.4 summarises the share performance of Carpentaria; and
- Section 5.5 summarises the historical financial information of Carpentaria.

5.1 Overview of Carpentaria

Carpentaria is an Australian mineral exploration company headquartered in Brisbane, Queensland. Carpentaria was founded in 2006 and gained official listing on the ASX on 12 November 2007 under the code 'CAP'. Formerly Carpentaria Exploration Limited, Carpentaria changed its name to Carpentaria Resources Limited in October 2017 to reflect the company's evolution.

Carpentaria's principal focus is Hawsons, an undeveloped high-quality iron ore JV with Pure Metals, located near Broken Hill, New South Wales.

In addition to Hawsons, Carpentaria also holds a 1% net smelter return in the Barellan exploration licence ('EL') 7896 and Combaning (EL 6901) gold projects. All other tenements have either been relinquished or are in the process of being relinquished.

5.2 Hawsons

5.2.1 Summary of Hawsons

Hawsons Iron Project is a JV iron ore project situated in the rich Braemar Iron Province 60km south of Broken Hill, New South Wales, Australia. It comprises three separate exploration licences; EL 6979, EL 7208 and EL 7504 with a mining licence (MLA460) currently under application with the NSW Government.

Carpentaria is the Manager of the JV, with Pure Metals having its JV interest in accordance with the JVA . Carpentaria's interest currently stands at 69.8%, with Pure Metals' interest at 30.2%. Further information on the JV agreement is contained in Section 4.4.

A prefeasibility study ('PFS') was completed in July 2017 by GHD, with Hawsons being positioned as having the potential to be the lowest cost high quality iron ore project in the world. With a projected output of 10 million tonnes per annum ('Mtpa'), when in production, Hawsons will be one of very few high-quality product mines. Production of the highest quality product, Hawsons Supergrade® (approximately 70% Fe), is further supplemented by an estimated mine life of 20+ years. Hawsons is positioned to exploit increasing demand for high grade iron ore to meet trends of efficient steel making and lower environmental and energy costs.

Carpentaria is focused on progressing a BFS, securing a mining lease and commencing production. Further details on Hawsons can be found in Section 2 of the CSA report in Appendix B.

5.2.2 The Mitsui Option Agreement

In August 2018, Carpentaria announced a binding option off-take agreement ('the Option Agreement') with Mitsui & Co, Ltd ('Mitsui'). The terms of the Option Agreement require Mitsui to advance $5.4 million to the Hawsons JV for funding of the BFS, contingent upon the remaining balance for the BFS being secured. In return, Mitsui gains an option to secure 2.0 Mtpa of Hawsons Supergrade® pellet feed off-take, on agreed commercial terms, for a 20-year period and exclusivity to sell the pellet feed product in Japan. The option exercise condition is for Mitsui to commit a US$60 million mezzanine debt facility for Hawsons construction following the completion of the BFS.

On 31 July 2020 the Company announced the Option Agreement between Mitsui and Carpentaria was extended until 31 December 2020. The terms of the Options Agreement remained unchanged.

5.2.3 Additional Funding Options Considered

Following the Mitsui transaction, Carpentaria has sought further non-dilutive funding from other tier one off-takers and end users. Negotiations continue to take place and a number of site visits have been carried out, with Carpentaria continuing to receive unsolicited approaches from end users they believe credible. Some of these companies have provided letters of intent ('LOI') to Carpentaria.

Table 5.1 outlines the current range of agreements and/or LOIs for Hawsons Supergrade® product. These agreements are from international companies across Asia and the Middle East.

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Table 5.1: Hawsons Iron Project Agreements and/or LOIs

Company	Volume (Mtpa)	Market
Mitsui	2.0	Pellet Feed
Formosa Plastics	2.6	Concentrate/Pellet Feed
Bahrain Steel	3.0	Direct Reduction (DR) pellet feed
Shagang	2.5	Pellet Feed
Mitsubishi Corporation RtM	1.0	Pellet Feed
Gunvor	1.0	Concentrate
Kuwait Steel	1.0	DR Pellet Feed
Emirates Steel	0.9	DR Pellets
Total	**14.0**	

Source: Carpentaria Annual Report 2020

5.3 Equity Structure of Carpentaria

5.3.1 Ordinary Shares

Carpentaria have 275,132,537 ordinary shares on issue. The top 10 shareholders as at 17 August 2020 are set out on an individual entity basis in Table 5.2.

Table 5.2: Top 10 Shareholders

	Shareholders	Number of Shares	Percentage Holdings
1	HSBC Custody Nominees (Australia) Limited	18,963,269	6.89%
2	Silvergate Capital Pty Ltd	17,990,800	6.54%
3	Mr Peter Turcovsky	5,000,000	1.82%
4	Balmain Super Fund	4,054,404	1.47%
5	BNP Paribas Nominees Pty Ltd	3,827,590	1.39%
6	Mr Kok Leong Wong	3,425,000	1.24%
7	Silvergate Capital Pty Ltd	2,953,706	1.07%
8	One Managed Investment Funds Limited <TI Growth A/C>	2,775,000	1.01%
8	One Managed Investment Funds Limited <TI Absolute Return>	2,775,000	1.01%
9	Camcove Pty Ltd	2,702,521	0.98%
10	Mr David William Fuller	2,400,000	0.87%
	Other	208,265,247	75.70%
	Total	**275,132,537**	**100.00%**

Source: Carpentaria FY20 Annual Report

Having regard to the information set out in Table 5.2 above, we note:

- As at 17 August 2020, Carpentaria's top ten shareholders hold 24.3%; and
- As at 17 August 2020, Carpentaria had two substantial shareholders, being SG Hiscock & Company Limited with 5.48% holding and Silvergate Capital Pty Ltd (an associate of Pure Metals) with 7.61% holding.

5.3.2 Unlisted Securities on Issue

Options over ordinary Carpentaria shares are issued to directors, consultants and key management personnel in recognition of services provided, convertible into one ordinary share each when exercised. Options granted under the plan carry no dividend or voting rights. Carpentaria's options outstanding are subject to the continued employment of the relevant key management personnel, and some tranches are subject to certain vesting conditions.

Table 5.3 summarises the options outstanding in Carpentaria.

Table 5.3: Carpentaria Remuneration Options

Expiration Date	Number Outstanding	Exercise Price
24 December 2021	1,625,000	$0.20
4 July 2023	500,000	$0.15
4 July 2023	625,000	$0.25
4 July 2023	150,000	$0.40
4 July 2023	200,000	$0.50
14 November 2023	2,200,000	$0.15

Expiration Date	Number Outstanding	Exercise Price
14 November 2023	2,500,000	$0.25
14 November 2023	1,400,000	$0.40
14 November 2023	3,400,000	$0.50
Total	**12,600,000**	

Source: Carpentaria ASX Announcement on 13 July 2020

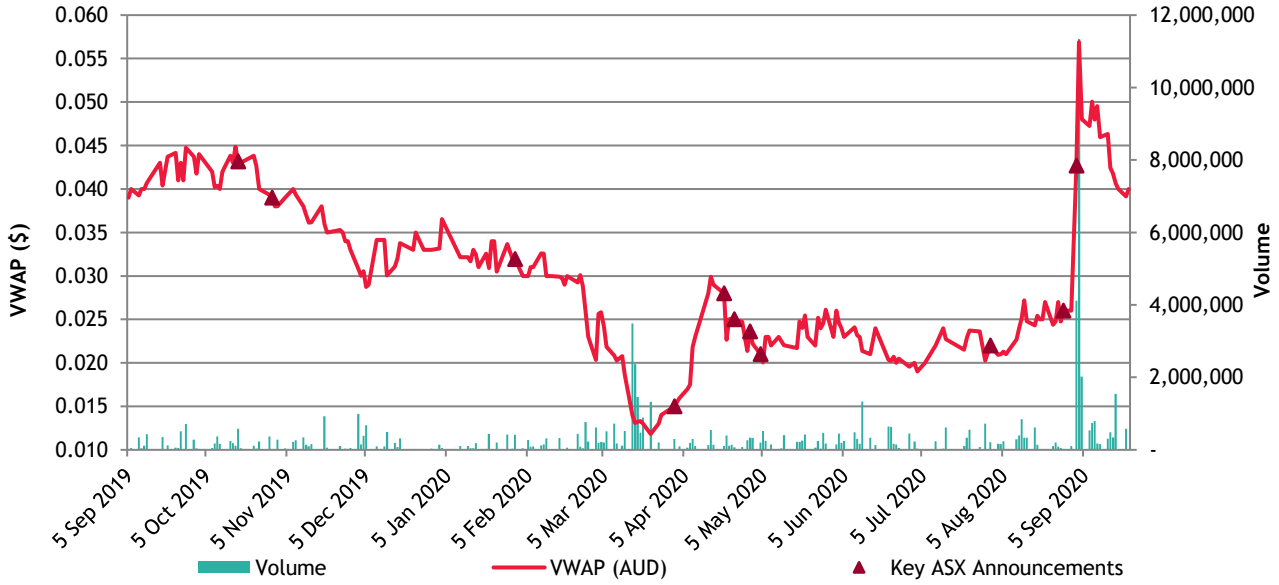
5.4 Share Price Movements of Carpentaria

5.4.1 Share Price Movements

Carpentaria shares are traded on the ASX, and Chi-X Australia ('CHIA') under the ticker codes 'CAP' (for both ASX and CHIA). Until 30 June 2020, Carpentaria shares were also listed on Deutsche Boerse AG ('DB') under '78A'.

Figure 5.1 displays the daily volume weighted average price ('VWAP') and daily volume of Carpentaria shares traded on the ASX over the period 5 September 2019 to 22 September 2020.

Figure 5.1: Daily VWAP and Volume of Carpentaria Shares Traded from 5 September 2019 to 22 September 2020



Source: Capital IQ as at 23 September 2020

Over the period graphed in Figure 5.1 above and prior to the announcement of the Proposed Transaction, Carpentaria's daily VWAP displays a period low of $0.0118 on 23 March 2020 and a period high of $0.0449 on 16 October 2019.

We note subsequent to the announcement of the Proposed Transaction by Carpentaria on 2 September 2020, Carpentaria's share price rallied to a daily VWAP of $0.0569 on 3 September 2020.

In addition to the share price and volume data of Carpentaria shown above, we have summarised selected key ASX announcements in Table 5.4 below to assist readers to understand the possible reasons for the movement in Carpentaria's share price over the period analysed. The selected ASX announcement references in Table 5.4 below correspond to those displayed in Figure 5.1 above.

Table 5.4: Selected Carpentaria ASX Announcements from 5 September 2019 to 22 September 2020

Date	Announcement
17/10/2019	Announcement that eighteen metallurgical samples from across the Hawsons iron resource returned results exceeding or in line with expectations. Ore processing characteristics showed low ore variability which gives greater opportunity for cost savings, according to Carpentaria.
30/10/2019	Carpentaria releases quarterly report for the period ending 30 September 2019 announcing that geotechnical assessments and tailings storage investigations confirmed the appropriateness of prefeasibility study assumptions. Important customer relations were strengthened and funding discussions advanced.
21/11/2019	Non-executive Chairman Dr Neil Williams announces his retirement from the Board in his Annual General Meeting ('AGM') address. Mr John Anderson is appointed as new Non-executive Chairman.
31/01/2020	Carpentaria releases quarterly report for the period ending 31 December 2019 announcing an improvement in its direct reduction ('DR') grade product offering and that value-in-use modelling shows pellet feed is worth US$16-23 per tonne more through the steelmaking value chain than a standard DR product.
01/04/2020	Carpentaria announced Mitsui has agreed to extend the term of the existing Offtake Agreement for four months, until 31 July 2020. The option terms are unchanged. In the meantime the parties intend to negotiate commercial terms to extend the option beyond July 2020.

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Date	Announcement
20/04/2020	Carpentaria provided a market update stating the Company is commencing cost-cutting measures in response to dislocation in capital markets from the COVID-19 pandemic, resulting in monthly expenditure being reduced to approximately $80,000.
24/04/2020	Carpentaria announces that Mr John Anderson, the non-executive Chairman, retired from the Board for personal reasons. Mr Jon Parker was appointed as interim Chairman.
30/04/2020	Carpentaria releases quarterly report for the period ending 31 March 2020 announcing the Company is progressing discussions with Asian and MENA region tier one and other offtakers and potential cornerstone investors for offtake-related and other BFS funding.
04/05/2020	Carpentaria announces that Mr Peter Graham has replaced Mr Jon Parker as non-executive Chairman, and Mr Parker has retired from the Board.
30/07/2020	Carpentaria announced Mitsui has agreed to further extend the term of the existing Offtake Agreement for five months, until 31 December 2020. The option terms are unchanged. In the meantime the parties intend to negotiate commercial terms to extend the option beyond December 2020.
31/07/2020	Carpentaria releases quarterly report for the period ending 30 June 2020 announcing the discussions with Hawsons JV partners' two shareholder groups to consolidate JV ownership are progressing. The Company has agreed with Asian and MENA region tier one and counterparties to pause offtake and funding related discussions until the Hawsons JV has been reset.
28/08/2020	Carpentaria releases the annual financial report for the year ended 30 June 2020, detailing the Company's financial performance and position throughout the pandemic.
02/09/2020	Carpentaria announces the Proposed Transaction to the market in addition to Ms Lau to the Company's Board.

Source: Carpentaria ASX Announcements from 5 September 2019 to 23 September 2020

In Table 5.5 below we have set out Carpentaria's VWAP in Australian Dollars for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 1 September 2020 (being the day immediately before the date the Proposed Transaction was announced). The VWAP applies weights corresponding to the trading volume through each exchange (ASX, CHIA and DB) to the average price in AUD on each exchange in the specified period.

Table 5.5: Carpentaria's Exchange Weighted VWAP for Specified Periods Prior to 1 September 2020

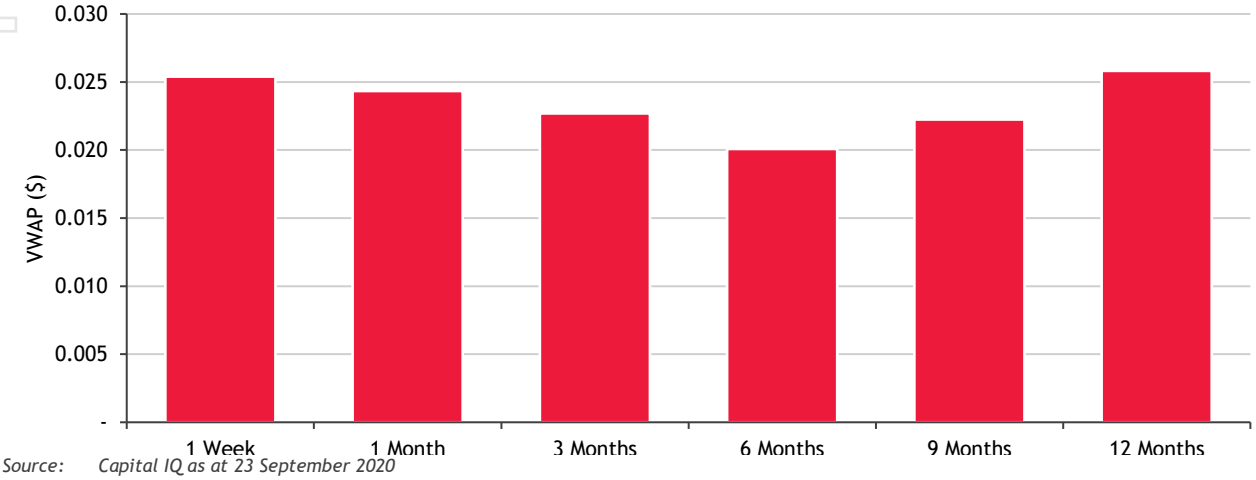
Period before 1 September 2020	VWAP (AUD)
1 Week	0.0254
1 Month	0.0243
3 Months	0.0227
6 Months	0.0201
9 Months	0.0222
12 Months	0.0258

Source: Capital IQ as at 23 September 2020

1 Exchange weighted VWAP is identified by calculating the VWAP's for the specified periods for each of the listed exchanges with reference to the total volume traded.

The information presented in Table 5.5 is shown graphically in Figure 5.2 below.

Figure 5.2: Carpentaria's VWAP for Specified Periods Prior to 1 September 2020



Source: Capital IQ as at 23 September 2020

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5.4.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

In the 12 months prior to 1 September 2020, approximately 86% of Carpentaria's trading volume occurred through the ASX, approximately 14% through CHIA and an immaterial amount through the DB (which is considered negligible for our analysis). Table 5.6 summarises the monthly liquidity of Carpentaria shares as traded on the ASX and CHIA from 31 August 2019 to 22 September 2020. Liquidity has been summarised by considering the following:

- Volume of Carpentaria share trades per month;
- Value of total trades in Carpentaria shares per month;
- Number of Carpentaria shares traded per month as a percentage of total Carpentaria shares outstanding at the end of the month; and
- Volume weighted average price per month.

Table 5.6: Liquidity of Carpentaria Shares on the ASX and CHIA

Month	Volume	Turnover (A$)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP (A$)
September 2020 (2nd to 22nd)	27,120,580	1,368,457	275,132,537	9.86%	0.0505
August 2020	4,844,610	117,874	275,132,537	1.76%	0.0243
July 2020	4,184,020	92,240	275,132,537	1.52%	0.0220
June 2020	6,679,440	146,494	275,132,537	2.43%	0.0219
May 2020	4,684,420	108,130	275,132,537	1.70%	0.0231
April 2020	3,887,400	91,407	275,132,537	1.41%	0.0235
March 2020	13,999,740	212,629	275,132,537	5.09%	0.0152
February 2020	3,634,190	104,658	275,132,537	1.32%	0.0288
January 2020	2,558,710	81,086	275,132,537	0.93%	0.0317
December 2019	4,289,280	117,212	275,132,537	1.56%	0.0273
November 2019	3,114,370	115,588	275,132,537	1.13%	0.0371
October 2019	3,798,970	158,994	275,132,537	1.38%	0.0419
September 2019	5,177,560	216,908	275,132,537	1.88%	0.0419
Total	**87,973,290**	**2,931,677**	**275,132,537**	**31.97%**	**0.0333**

Source: Capital IQ as at 23 September 2020

Assuming a weighted average number of 275,132,537 Carpentaria shares on issue over the period, approximately 22.1% of the total shares on issue were traded over the period 1 September 2019 to 31 August 2020. In our view, this indicates that Carpentaria shares display a low to moderate level of liquidity.

5.5 Historical Financial Information of Carpentaria

This section sets out the historical financial information of Carpentaria. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Carpentaria's annual reports, including the full statements of profit or loss and other comprehensive income, statements of financial position and statements of cash flows.

Carpentaria's financial statements have been audited by BDO Audit Pty Ltd. BDOCF has not performed any audit or review of any type on the historical financial information of Carpentaria and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

All financial information set out in Section 5.5 is displayed in Australian dollars.

5.5.1 Uncertainty Related to Going Concern Assumption

BDO Audit's audit report for the financial year ended 30 June 2020 emphasised the existence of material uncertainty in relation to Carpentaria's ability to continue as a going concern. Carpentaria's ability to continue as a going concern as at the date of the audit report was dependent on the Company raising additional capital and the successful exploration and subsequent exploitation of the tenements.

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5.5.2 *Statements of Comprehensive Income*

Table 5.7 summarises the consolidated statement of comprehensive income of Carpentaria for the financial years ended 30 June 2017, 2018, 2019 and 2020.

Table 5.7: Summarised Carpentaria Statements of Comprehensive Income

	12 Months Ended 30 Jun 2017 Audited ($'000)	12 Months Ended 30 Jun 2018 Audited ($'000)	12 Months Ended 30 Jun 2019 Audited ($'000)	12 Months Ended 30 Jun 2020 Audited ($'000)
Other revenue	17	6	4	2
Fair value movement on financial assets at fair value through profit or loss	36	5	-	-
Gain on sale of financial assets at fair value through profit or loss	-	18	-	-
Total Revenue	**54**	**29**	**4**	**2**
Employee benefits expense	(378)	(509)	(644)	(750)
Project generation and business development expenses	(299)	(234)	(785)	(763)
Depreciation	(12)	(12)	(5)	(3)
Impairment of exploration expenditure	-	-	-	(1,227)
Consultants expenses	-	-	-	(761)
Other expenses	(418)	(458)	(419)	(543)
Total Operating and Administration Expenses	**(1,107)**	**(1,213)**	**(1,852)**	**(4,046)**
Profit (Loss) Before Income Tax	**(1,053)**	**(1,183)**	**(1,848)**	**(4,044)**
Income tax benefit (expense)	-	-	-	-
Profit (Loss)	**(1,053)**	**(1,183)**	**(1,848)**	(4,044)

Source: Carpentaria 2017, 2018, 2019 and 2020 Annual Reports

With reference to Table 5.7 above, we note the following:

- Carpentaria has not generated revenue from operations to date, and its focus is on obtaining a BFS for Hawsons;
- Other revenue relates to interest generated on cash and cash equivalents;
- Project generation and business development expenses were higher in FY19 and FY20, relative to the two previous years, due to an increase in expenditure to gain funding and progress towards commencement of Hawsons. Project generation and business development expenses includes ongoing consultants, travel related to project discussions and ad hoc subscriptions and consultants;
- Impairment of exploration expenditure in FY20 relates to Carpentaria impairing all exploration projects to nil except for Hawsons.
- Consultants expenses recognised in FY20 relate to equity settled share based payments that were required to be recognised in accordance with AASB 2 *Share-based Payment* as a result of an agreement entered into on 21 January 2020; and
- Other expenses include administration expenses and operating lease payments.

5.5.3 *Statements of Financial Position*

Table 5.8 summarises Carpentaria's statements of financial position as 30 June 2017, 2018, 2019 and 2020.

Table 5.8: Summarised Carpentaria Consolidated Statements of Financial Position

	As at 30 Jun 2017 Audited ($'000)	As at 30 Jun 2018 Audited ($'000)	As at 30 Jun 2019 Audited ($'000)	As at 30 Jun 2020 Audited ($'000)
Current Assets				
Cash and cash equivalents	1,368	1,053	3,024	716
Trade and other receivables	67	15	30	39
Financial assets at fair value through profit or loss	47	14	-	-
Other current assets	10	11	18	8
Total Current Assets	**1,491**	**1,094**	**3,072**	**764**

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	As at 30 Jun 2017 Audited ($'000)	As at 30 Jun 2018 Audited ($'000)	As at 30 Jun 2019 Audited ($'000)	As at 30 Jun 2020 Audited ($'000)
Non-Current Assets				
Exploration and evaluation assets	3,307	4,657	5,141	4,438
Other non-current assets	78	64	66	43
Total Non-Current Assets	**3,385**	**4,721**	**5,207**	**4,480**
Total Assets	**4,876**	**5,814**	**8,279**	**5,244**
Current Liabilities				
Trade and other payables	98	58	87	736
Provisions	87	195	366	474
Total Liabilities	**185**	**253**	**453**	**1,209**
Net Assets	**4,692**	**5,561**	**7,826**	**4,034**
Equity				
Issued capital	22,313	24,253	28,166	28,166
Reserves	1,876	1,986	2,185	2,389
Accumulated losses	(19,497)	(20,678)	(22,526)	(26,521)
Total Equity	**4,692**	**5,561**	**7,826**	**4,034**

Source: Carpentaria 2017, 2018 and 2019 Annual Reports and half-year ended 31 December 2019 Financial Report

With reference to Table 5.8 above, we note the following:

- Cash and cash equivalents have fluctuated each period depending on the timing of capital raising and funding requirements for the Project;
- Non-current assets, primarily exploration and evaluation assets, have steadily increased since 2016 as Carpentaria increases investment into Hawsons in preparation for the Project's development. In FY20, the increase was offset by the impairment of all exploration projects to nil except for the Hawsons;
- Provisions relate to accrued back pay (that is subject to the milestone events summarised in the FY20 financial accounts) and employee entitlements for annual leave and long service leave;
- Trade and other payables increased in FY20 because of a requirement to recognise equity settled share based payments in accordance with AASB 2 *Share-based Payment*. This requirement arose as a result of an agreement entered into on 21 January 2020. The undiscounted potential value of the consultant success fee and break fee as at 30 June 2020 was $1.95 million and $1.08 million respectively. Further details on these amounts are set out in Section 8.3;
- Carpentaria issued shares with proceeds totalling $2.14 million and $4.19 million in FY18 and FY19, respectively, to fund its operations and progress towards commencement of the Project; and
- Reserves include share-based payment reserves, specifically director, employee and contractor share options and performance rights recognised at fair value.

5.5.4 Statements of Cash Flows

Table 5.9 summarises Carpentaria's statement of cash flows for FY17, FY18, FY19 and FY20.

Table 5.9: Summarised Carpentaria Consolidated Statements of Cash Flows

	12 Months Ended 30 Jun 2017 Audited ($'000)	12 Months Ended 30 Jun 2018 Audited ($'000)	12 Months Ended 30 Jun 2019 Audited ($'000)	12 Months Ended 30 Jun 2020 Audited ($'000)
Cash flow from Operating Activities				
Interest Received	17	6	4	2
Payments to Suppliers and Employees	(898)	(877)	(1,415)	(1,787)
Net Cash Provided by Operating Activities	**(881)**	**(871)**	**(1,411)**	**(1,785)**

	12 Months Ended 30 Jun 2017 Audited ($'000)	12 Months Ended 30 Jun 2018 Audited ($'000)	12 Months Ended 30 Jun 2019 Audited ($'000)	12 Months Ended 30 Jun 2020 Audited ($'000)
Cash Flow from Investing Activities				
Payments for Exploration and Evaluation Assets	(1,830)	(1,669)	(537)	(523)
Government grants in relation to exploration assets	280	228	-	-
Proceeds from Sale of Financial Assets at fair value through profit or loss	-	56	14	-
Payments for Property, Plant and Equipment	(12)	-	(7)	-
Net Cash provided by Investing Activities	**(1,563)**	**(1,385)**	**(530)**	**(523)**
Cash Flow from Financing Activities				
Proceeds from the Issue of Shares	2,362	2,140	4,187	-
Payments of Share Issue Costs	(234)	(200)	(274)	-
Net Cash provided by Financing Activities	**2,128**	**1,941**	**3,913**	**-**
Increase/(Decrease) in Cash and Cash Equivalents	**(315)**	**(315)**	**1,972**	**(2,307)**
Cash at Beginning of Financial Year	1,683	1,368	1,053	3,024
Cash and Cash Equivalents at the End of Financial Year	**1,368**	**1,053**	**3,024**	**716**

Source: Carpentaria 2017, 2018 and 2019 Annual Reports and half-year ended 31 December 2019 Financial Report

With reference to Table 5.9 above, we note the following:

- Cash flows from operating activities are negative across all periods as Carpentaria's primary focus is the BFS for Hawsons. Cash outflows are minimally offset by interest income. Payments to suppliers and employees in FY19 and FY20 increased due to increased project generation and business development expenses and employee benefit expenses;
- Throughout September and November of FY17, Carpentaria completed gross capital raises of $2 million, issued at $0.049 per share through a placement and rights offer. The remainder of ordinary share proceeds in FY17 were raised through a rights offer issued at $0.06 per share;
- In FY18, Carpentaria raised gross proceeds of $2.14 million across October and November via a private placement and rights offer at $0.072 per share; and
- In FY19, Carpentaria completed gross capital raises of $1.24 million in September and $2.95 million in April, issued at $0.085 per share and $0.048 per share, respectively. The September raise was via a private placement, with the remainder of ordinary share proceeds in FY19 raised through a share purchase plan.

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6.0 Industry Overview

6.1 Iron Ore Overview[2]

Iron ores are rocks from which metallic iron can be economically extracted. The principal iron ores are hematite (Fe_2O_3) and magnetite (Fe_3O_4).

Hematite is a pure iron oxide mineral, with pure hematite mineral containing approximately 70% iron. Hematite ores dominate the world production of iron ores with approximately 96% of Australia's iron ore exports being high grade hematite. High grade hematite ore involves a relatively simple crushing and screening process before being exported. Australia's hematite on average ranges from 56% to 62% iron content.

Magnetite is an iron oxide mineral containing a higher concentration of Fe (72.4% Fe in its pure form). Magnetite iron ores typically occur in sedimentary rocks, including banded iron formations as detrital grains. While the iron ore content of pure magnetite is higher than hematite, the presence of impurities and gangue material can result in a lower global ore grade. The associated processing to extract the higher grade magnetite iron ore makes it costlier to produce the concentrates, but results in a premium product.

According to Geoscience Australia, the iron ore industry focus has shifted to ore quality over production quantity, triggered by global environmental issues. With growing concerns over the population's wellbeing in highly polluted cities, particularly China, authorities have addressed high emission problems by closing down inefficient steel mills.

Iron is the world's most used metal, with approximately 98% of global iron ore production used to make steel. It is primarily used in structural engineering, automobiles and other general industrial applications. Commercial development of iron ore deposits is largely constrained by the position of the iron ore relative to its market and the cost of establishing proper transportation infrastructure such as ports and railways.

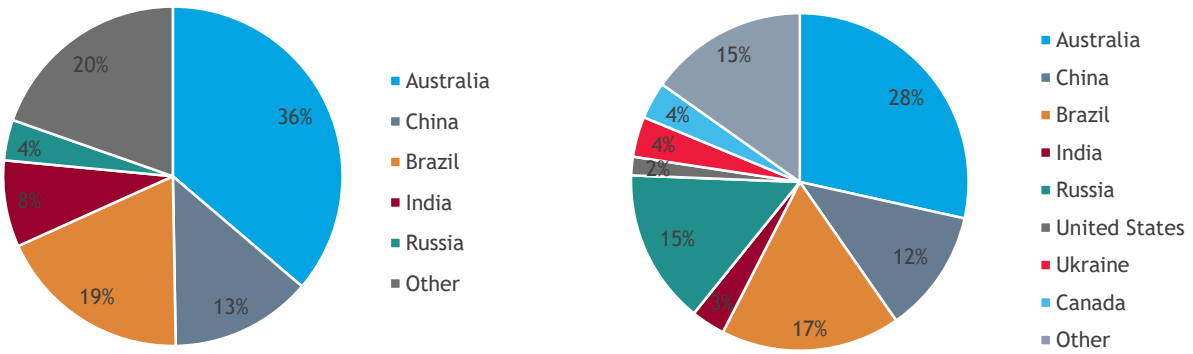
There are four main categories of iron ore exports:

- **Fines**: fines are the smallest size category and typically have a granular size less than 9.50mm. They are the most heavily traded category of iron ore;
- **Lump Ore**: lump ore consists of golf ball sized pieces and generally has a higher iron content than fines;
- **Pellets**: particle sizes range from 9.50mm to 16.00mm. Pellets are made by agglomeration of finely ground and concentrated ore; and
- **Concentrate**: concentrates are usually produced from low-grade magnetite deposits of around 25 per cent to 35 per cent. Ore is crushed and magnetically separated to form a higher-grade concentrate of up to 70 per cent Fe with low impurities.

6.2 Production and Reserves[3]

In 2019, an estimated 2.5 billion metric tonnes of iron ore were produced globally. The charts set out in Figure 6.1 below show the countries in which the majority of iron ore was produced in 2019, alongside the locations of the world's iron ore reserves, with Australia and Brazil accounting for nearly half the world's reserves.

Figure 6.1: Global Iron Ore (Usable) Production in 2019 (Left) Global Iron Ore Reserves (Crude) in 2019 (Right)



Source: US Geological Survey (2020)

[2] *Source: Geoscience Australia (2020), The Mining Valuation Handbook (2012)*
[3] *Source: US Geological Survey (2020)*

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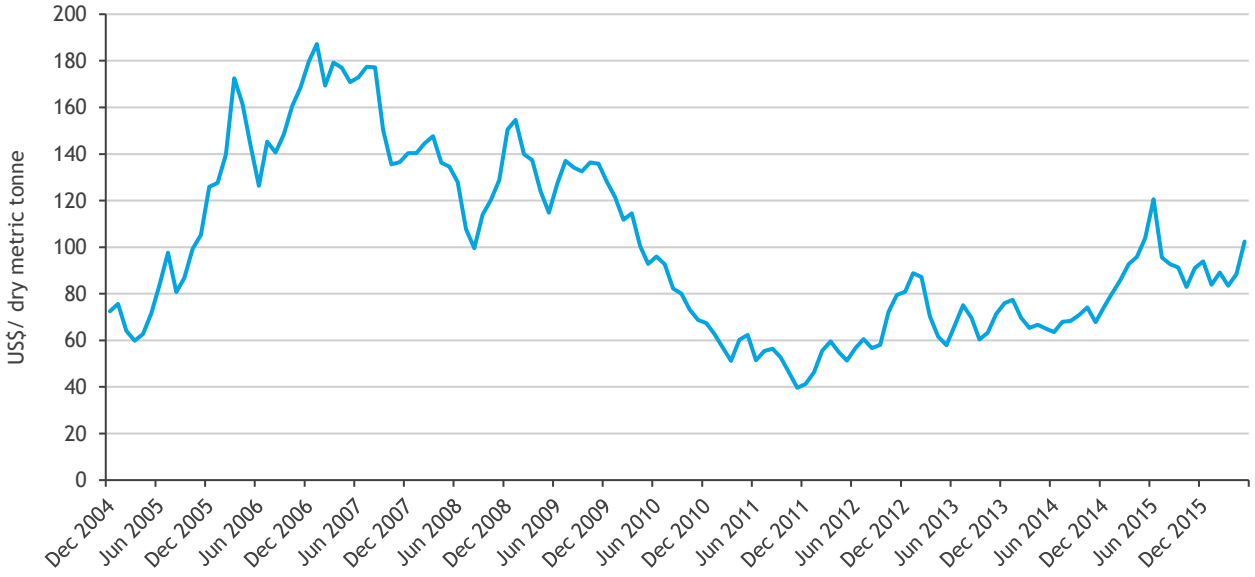
6.3 Historical Prices[4]

In 2009, economic stimulus implemented by the Chinese government boosted Chinese demand for steel and drove an increase in iron ore pricing. Across the 10 years since, iron ore has followed fluctuating pricing trends due to varying global macroeconomic factors. Such factors include:

- Heavy steel re-stocking in China following improvements in the Chinese property sector;
- The slowdown in steel production in China and an oversupply of iron ore;
- An increase in Chinese demand, stimulated by spending on infrastructure and property development;
- The China-United States trade war; and
- The ongoing impact of COVID-19.

Figure 6.2 below shows the average spot price for 62% Fe spot (CFR Tianjin port) from Jan 2009 to Jun 2020 in US dollars per tonne.

Figure 6.2: Average Global Iron Ore Spot Price from Jan 2009 to Jun 2020



Sources: IMF, Nymex Cash, IBISWorld

We note prices have further strengthened since June 2020 and as at the 12th of September, prices were in excess of US $125 per tonne.

6.4 Global Iron Ore Consumption[5]

For more than a decade, China has been the largest export destination for Australian iron ore.

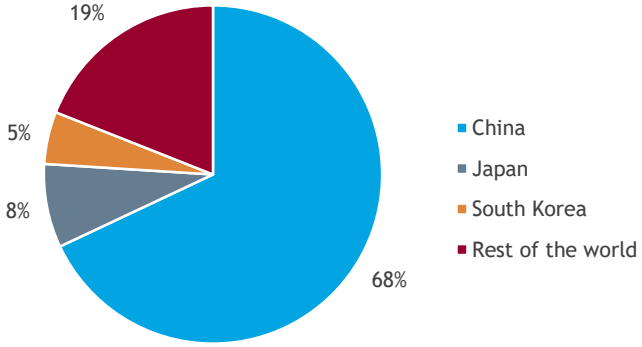
In 2019-2020, approximately three-quarters of industry revenue is expected to derive from Chinese steel manufacturers, due to China's high demand for steel products. This market has increased as a share of industry revenue over the past five years as Chinese manufacturing has expanded significantly. Further growth is projected in this market over the next five years, as China's demand for iron ore from Australia remains high.

Figure 6.3 below shows iron ore export locations from Australia.

[4] *Sources: Market Index, Trading Economics, Consensus Economics*

[5] *Sources: IBISWorld, World Steel Association, Office of the Chief Economist*

Figure 6.3: Australian Iron Ore Export Volume Share by Location in 2019



Sources: IBISWorld, World Steel Association, Office of the Chief Economist (Resources and Energy Quarterly June 2020)

Table 6.1 below shows iron ore imports and exports by country from 2015 to end 2019.

Table 6.1: Total World Iron Ore Imports and Exports (Million Tonnes)

IMPORTS	2015	2016	2017	2018	2019
China	953	1035	1075	1065	1055
European Union	153	140	144	154	159
Japan	131	131	127	124	125
South Korea	73	75	72	77	76
India	10	3	5	5	1
Others	145	145	154	117	96
Total Imports	**1,465**	**1,528**	**1,578**	**1,608**	**1,529**
EXPORTS					
Australia	767	809	827	835	814
Brazil	366	364	384	390	370
Ukraine	46	38	33	35	30
India	4	9	29	18	14
Others	329	366	367	317	310
Total Exports	**1,512**	**1,586**	**1,639**	**1,595**	**1,538**

Sources: IBISWorld, World Steel Association, Office of the Chief Economist

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7.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV'), market-based valuation ('MBV') and industry specific methodologies.

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

7.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

7.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

7.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

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7.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

7.5 Industry Based Metrics (Comparable Analysis)

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to alternative measures of value.

For resource companies, it is common for market analysts to have regard to multiples related to resources, reserves and tenement size where appropriate comparable information exists.

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8.0 Valuation of Carpentaria

This section sets out our valuation of the shares in Carpentaria as follows:

- Section 8.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing Carpentaria;
- Section 8.2 sets out an overview of the CSA Independent Technical Specialist's Report;
- Section 8.3 sets out our valuation of Carpentaria having regard to the Sum-of-the-Parts approach;
- Section 8.4 sets out our valuation of Carpentaria having regard to a MBV approach;
- Section 8.5 sets out our conclusion on the appropriate value to adopt for Carpentaria's shares prior to the Proposed Transaction on a controlling interest basis; and
- Section 8.6 sets out our valuation of Carpentaria post the Proposed Transaction on a minority interest basis.

8.1 Our Valuation Approach for Carpentaria

We have considered each of the valuation methodologies outlined in Section 7 above and determined, in our view, the most appropriate methodology for calculating the value of Carpentaria. Having regard to our assessment of the nature of Carpentaria's assets, we have chosen to employ a Sum-of-the-Parts approach and an MBV approach. Broadly, our Sum-of-the-Parts valuation utilises the following valuation methodologies:

- We have relied on the valuation of the mineral assets held by Carpentaria set out in the Independent Technical Specialist's Report (defined as 'the CSA Report') prepared by CSA dated 23 September 2020. The CSA Report sets out CSA's view of the fair value of Hawsons and is attached as Appendix B to this Report. We have relied on the CSA Report when completing our Sum-of-the-Parts valuation of Carpentaria; and
- We have considered the surplus assets and liabilities through use of the audited statement of financial position of Carpentaria as at 30 June 2020 (updated for more current information as appropriate).

We have also considered an MBV approach for Carpentaria (refer to Section 8.4). It is generally possible to complete an MBV of a company when there is a readily observable market for the trading of the company's shares. The shares of Carpentaria are traded on the ASX, CHIA and, historically albeit in limited volumes, on DB. It is possible to consider the valuation of Carpentaria using the MBV methodology as there is a readily observable market for the trading of shares in Carpentaria. We note that the MBV provides information relating to a valuation of Carpentaria shares on a minority interest basis.

8.2 Overview of CSA's Independent Technical Specialist's Report

We have had regard to the CSA Report which sets out:

- A review of Hawsons ore reserves, mineral resources and exploration potential; and
- A market valuation of Hawsons.

The CSA Report was coordinated by Mr Graham Jeffress, who was assisted in completing the CSA Report by other individuals as set out in the CSA Report.

Based on our enquiries and the information provided to us, we regard CSA and the authors of the Report to be Independent Specialists as referred to in the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Specialist Reports ('the VALMIN Code').

We note, CSA states the following in the CSA Report:

- CSA has prepared the Report in accordance with:
  - The VALMIN Code;
  - The JORC Code;
  - ASIC RG 111: *Content of Specialist Reports*; and
  - ASIC RG 112: *Independence of Specialists*.
- CSA is independent with respect to Carpentaria and Pure Metals and confirms that there is no conflict of interest with any party involved in the Proposed Transaction and neither CSA nor any of its personnel involved in the preparation of the CSA Report have any material interest in Carpentaria, Pure Metals or the associated mineral assets;
- Neither CSA nor the authors of the CSA Report have (or have had previously) any material interest in Carpentaria, Pure Metals or the mineral assets. No member or employee of CSA has (or has had) any material shareholding in Carpentaria or Pure Metals; and
- The statements and opinions contained in the CSA Report are given in good faith and in the belief that they are not false or misleading.

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Based on our enquiries and the information provided to us, we regard CSA to be an independent specialist and in our view, it is appropriate for us to consider the work of CSA in completing our valuation work. CSA understands the purpose of the valuation work set out in this Report.

We confirm that we have been provided with express written consent by CSA to refer to and rely on the CSA Report for the purposes of our valuation work in this Report. We have made reasonable enquiries of CSA and are satisfied that the work and valuations in the CSA Report are suitable for use in this Report. Notwithstanding this, we do not take responsibility for the work of CSA.

Any references to CSA's work set out in this Report are in summary form only and do not substitute for a complete reading of the CSA Report. Our summary does not include all of the information that may be of interest to the Company's shareholders. The CSA Report is attached to this Report as Appendix B. We recommend that Carpentaria shareholders read the CSA Report in full and in conjunction with this Report and related statements.

8.3 Sum-of-the-Parts Valuation of Carpentaria

Our Sum-of-the-Parts valuation of Carpentaria is set out as follows:

- Section 8.3.1 sets out the value we have adopted for Hawsons;
- Section 8.3.2 sets out the adjustment we have made to allow for Carpentaria's surplus assets and liabilities that have not been considered as part of the value of the Hawsons Iron Project; and
- Section 8.3.3 sets out our Sum-of-the-Parts valuation of Carpentaria's shares prior to the Proposed Transaction on a controlling interest basis.

8.3.1 Technical Specialist's Valuation of Hawsons

CSA has utilised a number of methods in valuing Hawsons, including comparable transactions of mineral resources and exploration licences, the DCF method, geoscience factor ratings, the yardstick method and the JV terms valuation method. Refer to Section 3 of the CSA Report in Appendix B for further detail on these valuation methodologies.

Table 8.1 below sets out a summary of CSA's valuation of Hawsons on a 100% ownership basis. We note that CSA's valuation set out in Table 8.1 above assumes a 100% interest in Hawsons rather than the 69.8% interest held by Carpentaria. To allow for this, we have applied a 30.2% discount for the interest not held in Hawsons by Carpentaria. We have applied a further 15% discount noting that a 69.8% interest is not a controlling interest and that the JVA sets out a number of matters where unanimous approval is needed (refer to Section 4.4 for a summary of the JVA).

Table 8.1: Values Adopted for Carpentaria's Interest in Hawsons

Asset	Low ($000's)	CSA Preferred[1] ($000's)	High ($000's)
Hawsons (100% basis) Calculated by CSA	**12,000**	**31,000**	**49,000**
Less: Adjustment for 30.2% interest held by Pure Metals in Hawsons	(3,624)	(9,362)	(14,798)
Less: 15% discount for shared control of Hawsons with Pure Metals	(1,256)	(3,246)	(5,130)
Adopted Value of Carpentaria's Interest in Hawsons	**7,120**	**18,392**	**29,072**

Source: The CSA Report, BDO analysis

1 CSA Preferred value refers to the value we have calculated by adopting CSA's Preferred value for Hawsons.

CSA have considered the wide range of values derived for Hawsons and have concluded that the range adopted provides a reasonable representation of possible valuation outcomes for Hawsons, given the uncertainties inherent in valuing early-stage exploration and pre-development projects.

Carpentaria's shareholders should refer to the full CSA Report attached as Appendix B for further information on the values calculated for Hawsons.

8.3.2 Adjustment for Surplus Assets and Liabilities

The value of Hawsons excludes, amongst other issues, the impact of any surplus assets or liabilities held by the Company. In our view, it is appropriate to add the company's cash and cash equivalents and add/subtract the value of any other surplus assets/liabilities.

We have considered the carrying values recorded in Carpentaria's balance sheet as at 30 June 2020 and have made enquiries of the Directors and Management of Carpentaria. Based on our enquiries, we have summarised the value we have adopted for Carpentaria's surplus assets and liabilities in Table 8.2 below.

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Table 8.2: Values Adopted for the Surplus Assets and Liabilities

	Value ($000s)
Net assets as at 30 June 2020	4,034
Adjustments:	
Cash and cash equivalents	(367)
Exploration assets	(4,438)
Other provisions, payables, and contingent payments	(350)
Net smelter return	100
Total	**(1,021)**

Source: Carpentaria's Financial Statements as at 30 June 2020, Management representations and BDOCF analysis

In relation to Carpentaria's other assets and liabilities we note:

- **Cash and cash equivalents:** We have adjusted the cash position as at 30 June 2020 for expenses incurred to the end of September 2020 including the Company's expenses as part of ongoing operations and advancing Hawsons;
- **Exploration assets:** We have made an adjustment to remove the exploration assets as their value is separately included as part of CSA's valuation of Hawsons;
- **Other provisions, payables, and contingent liabilities:** Adjustments for other provisions, payables, and contingent liabilities include:
  - A further three months (July to September 2020) of capitalised accrued back pay at a 80% probability of becoming payable;
  - Capitalisation of the expected value of the bonus payable to senior management at a 80% probability of becoming payable;
  - Re-estimate of the fair value of the contingent payments as at 30 September 2020. A proportion of the total fair value of contingent payments is recognised as a share based payment through equity, consistent with accounting standards. For the purposes of our analysis, we have included the equity component as a proxy for the potential liability.
    As set out in the 30 June 2020 Annual Report, Carpentaria has a $1.95 million contingent success fee payable upon the first sale of iron ore/concentrate from Hawsons and a funding agreement in place that may result in a minimum break fee of approximately $1.1 million upon a commitment to undertake a BFS. Both the success fee and break fee are payable in Carpentaria ordinary shares in circumstances that a takeover bid is made under Chapter 6 of the Corporations Act and the bid is ultimately successful. In forming our view:
    - There is no certainty that the milestones required for the success fee and break fee to be payable will be met and, if they are met, when they will be met;
    - In circumstances that the milestones are met, and dependent on market conditions at the time, the overall value of Carpentaria may have increased to reflect the meeting of the milestones;
    - We are required by ASIC regulatory guidelines to consider the value of Carpentaria on a controlling interest basis prior to the Proposed Transaction. For a control value to be realised for Carpentaria shareholders (e.g. a takeover offer is made), the success fee and break fee may become payable. We note that we cannot say definitively that the full amount of the success fee and break fee will become payable on a takeover bid as it is possible that negotiations at the time between the relevant parties may result in a different amount becoming payable;
    - We are instructed by the Directors that the current shareholder approval under section 611 of the Corporations Act does not trigger the payment of the contingent liabilities and that they have confirmed this with the counterparty; and
    - There is a level of professional judgement required given that the range of possibilities that may arise include no contingent liability ever being payable through to the full amount of the contingent liability being payable;
- **Net smelter return:** The trigger event for Carpentaria's 10% interest in the Temora/Barellan JV Project to convert into a 1% net smelter return occurred when Carpentaria did not match funding provided by Cape Clear (Lachlan) Pty Ltd. We have discussed the current stage of development of the tenements with CSA and are of the view that any value would be nominal. In forming this view we note that there is currently no defined resources and no level of certainty on when cash would be received by the holder of the net smelter return. For the purposes of the analysis set out in this Report, we consider it appropriate to adopt a value of $100k for the net smelter return; and
- **Tax losses:** Having regard to the current stage of development of Hawsons, we do not believe there is sufficient certainty over the timing of future cash flows to utilise Carpentaria's tax losses. We have not allowed any value for the tax losses in our valuation of Carpentaria.

We have been informed by the Directors that there are no other material assets, liabilities, off-balance sheet assets and liabilities, or unrecognised liabilities as at the date of this Report.

8.3.3 *Value of a Carpentaria Share*

Our Sum-of-the-Parts valuation of Carpentaria is set out in Table 8.3 below.

Table 8.3: Sum-of-the-Parts Valuation of Carpentaria Prior to the Proposed Transaction

	Reference	Low ($000's)	CSA Preferred[1] ($000's)	High ($000's)
Hawsons	Section 8.3.1	**7,120**	**18,392**	**29,072**
Surplus Assets and Liabilities	Section 8.3.2	(1,021)	(1,021)	(1,021)
Equity Value of Carpentaria		**6,099**	**17,371**	**28,051**
Number of Carpentaria Ordinary Shares on Issue[2]		275,132,537	275,132,537	275,132,537
Equity Value of Carpentaria on a controlling interest basis per share ($/share)		**0.0222**	**0.0631**	**0.1020**

Source: BDOCF analysis

1 CSA Preferred value refers to the value we have calculated by adopting CSA's Preferred value for Hawsons.

2 In addition to the ordinary shares on issue, Carpentaria also has approximately 12.6 million options with exercise prices ranging from $0.15 to $0.50 and some tranches are also subject to certain vesting conditions. We have not specifically set out a valuation of the options noting that their value is immaterial and the options are currently 'out-of-the-money'.

8.4 Market Based Valuation of Carpentaria Prior to the Proposed Transaction on a Minority Interest Basis

Our market based valuation of Carpentaria prior to the Proposed Transaction is set out as follows:

- Section 8.4.1 sets out Carpentaria's recent share trading data;
- Section 8.4.2 sets out Carpentaria's liquidity of ordinary shares;
- Section 8.4.3 sets out other market considerations we have has regard to; and
- Section 8.4.4 sets out our view as to the MBV of Carpentaria prior to the Proposed Transaction.

8.4.1 *Analysis of Carpentaria's Share Trading Data*

Information relating to the recent share trading data of Carpentaria's ordinary shares along with an analysis of recent announcements made by Carpentaria to the ASX are set out in Section 5.4.1 and Section 5.4.2 of this Report.

We noted in the 12 months ending 1 September 2020, 86% of Carpentaria's trading volume occurred through the ASX, with 14% through CHIA and an immaterial amount through the DB (which is considered negligible for our analysis).

For the purposes of our MBV, we have assessed the combined VWAP of Carpentaria shares, from each of the listed exchanges, over 1 week, 1 month, 3 months, 6 months, 9 months and 12 months ending on 1 September 2020 (being the last day of trading before the Proposed Transaction was announced).

Table 8.4: Carpentaria's Exchange Weighted VWAP[1] for Specified Periods Ending on 1 September 2020

Period before 1 September 2020	VWAP (AUD)
1 Week	0.0254
1 Month	0.0243
3 Months	0.0227
6 Months	0.0201
9 Months	0.0222
12 Months	0.0258

Source: Capital IQ as at 23 September 2020

2 Exchange weighted VWAP is identified by calculating the VWAP's for the specified periods for each of the listed exchanges with reference to the total volume traded.

8.4.2 *Liquidity of Carpentaria's Shares*

Information on the liquidity of Carpentaria's shares is set out in Section 5.4.2 of this Report.

Assuming a weighted average number of 275,132,537 Carpentaria shares on issue over the period, approximately 22.1% of the total shares on issue were traded over the period 1 September 2019 to 31 August 2020.

In our view, this indicates that Carpentaria shares display a low to moderate level of liquidity.

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8.4.3 Other Market Considerations

On 17 April 2019, Carpentaria announced to the market its intention to raise approximately $2 million via a Share Purchase Plan ('SPP') by issuing 41.667 million new fully paid ordinary shares at a price of $0.048 per share which represented a 14.9% discount on the VWAP for the preceding 5 days. The directors intended to use the funds raised to further progress Hawsons.

On 16 May 2019, Carpentaria announced the results of the SPP which outlined the offer was substantially oversubscribed at $2.95 million. The directors elected to accept the oversubscription, resulting in 61.304 million new ordinary shares being issued. The full issue represented 28.67% of the ordinary shares at the time of issuance.

8.4.4 Conclusion on MBV

Having regard to the information set out above, in our view it is appropriate to adopt a value of $0.0201 to $0.0254 per Carpentaria ordinary share on a minority interest basis for our market based valuation. The low end of our range broadly has regard to the 6 month VWAP prior to 1 September 2020, while the high end of the range has regard to the share price over the 1 week period ending on 1 September 2020 and reflects share trading in the period prior to the transaction being announced.

To calculate a controlling interest value, we are of the view that it is appropriate to apply a control premium to the value range we have estimated from the prices of minority parcel share interests in Carpentaria. A controlling interest in a company is generally regarded as being more valuable than that of a minority interest as it may provide the owner with:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over the appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40%, which is broadly consistent with our recent transaction analysis. We have provided additional discussion on control premiums in Appendix A.

Having regard to the information available to us, in our view it is appropriate to apply a 30% control premium to our MBV range that was determined having regard to minority interests. Table 8.5 below sets out our calculated controlling interest MBV.

Table 8.5: Market Based Value of Carpentaria (Controlling Interest)

	Low	Mid	High
Value of a Share in Carpentaria (Minority Interest) ($/share)	0.0201	0.0227	0.0254
Control Premium (%)	30%	30%	30%
Value of a Share in Carpentaria (Control Interest) ($/share)	**0.0261**	**0.0295**	**0.0330**

Source: BDOCF analysis

8.5 Value of Carpentaria's Shares Prior to the Proposed Transaction on a Controlling Interest Basis

Having regard to our valuation of Carpentaria's shares, in our view, for the purpose of our assessment of the Proposed Transaction it is appropriate to adopt a value as at the date of this Report in the range of $0.0222 to $0.1020 per Carpentaria share on a controlling interest basis. In relation to our valuation range we note:

- It is consistent with the valuation range adopted for the Sum-of-the-Parts which we consider appropriate to adopt as a primary valuation methodology;
- Our MBV value range of $0.0261 to $0.0330 is broadly consistent with the lower end of our Sum-of-the-Parts valuation. One explanation for the MBV aligning with the bottom half of the range is the market may be factoring in uncertainty as to how Carpentaria will progress the BFS including the manner in which funding will be obtained;
- We consider a relatively wide value range appropriate having regard to the current stage of development of the Hawsons Iron Project and based on our discussions with CSA; and
- Carpentaria is a company focused on progressing the Hawsons BFS. In our view, the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. The fluctuations in value are further exacerbated at the current time because of the market volatility and economic uncertainty caused by the COVID-19 outbreak.

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8.6 Valuation of Carpentaria Post the Proposed Transaction on a Minority Interest Basis

The Proposed Transaction involves the issue of 90,800,000 fully paid ordinary shares in the Carpentaria to Pure Metals, in exchange for gaining a further 24.1% of Hawsons. To calculate the value of an ordinary share in Carpentaria on a minority interest basis post the Proposed Transaction we have:

- Adopted the equity value calculated for Carpentaria on a controlling interest basis, as the starting point (refer to Table 8.3);
- Increased Carpentaria's interest in Hawsons to reflect the increased 24.1% holdings, to a total interest of 94.0% from 69.8%;
- Decreased the discount of shared control of Hawsons from 15% to 5%, following Carpentaria's increased participation interest in the JVA and having regard to the changes from the existing JVA to the New JVA;
- Calculated the equity value held by all equity holders on a minority interest basis by applying a minority interest discount of 23.08% (equivalent to the inverse of our assumed control premium of 30%). Our assumed control premium of 30% is based on the results of our research and analysis into control premiums in Australia (refer to Appendix A);
- Increased the number of shares on issue to 365,932,537 (or by the 90,800,000 shares issued for the further 24.1% of Hawsons) to reflect the impact of the Proposed Transaction; and
- Calculated the equity value per share on a minority interest basis by dividing the equity value attributable to ordinary shareholders by the number of shares outstanding post the Proposed Transaction.

Our valuation of Carpentaria following the Proposed Transaction is set out in Table 8.6 below.

Table 8.6: Equity Value of Carpentaria after the Proposed Transaction on a Minority Interest Basis

	Reference	Low ($000's)	CSA Preferred [1] ($000's)	High ($000's)
Equity value on a controlling interest basis	**Section 8.3.3**	**6,099**	**17,371**	**28,051**
Plus: Adjustment to reflect Carpentaria's increased holdings in Hawsons to 94.0% from 69.8%		2,904	7,502	11,858
Plus: Adjustment to decrease the 15% discount for shared control of Hawsons to 5%		692	1,789	2,827
Equity value after the Proposed Transaction on a controlling interest basis		**9,695**	**26,662**	**42,736**
Subtract: Minority interest discount (%) [2]	Appendix A	23.1%	23.1%	23.1%
Equity value after the Proposed Transaction on a minority interest basis		**7,458**	**20,509**	**32,874**
Shares outstanding prior to the Proposed Transaction (# shares)	Section 5.3	275,132,537	275,132,537	275,132,537
New shares issued as part of the Proposed Transaction (# shares)	Section 4.2	90,800,000	90,800,000	90,800,000
Total shares outstanding post the Proposed Transaction (# shares)		**365,932,537**	**365,932,537**	**365,932,537**
Equity value per share on a minority interest basis after the Proposed Transaction ($ per share)		**0.0204**	**0.0560**	**0.0898**

Source: BDOCF analysis

1 CSA Preferred value refers to the value we have calculated by adopting CSA's preferred value for Hawsons. D

2 Adjustment to remove control premium calculated as 1/(1+0.3), with the 0.3 input referring to the 30% control premium adopted.

Table 8.6 above shows that our equity value of Carpentaria post the Proposed Transaction on a minority interest basis is between $0.0204 and $0.0898 per share.

For completeness, we note Carpentaria's share price has responded positively to the announcement of the Proposed Transaction. On the last day prior to the announcement of the Proposed Transaction, Carpentaria's shares closed at $0.026. Following the announcement on 2 September 2020, Carpentaria's share priced closed at $0.047 and traded as high as $0.060/share, representing an 81% and 131% increase on the previous close price respectively. Between 3 September 2020 and 22 September 2020, Carpentaria's share price has continued to trade between $0.0370/share and $0.0680/share.

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Appendix A: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with:

- Control over the strategic direction of the company;
- Control over the operating and financial decisions of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, a range of factors may affect control premiums, including:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Concentration of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the target sector;
- The presence of competing bids; and
- General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to Carpentaria for the purposes of this Report, we have considered:

- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Our own research on control premiums implied by the trading data of ASX listed companies subject to control transactions, which supported the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice and our experience.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Proposed Transaction within the context of this Report. This implies a minority interest discount in the range of 16.7% to 28.6%, calculated as the inverse of the control premium[6].

[6] Minority interest discount = 1 – (1 / (1 + control premium))

Appendix B: Independent Technical Expert's Report - CSA Report

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CSA Global
Mining Industry Consultants

INDEPENDENT TECHNICAL SPECIALISTS' REPORT

Technical Assessment and Valuation of Carpentaria Resources Limited's Hawsons Project

CSA Global Report № R281.2020
3 September 2020

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Executive Summary

CSA Global Pty Ltd (CSA Global), an ERM Group Company, was commissioned by BDO Corporate Finance Ltd (BDO) to prepare an independent Technical Assessment Report and Valuation of Carpentaria Resources Limited's (Carpentaria or "the Company") Hawsons Iron Project, located in New South Wales.

This independent technical assessment and valuation report ("the Report") was prepared for BDO. The Report provides an opinion to support an Independent Expert's Report to be prepared by BDO, and has been prepared as a public document, in the format of an independent technical specialist's report and has been prepared in accordance with the JORC[1] and VALMIN[2] codes.

The Report provides a review of the Hawsons Iron Project Ore Reserves, Mineral Resources, and exploration potential (Mineral Assets) and provides a market valuation of these Mineral Assets. CSA Global has used a range of valuation methodologies to reach a conclusion on the value of the Mineral Assets. Note that the valuation is of the Company's Mineral Assets and not the value of Carpentaria as a company.

The Report will address the following scope of work:

- A review and valuation of all Mineral Assets
- Review the technical project assumptions and provide an assessment on the reasonableness of the following assumptions adopted in the prefeasibility study (PFS) and the cash flow model ("the Model"), namely:
  - the resources and reserves incorporated into the Model
  - mining physicals (including ore tonnes mined and mine life)
  - processing physicals (including ore tonnes processed and iron concentrate produced)
  - production and operating costs (including but not limited to drilling, blasting, mining, haulage, processing, transport, general administration, distribution and marketing, contingencies and royalties or levies)
  - capital expenditure (including but not limited to pre-production costs, project capital costs, sustaining capital expenditure, salvage value, rehabilitation, and contingency)
  - any other relevant technical assumptions not specified above.

If CSA Global consider an assumption included in the Model to be unreasonable, CSA Global will make the appropriate changes to the Model.

The statements and opinions contained in this Report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of 1 September 2020 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

CSA Global's valuations are based on information provided by Carpentaria and public domain information. CSA Global has endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this Report is based. No audit of any financial data has been conducted. The valuations discussed in this Report have been prepared at a valuation date of 1 September 2020. It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market. In CSA Global's opinion, nothing material has occurred up to the date of this Report, since the Valuation Date to affect CSA Global's technical review and valuation opinion.

[1] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition. Prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

[2] Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, 2015 Edition. Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

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Hawsons Iron Project

The Hawson Project contains a magnetite iron deposit, with total resources of 2,500 million tonnes (Mt) at a Davis Tube Recovery (DTR) of 13.9% Fe for 348 Mt of 69.7% Fe in concentrate.

Carpentaria has completed a PFS at the Hawsons Iron Project, with Ore Reserves estimated. The total Probable Ore Reserves are 755 Mt at a 14.7% DTR for 111 Mt of 69.9% Fe in concentrate.

The Hawsons magnetite resource is large, and its physical characteristics result in it being amenable to the production of a high grade, potentially highly marketable, magnetite concentrate that can be produced relatively easily and cost-effectively.

Technical studies reported to date have been completed at a PFS level. This level of study is associated with a relatively high degree of uncertainty, with input parameters typically susceptible to a variance of plus or minus 30% from the assumed values. On this basis, Carpentaria has identified mining, processing, infrastructure, transport and marketing solutions that indicate the potential viability of developing the project.

In CSA Global's professional judgement, the project is relatively attractive, and justifies further work in refining the parameters studied and decreasing the likely variance in the main project drivers.

Mineral Resources

CSA Global has reviewed the reported Mineral Resource estimates (MREs) for the Hawsons Iron Project.

CSA Global is of the opinion that the reported MRE has been underpinned by geophysical, geological and sample analysis data that, based on the reported quality control, interpretation and validation results, are considered to be appropriate for this purpose.

CSA Global is of the opinion that the geological interpretation has been well constructed and has generated sensible geological domain units. A good correlation has been established between the interpreted boundaries of individual units based on downhole gamma logging compared to boundaries interpreted based on downhole magnetic susceptibility data, as well as having a good correlation with the downhole density data. The fault block boundaries interpretations appear to be reasonable.

CSA Global notes that the MRE modelling has not applied all the available interpreted geological domains into the drillhole compositing, geostatistical analysis and grade estimation processes. The weathering boundaries and fault block domains have been honoured, but not the geological domain units. This leads to a lack of resolution in the model, with the estimated block grades, recoveries and densities being smoothed out between the various geological units, rather than showing their distinct boundaries. This means overall that the higher-grade zones have been downgraded and the lower-grade zones upgraded, with the resultant global mean estimated block grades being very similar to the global mean drillhole composite grades.

CSA Global is of the opinion that the MRE is fit for the purposes of a PFS level study, but more detailed future work will require the use of the various interpreted geological domain units throughout all MRE modelling processes. This will ensure that the local block estimates of grades, recoveries and densities are more accurately defined based on the correctly selected data from within the relevant geological units. The appropriately classified MRE block model will then be more able to adequately inform and support detailed mine scheduling and planning, and hence to underpin more robust financial modelling.

CSA Global is of the opinion that the risk to the project in terms of the global in-situ tonnage of estimated magnetically recoverable iron is not materially significant.

Mining

CSA Global has reviewed the mining components of the Hawsons Iron Project.

CSA Global considers that the mining approach is appropriate for the planned operation and production capacity.

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CSA Global considers that the geotechnical parameters used in the design were based on conceptual high-level assumptions, but these were subsequently demonstrated to be closely aligned to the findings of the GHD 2019 geotechnical study. Variations between the design wall angles and the recommended angles are not expected to have a material effect on the value of the project. No adjustments to the financial model have been made related the geotechnical considerations.

The mining equipment selected for the project is appropriate for the planned production requirements.

The proposed mine plan includes the introduction of an In-Pit Crushing and Conveying (IPCC) system to transport ore from the mining bench in the pit, to the run-of-mine (ROM) pad. CSA Global notes that there is no discussion in the PFS about an in-pit crusher or rock sizer. A crusher or rock sizer will be required to reduce the rock size to a minimum 400 mm size. The planned drill and blast operations on a 15 m bench, with very large hydraulic shovels and trucks will not be able to deliver the required size distribution without a substantial in-pit crusher or rocker sizer.

A semi-mobile high throughput crusher/sizer installation that can accommodate 793 dump trucks is a substantial piece of infrastructure. The dump station will require two large crusher/sizers of 8,000 tph capacity with all the associated mechanical and civil construction. A typical cost of one of these installations is approximately US$75 million There is an allowance for capital costs for the dump stations that are to be located at a dump location within the operating pit. A total of ~US$44 million has been allocated for two dump stations. When compared to estimates for a similar installation, this estimate is below an expected value. An amount of US$30 million has been added to the capital estimate for the initial installation and for the subsequent relocation of the unit to lower sites in the pit over the mine life, in the cashflow summary

The schedule should consider a three-month disruption to ore mining at each relocation. The PFS considers relocations at approximately five-year intervals. CSA Global suggests that the building of stockpiles could be considered as mitigations for direct ore mining disruptions. No adjustments have been made to the mining schedule as the required adjustments are considered to be within the current range of precision.

It should be noted that the introduction of primary crushing within the pit will have an impact on the Process Plant design, where the primary crusher may become redundant once the IPCC is established.

The PFS mine plan includes Indicated and Inferred Mineral Resources throughout the life. Inferred Resources are mined in low proportions in the early periods and increase in the second half of the mine life. After 10 years, the proportion of scheduled Indicated Resources is 82% and the full mine life of 20 years has 63% Indicated Resources.

CSA Global notes that the financial model for the Hawsons Iron Project achieves a breakeven position within the Indicated proportion of the production profile. After this point, the project relies on Inferred material to sustain production. This presents a Medium risk (i.e. a "Possible" Likelihood with a "Moderate" Consequence) to the project, should the conversion of this Inferred Mineral Resources to higher confidence Indicated (or even Measured) Mineral Resources, as is the normal trajectory for Mineral Resource upgrade as a project progresses, not occur.

CSA Global has noted the underestimate of the IPCC crushers in a section above. The remainder of the Mining Development and Sustaining Capital cost estimate appears to be reasonable.

CSA Global notes that increasing the pit ramp from 25 m to 30 m will increase the life of mine waste mining cost. CSA Global has made an adjustment of 5% to the mining operating costs to the financial model to reflect this impact. CSA Global notes that the Company has increased the mining costs contingency by 5% in the PFS financial model to allow for this issue

The financial model presents a total unit operating cost for mining to be US$1.16/t mined. CSA Global has considered this unit cost in terms of the following considerations:

- High throughput mining operations – 97 million tonnes per annum (Mtpa) – average
- Large efficient mining equipment – hydraulic face shovels and 220-tonne trucks
- Conveying the majority of ore out of the mine, rather than trucking.

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CSA Global has referenced this mining cost against a scaled series of benchmark costs from other Australian open pits. The scaled unit mining costs are in a range from US$1.03/t to US$1.30/t mined. This places the modelled mining cost within a reasonable range. CSA Global has constructed a cash flow analysis and summary of the financial model workings, without consideration of the funding and debt items. The cash flow from operations has been derived from Net Revenue minus Capital and Operating Costs and Tax. Depreciation to estimate taxable income was taken directly from the model. Sensitivity functions have been inserted to assist with range analysis of the Project Value for this exercise.

CSA Global considers that the values in the cash flow model (with the additional allowance for the Sizer Capital) are reasonable for use in this valuation exercise. The level of confidence regarding the proportion of inferred material should be taken into consideration when determining the appropriate range of value.

Mineral Processing

The Hawsons Iron Project has a planned throughput of 71 Mtpa of ROM feed at an average DTR magnetite content of 14.1% for 9.7 Mtpa of ~70% Fe grade product.

A PFS and further small-scale piloting testwork was undertaken from 2014 to 2016 on well-formed composites that attempted to represent the key ore blocks of domains with respect to head grade, spatial and depth variability.

The testwork and the material types can be summarised against other magnetite projects with the following key economic bearing properties:

1. Very low in situ clay content.
2. Soft to moderate ore hardness.
3. Very high magnetics recovery.
4. Coarser magnetite liberation.

These key properties that separate the Hawsons Project from other Australian magnetite producers is the point of difference; this project should display lower operating cost potential and higher magnetite recoveries/yields.

The process plant design is worked predominantly on a mass flow tonnage basis without a clear and precise magnetite recovery associated. However, from the process design criteria it can be interpreted that a 95% magnetite recovery is associated with the production figures reported. From the unique properties displayed above, metallurgical testwork results and the flowsheet/unit operation selection suggest this should be achievable in the operating plant.

Recent Carpentaria market releases have stated that the final recovery of magnetite from feed to product may be higher; but ultimately only a larger scale, locked cycle pilot can determine any economic upside from a magnetite recovery perspective.

The key potential areas for magnetite loss outside of the primary magnetics tail will be associated with over-grinding of a recycle from the elutriator overflow system in the final product upgrading section.

Process Plant Operating Costs

The Process Plant operating costs are estimated to total A$111 million at $11.45/t. The figure is considerably lower than that of other magnetite operations but the combination of ore softness, economies of scale and flowsheet selection adequately define the figures provided.

Power is by far the largest contributor to operating costs and is considerably lower than other operations due to the low grind index.

Maintenance and consumables for wear components on key mechanical equipment is the second highest contributor and in some minor areas will require more scrutiny in the bankable feasibility study for confirmation. Any change in this area will not significantly impact the project or compromise the level of study as a further allocation of A$1 million per annum or <2% would suffice.

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The personnel levels that have been allocated are in line with industry expectations for a plant of the size and complexity of the operation.

Process Plant Capital Costs

The GHD study is well populated for a PFS, the development and structure of the process capital costs have much of the key equipment selections quoted and plate structural steel allocated as line items. Electrical and Instrumentation appear to have factored within acceptable limits and a level of cost allocation that is typical of the plant design and scale. The key process infrastructure and major equipment items have been reviewed and line items have been priced appropriately.

Valuation Opinion

A summary of CSA Global's opinion on the market value of Mineral Assets that Carpentaria has an interest in as at 1 September 2020 is provided in Table 1.

Table 1: Summary of CSA Global's opinion on the market value of Carpentaria's Mineral Assets (100% basis)

Mineral Asset	Project basis	Valuation (A$ million)		
		Low	Preferred	High
Hawsons Iron Project	100%	12	31	49

Note: The valuation has been compiled to an appropriate level of precision; values may not add up due to rounding.

There is significant range in the values derived for the projects. CSA Global has considered this range and concludes that it provides a reasonable representation of possible valuation outcomes for the projects, given the uncertainties inherent in valuing early-stage exploration and pre-development projects.

CSA Global notes that our valuation opinions, as expressed in this Report, must be considered in total, and that choosing parts of the analysis or the factors considered by it, without bearing in mind all the factors and analyses together could result in a misleading view of the process underpinning the valuation opinion presented in this Report. The preparation of a valuation of a mineral asset is a complex process incorporating varying degrees of qualitative opinion and does not readily lend itself to partial analysis or summary.

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1 Introduction

1.1 Context, Scope and Terms of Reference

Carpentaria Resources Limited (Carpentaria or "the Company") is a magnetite iron ore and gold exploration and development company and owner of the Hawsons Iron Project ("the Mineral Assets") in Australia. The Hawsons Iron Project contains a magnetite iron deposit, with total resources of 2,500 million tonnes (Mt) at a Davis Tube Recovery (DTR) of 13.9% Fe for 348 Mt of 69.7% Fe in concentrate.

Carpentaria has completed a prefeasibility study (PFS) at the Hawsons Iron Project, with Ore Reserves estimated. The total Probable Ore Reserves are 755 Mt at a 14.7% DTR for 111 Mt of 69.9% Fe in concentrate.

BDO Corporate Finance Ltd (BDO) has been engaged by the Independent Directors of Carpentaria to prepare an Independent Expert's Report on the proposed acquisition of Pure Metals Pty Ltd's (Pure Metals) interest in the Hawsons Iron Project joint venture. The Independent Expert's Report is to be included in an Explanatory Statement and Notice of Meeting to be sent to the shareholders of Carpentaria. For more details concerning the scope and purpose of the Independent Expert's Report, please refer to the Explanatory Statement and Notice of Meeting and to the Independent Expert's Report prepared by BDO.

This Independent Technical Assessment and Valuation Report ("the Report") was prepared for BDO and provides an opinion to support an Independent Expert's Report to be prepared by BDO. This Report has been prepared as a public document, in the format of an independent technical specialist's report, and has been prepared in accordance with the JORC and VALMIN codes.

The Report provides a review of the Project Ore Reserves, Mineral Resources and exploration potential (Mineral Assets) of Carpentaria and provides a market valuation of these Mineral Assets. CSA Global Pty Ltd (CSA Global), an ERM Group Company, has used a range of valuation methodologies to reach a conclusion on the value of the Mineral Assets. Note that the valuation is of the Company's Mineral Assets and not the value of Carpentaria as a company.The Report will address the following scope of work:

- A review and valuation of all Mineral Assets.
- Review the technical project assumptions and provide an assessment on the reasonableness of the following assumptions adopted in the life of mine cash flow model ("the Model"), namely:
  - the resources and reserves incorporated into the Model
  - mining physicals (including ore tonnes mined and mine life)
  - processing physicals (including ore tonnes processed and gold produced)
  - production and operating costs (including but not limited to drilling, blasting, mining, haulage, processing, transport, general administration, distribution and marketing, contingencies and royalties or levies)
  - capital expenditure (including but not limited to pre-production costs, project capital costs, sustaining capital expenditure, salvage value, rehabilitation, and contingency)
  - any other relevant technical assumptions not specified above.

If CSA Global consider an assumption included in the Model to be unreasonable, CSA Global will make the appropriate changes to the Model.

1.2 Compliance with the VALMIN and JORC Codes

The Report has been prepared in accordance with the VALMIN Code 2015[3], which is binding upon Members of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy

[3] *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets. The VALMIN Code, 2015 Edition*. Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

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(AusIMM), the JORC Code[4] and the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and Australian Securities Exchange (ASX) that pertain to Independent Experts' Reports.

The authors have taken due note of the rules and guidelines issued by such bodies as ASIC and ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

1.3 Principal Sources of Information

The Report has been based on information available up to and including 1 September 2020. The information was provided to CSA Global by Carpentaria, or has been sourced from the public domain, and includes both published and unpublished technical reports prepared by consultants, and other data relevant to Carpentaria's projects.

The authors have endeavoured, by making all reasonable enquiries within the timeframe available, to confirm the authenticity and completeness of the technical data upon which the Report is based.

CSA Global did not undertake a site visit to Carpentaria's projects in the preparation of this report. Travel restrictions due to the COVID-19 pandemic make this difficult at present. CSA Global team members are familiar with the geology of the area, and given the current early stage of development, it was considered that no additional benefit would have been gained from undertaking a site visit for the preparation of this Report.

Tenement information on the Mineral Assets was provided by independent tenement specialists Mining Title Services Pty Ltd (MTS), details of the project tenements are provided Section 2.2. CSA Global relies on the independent report of MTS dated 27 February 2020, with regards to the validity of Carpentaria's Mineral Assets. CSA Global makes no other assessment or assertion as to the legal title of the tenements and is not qualified to do so.

1.4 Authors of the Report – Qualifications, Experience and Competence

The Report has been prepared by CSA Global, a privately-owned consulting company, that has been operating for over 30 years, with its headquarters in Perth, Western Australia.

CSA Global provides multidisciplinary services to a broad spectrum of clients across the global mining industry. Services are provided across all stages of the mining cycle from project generation, to exploration, resource estimation, project evaluation, development studies, operations assistance, and corporate advice, such as valuations and independent technical documentation.

The information in this Report that relates to the Technical Assessment and Valuation of the Hawsons Project reflects information compiled and conclusions derived by CSA Global Principal Geologist – Valuation Mr Trivindren Naidoo MSc (Exploration Geology), BSc (Hons) Geology and Applied Geology, Grad Cert (Mineral and Energy Economics), Grad Cert (Business), MAusIMM, FGSSA, Pr.Sci.Nat. Mr Naidoo is an exploration geologist with over 20 years' experience in the minerals industry, including 14 years as a consultant, specialising in project evaluations and technical reviews as well as code-compliant reporting (JORC, VALMIN, NI 43-101 and CIMVAL) and valuation. Mr Naidoo's knowledge is broad based, and he has wide-ranging experience in the field of mineral exploration, having managed or consulted on various projects ranging from first-pass grassroots exploration to brownfields exploration and evaluation, including the assessment of operating mines. Mr Naidoo is part of CSA Global's Corporate team and has completed independent evaluations and valuations of numerous mineral assets ranging from early stage exploration properties to projects with multiple operating mines, across various commodities and jurisdictions. Mr Naidoo has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under

[4] *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition*. Prepared by: the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

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consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the VALMIN Code. Mr Naidoo consents to the inclusion in the Report of the matters based on his information in the form and context in which it appears.

The information in this Report that relates to the Technical Assessment of Mineral Resources of Carpentaria's Hawsons Iron Project was completed by CSA Global Principal Resource Geologist, Grant Louw (BSc (Hons) Geology, MAIG, MGSSA). Mr Louw has over 20 years' experience in geological information management, mine geology and Mineral Resource estimation. As a geological information officer, he gained experience in database and document management, and as a mine geologist at an underground antimony and gold mine, he was responsible for underground mapping, grade control, drillhole layouts and core logging amongst other tasks. For the past 14 years, Mr Louw has primarily been involved in the modelling and estimation of Mineral Resources in the iron, gold, base metal and industrial minerals sectors. Mr Louw has the relevant qualifications, experience, competence, and independence to be considered a "Competent Person" as defined in the JORC Code. He is not a related party or employee of Carpentaria. Mr Louw consents to the inclusion in the Report of the matters based on his information in the form and context in which it appears.

The Mining Assessment of the Project in this Report was completed by CSA Global Manager – Mining/Principal Mining Engineer, Karl van Olden BSc (Eng) (Mining) Grad Dip Eng (Mining Economics), MBA, FAusIMM. Mr van Olden is a mining engineer with more than 25 years' experience in planning, development and operation of a diverse range of open pit and underground resources assets across Africa and Australia. His broad expertise includes mining engineering, business process development, business and mine planning. Mr van Olden is a Fellow of the AusIMM and applies his experience to Ore Reserve estimation in line with JORC, SAMREC and CIM guidelines; technical study lead; independent expert reporting; due diligence reviews, mineral asset valuations, study manager and as a trusted advisor to a growing list of company executives. Mr van Olden consents to the inclusion in the Report of the matters based on his information in the form and context in which it appears. Mr van Olden has the relevant qualifications, experience, competence, and independence to be considered a "Specialist" under the definitions provided in the VALMIN Code and a "Competent Person" as defined in the JORC Code.

The analysis of the metallurgy and processing was conducted by Mr Steve Hoban and Mr Robert Kochmanski. Mr Hoban has over 20 years' experience in the mining industry. His main areas of expertise are in commissioning, project design, circuit optimisation and training. Mr Hoban's experience covers crushing, grinding, beneficiation and mineral separation, flotation, thickening, solvent extraction/electrowinning, and smelting. He has worked both in Australia and overseas in several commodities including gold, nickel, mineral sands, tin/tungsten and uranium. Mr Hoban's expertise also extends to system management, training and business development as well as maintaining technical excellence within the consultancy by acting as project sponsor and corporate liaison across many of the consulting division's current projects.

Mr Kochmanski has performed a variety of operational, commissioning and study roles since graduating in 2007. The operational roles have been mostly on newly established processing plants in their commissioning or ramp-up stages. As such he has had a significant focus on developing systems and operational support with operator training. Project development work has been focused from scoping studies to definitive feasibility studies with technical and preliminary engineering input being given. Mr Kochmanski has significant operational experience in magnetite having spent a total of four years on site at a major magnetite operation in Western Australia.

The reviewer of this Report is CSA Global Principal Consultant, Ivy Chen BAppSc (Geology), FAusIMM, GAICD. Ms Chen is a corporate governance specialist, with over 30 years' experience in mining and resource estimation. She served as the national geology and mining adviser for ASIC from 2009 to 2015. Ms Chen's experience in the mining industry in Australia and China as an operations and consulting geologist includes open pit and underground mines for gold, manganese and chromite, and as a consulting geologist she has conducted mineral project evaluation, strategy development and implementation, through to senior corporate management roles. Recent projects completed include listings and other commercial transactions on the Australian, Singapore, Hong Kong and UK stock exchanges. Ms Chen is a company director in the ASX junior resources listed space and is a member of the VALMIN Committee. Ms Chen has the relevant

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qualifications, experience, competence, and independence to be considered a "Specialist" under the definitions provided in the VALMIN Code and a "Competent Person" as defined in the JORC Code.

1.5 Prior Association and Independence

The authors of this Report have not had a prior association with the Mineral Assets of Carpentaria. Neither CSA Global, nor the authors of this Report, have or have had previously, any other material interest in Carpentaria or Pure Metals, or the mineral properties in which Carpentaria or Pure Metals has an interest. CSA Global's relationship with Carpentaria is solely one of professional association between client and independent consultant.

CSA Global is an independent consultancy. This Report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report. The fee for the preparation of this Report is approximately A$68,000.

No member or employee of CSA Global is, or is intended to be, a director, officer, or other direct employee of Carpentaria or Pure Metals. No member or employee of CSA Global has, or has had, any material shareholding in Carpentaria or Pure Metals. There is no formal agreement between CSA Global and Carpentaria in relation to CSA Global conducting further work for Carpentaria.

1.6 Declarations

The statements and opinions contained in this Report are given in good faith and in the belief that they are not false or misleading. The Report has been compiled based on information available up to and including the date of the Report.

The statements and opinions are based on the reference date of 1 September 2020 and could alter over time depending on exploration results, mineral prices, and other relevant market factors. In CSA Global's opinion, nothing material has occurred up to the date of this Report, since the valuation date to affect CSA Global's technical review and valuation opinion.

The opinions expressed in the Report have been based on the information supplied to CSA Global by Carpentaria. The opinions in the Report are provided in response to a specific request from BDO to do so. CSA Global has exercised all due care in reviewing the supplied information. Whilst CSA Global has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. CSA Global does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in the Report apply to the site conditions and features, as they existed at the time of CSA Global's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of the Report, about which CSA Global had no prior knowledge nor had the opportunity to evaluate.

CSA Global's valuations are based on information provided by Carpentaria and public domain information. This information has been supplemented by making all reasonable enquiries within the timeframe available, to confirm the authenticity and completeness of the technical data.

CSA Global considers that its opinion must be considered as a whole and that selecting portions of the analysis, or factors considered by it, without considering all factors and analyses together could create a misleading view of the process underlying the opinions presented in this report. The timing and context of an independent valuation report is complex and does not lend itself to partial analysis or selective interpretations without consideration of the entire Report.

CSA Global has no obligation or undertaking to advise any person of any development in relation to the mineral assets which comes to its attention after the date of this Report. CSA Global will not review, revise or update the Report, or provide an opinion in respect of any such development occurring after the date of this Report.

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No audit of any financial data has been conducted.

The valuations discussed in the Report have been prepared at a valuation date of 1 September 2020. It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market.

CSA Global notes that our valuation opinions, as expressed in this Report, must be considered in total, and that choosing parts of the analysis or the factors considered by it, without bearing in mind all the factors and analyses together could result in a misleading view of the process underpinning the valuation opinion presented in this Report. The preparation of a valuation of a mineral asset is a complex process incorporating varying degrees of qualitative opinion and does not readily lend itself to partial analysis or summary.

CSA Global has no obligation or undertaking to advise any person or entity of any development in relation to the mineral assets which comes to its attention after the date of this report. CSA Global will not review, revise or update the valuation, or provide an opinion in respect of any such development occurring after the date of this report.

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2 Hawsons Iron Project

2.1 Location and Access

The Hawsons Iron Project is located 60 km southwest of Broken Hill, New South Wales, Australia with the westernmost boundary of the tenement holdings coinciding with the South Australia–New South Wales border (Figure 1). The project is 54 km south of an interstate railway line, and about 30 km west of the Silver City Highway and grid electricity.

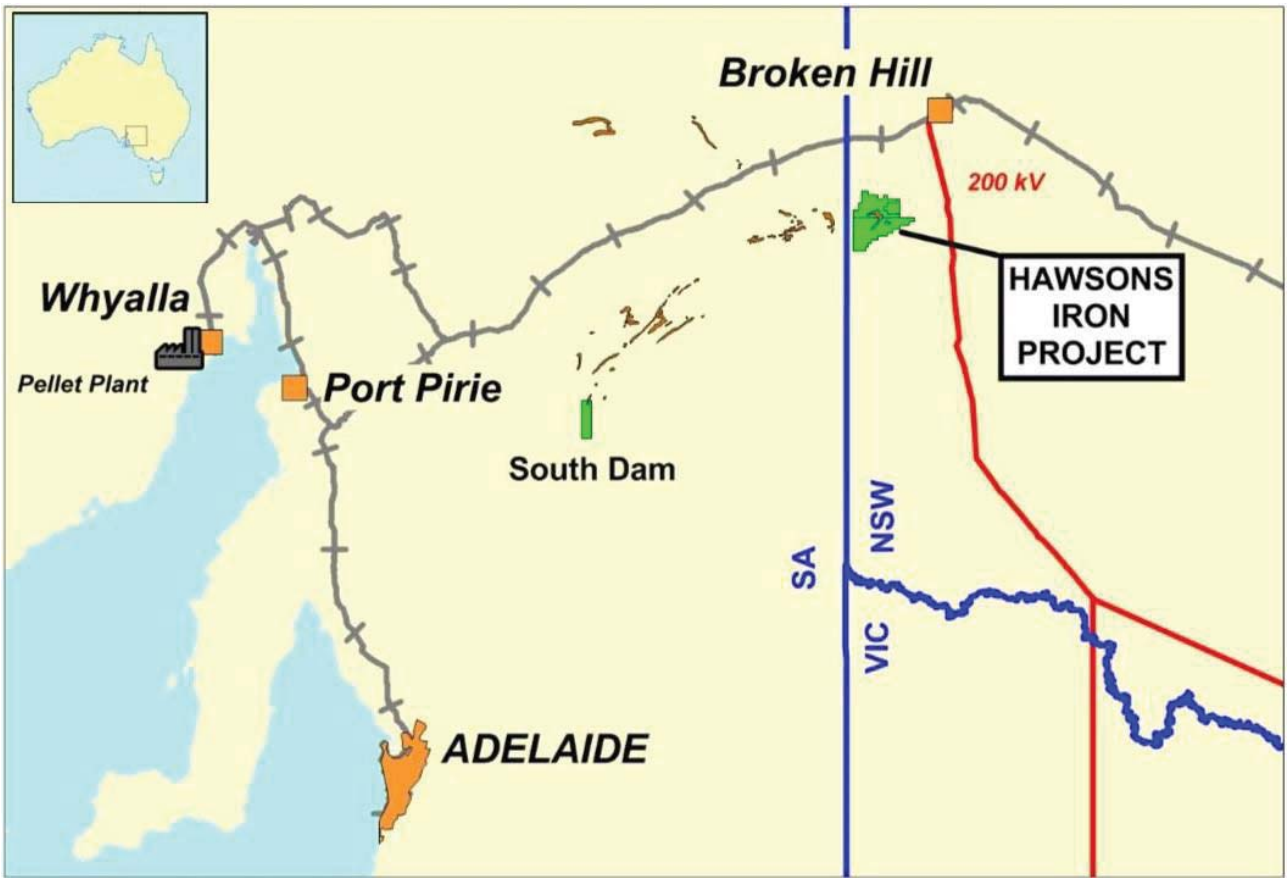

Figure 1: Location of Hawsons Iron Project
Source: Tschaban (2019)

2.2 Ownership and Tenure

As indicated in Figure 2, the project is contained within a mining lease application (MLA 460) and three exploration licences (EL7208, EL6979, and EL7504) granted under the *New South Wales Mining Act 1992*. Carpentaria is the registered holder of these licences. Carpentaria owns 69.8% of the project with Pure Metals Pty Ltd owning 30.2% (diluting).

CSA Global understands that exploration EL6979 is subject to a 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.

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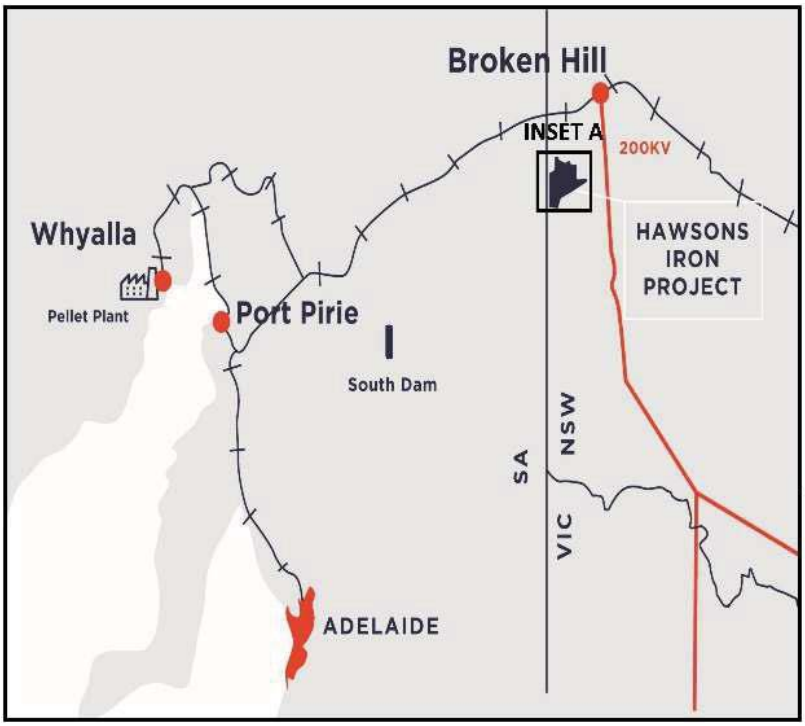

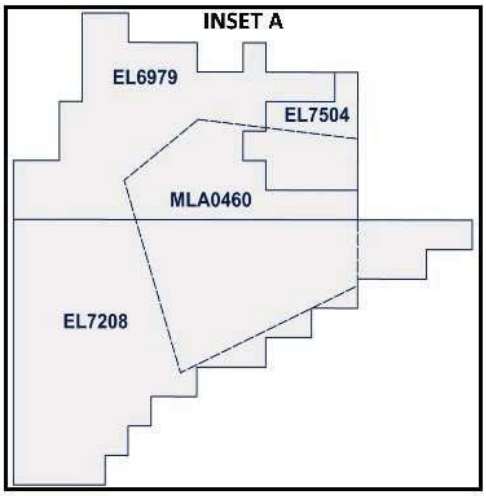

Licence	Name	Original Grant Date	Expiry Date	Area [km²]
EL 6979	Redan	11/12/2007	11/12/2021	180
EL 7208	Burta	22/09/2008	22/09/2020	290
EL 7504	Little Peak	8/04/2010	8/04/2020	41
MLA 0460	Hawsons Iron	Under application	Under application	187

Figure 2: Hawsons Iron Project – tenement locations and details

2.3 Geology

The project lies within folded Neoproterozoic sediments of the Nackara Arc of the Adelaide Fold Belt. The Hawsons prospect is pronounced in regional aeromagnetic data as a large, curvilinear, high amplitude magnetic anomaly interpreted to be a regional scale fold of magnetite-rich Braemar Ironstone. The rocks exposed at Hawsons contain diamictitic siltstones (tillites), quartz sandstones, calcareous siltstones, dolomite and magnetic ironstone units of the Braemar Ironstone Facies. The ironstones are examples of glaciomarine Raptian-Sturtian sedimentary iron-formation type which has a world-wide occurrence in the Neoproterozoic (Klein and Beukes, 1993; Lottermoser and Ashley, 2000). Exposure is limited to a window of folded, upper greenschist metamorphosed Neoproterozoic strata located on the southeast limb of an aeromagnetic anomaly. An irregularly exposed sequence of steep, west-northwest to south dipping strata is mapped. Drilling intersected thin recent soil on a variable thickness of puggy-clay rich alluvial sediments incised into residual saprolite that is up to 70 m thick. The depth to base of oxidation is approximately 80 m below the surface. The un-oxidised, Neoproterozoic geology intersected in drill holes consisted of a monotonous sequence of massive to laminated green-grey to black, foliated, magnetite rich, quartz-biotite-chlorite-carbonate siltstones, with lesser schistose, specular haematite dominant units (Hill and Donohue, 2010).

Several large areas of an incompletely stripped, well-developed ferricrete duricrust/regolith surface of probable Tertiary age, are overlain by recent unconsolidated sheet-wash and aeolian sands. Ferruginous regolith and recent sandy cover entirely obscure the amplitude peaks of the Hawsons' aeromagnetic anomaly. It is speculated that the ferruginous regolith has been preferentially developed and preserved over thicker and potentially higher magnetite content Neoproterozoic ironstone units responsible for the peak amplitudes within the aeromagnetic anomaly (Tear, 2017).

The magnetite in the sediments consists of fine euhedral grains relatively evenly disseminated throughout the fine sand grains of the sediment. There are no veinlets or coarse blebs of magnetite that would imply some form of pervasive, structurally introduced mineral fluids. The primary origin of the magnetite is therefore believed to be detrital, but the euhedral grain morphology has been imparted by subsequent regional metamorphism of the sequence which has seen recrystallisation but no magnetite dissolution and movement. The metamorphic grade is greenschist with localised development of chlorite and biotite (Tear, 2017).

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Study of the Hawsons mineralisation in thin section has demonstrated that magnetite is related to bedding in the host siliciclastic and carbonate sediments. Therefore, establishing the deposition regime and linking bed sets becomes an important part of understanding the grade continuity for magnetite. Thin and polished section work has established that the magnetite is idioblastic, or at least semi-idioblastic, is not replacing any mineral, has rare haematite inclusions and has limited haematite replacement (Tear, 2017).

Sedimentology study interprets the depositional environment for the Hawsons sediments as a relatively high energy trough situation with the occurrence of turbidites in the lower part of the sequence. Sediment deposition has resulted from gravity flow incorporating debris flow sediments and mudflows in a rift setting. The mine sequence begins with a series of units called diamictites which are interpreted as debris flows, with occasional interbedded finer grained sandstone/siltstone units and characterises Unit 2. The sediments are considered part of a turbiditic sequence with the initial deposition of the diamictites associated with slope failure on a basin margin with the implication of reworked basin margin sediments. Conformably overlying Unit 2 is an immature coarser grained sandstone (possibly a coarse grained turbidite). This light grey sandstone unit is known as the Interbed Unit and is 20–30 m thick. Sedimentation for the overlying Unit 3 appears to be lower energy, as shelf sedimentation or as the sag phase to the rift and comprises a series of grey/black massive/thinly bedded siltstones and fine-grained sandstones with significant amounts of carbonate material (Tear, 2017).

2.4 Exploration History

The prominent ironstone exposures and magnetic anomalies have attracted modest previous exploration. Small pits and a shallow shaft sunk on a prominent pisolitic ferricrete exposure are evidence of early prospecting activity in the area, probably late 19th century. In 1960, Enterprise Exploration Company outlined a number of track-like exposures of Neoproterozoic magnetite ironstone (± haematite) returning 6 m at 49.1% Fe from a cross-strike channel sample. Associated with the magnetite ironstone exposures were broader, denuded mesas of limonite-goethite regolith. They concluded the Hawsons' area had little potential for giant high-grade, direct shipping haematite deposits.

Following completion of high-resolution airborne magnetic surveys in the Broken Hill district commencing in the 1980s, the fold-like, high-amplitude magnetic features at the Hawsons prospect attracted several explorers seeking precious and base metal mineralisation including CRAE (now Rio Tinto) and Placer (now Barrick). CRAE completed considerable work including drilling five holes within EL6979 seeking gold mineralisation in a linear magnetic low interpreted to be a concealed faulted iron formation within the hinge of the curvilinear Hawsons' aeromagnetic anomaly. CRAE's program failed to locate significant gold or base metal mineralisation but drilling intersected relatively broad magnetite ironstone units interbedded with diamictite adjacent to the then untested peak of the highest amplitude segment of the Hawsons aeromagnetic anomaly.

In 1998, Mount Isa Mines Exploration completed a 7.4 km ground magnetic traverse crossing the North Limb and five rock chip samples. No anomalous gold or base metal geochemistry was noted; however, two samples returned 32.8% and 29.1% Fe (Hill and Donohue, 2010).

In December 2007, EL6979 was granted to Perilya Broken Hill Limited (PBHL), comprising 62 units (179.7 km^2). In late 2008, Carpentaria entered into a joint venture with PBHL to explore EL6979. Carpentaria was attracted to the ironstone occurrences which are prominent in the aeromagnetics of the region and the tenement contains several large magnetic anomalies. Under the terms of the agreement, Carpentaria could earn up to 51% interest in the licence by spending a total A$825,000 on the licence by October 2012. An additional 24% interest could be acquired by a subsequent expenditure of A$1,000,000. The agreement covered all Group 1 metals excepting lead, zinc and silver which are retained 100% by PBHL.

Carpentaria discovered the Hawsons deposit in 2009. In the first year of exploration, it conducted data compilation, geochemical surveying, geological mapping, geophysical data collection (ground magnetics), geophysical modelling, reverse circulation (RC) drilling, DTR analysis and petrographic analysis (Hill and

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Donohue, 2010). Subsequent exploration drilling has defined the orebody as it is currently known, with a series of Mineral Resource estimates (MREs) reported by Carpentaria as exploration progressed.

2.5 Exploration Potential

Currently, the mineralisation is open at depth with the occasional drillhole intersecting the mineralisation below the -250 mRL. Further infill drilling is required to increase the confidence of the resource estimates (refer Section 2.6) with potential for additional material to be discovered along strike and down dip around the Fold Hinge area and for the SE Limb area. This exploration potential was assessed during the most recent Mineral Resource estimation study (Tear, 2017) as having a significant quantum.

2.6 Mineral Resources

The following is based on the "Updated Resource Estimates for the Hawsons Magnetite Project, Western NSW" report ("the URE Report") by H&S Consultants Pty Ltd (H&S) who completed the most recent MREs for the Hawsons Project for Carpentaria. Data used in the MRE comprised data from the original 2010–2011 drilling and the 2016 drilling campaign. The URE Report indicated it was the intention of Carepentaria to mine the complete package of magnetite containing meta-sediments.

The following is based on the "Updated Resource Estimates for the Hawsons Magnetite Project, Western NSW" report ("the URE Report") by H&S Consultants Pty Ltd (H&S) who completed the most recent MREs for the Hawsons Project for Carpentaria. Data used in the MRE comprised data from the original 2010–2011 drilling and the 2016 drilling campaign. The URE Report indicated it was the intention of Carpentaria to mine the complete package of magnetite containing meta-sediments.

The currently defined MRE as reported to the ASX on 3 July 2017 (ASX Announcement: Hawsons Resource Update) is based on a lower cut-off grade of 9.5% DTR constrained beneath the base of oxidation to a depth of -240mRL (Table 2 and Table 3).

Table 2: Hawsons Magnetite Project MRE as at 3 July 2017

Category	Mt	DTR %	DTR Concentrate Mt	Density t/m³	Fe Head %
Indicated	840	14.5	121	3.07	17.4
Inferred	1,660	13.6	227	3.05	16.8
Total	2,500	13.9	348	3.06	17

Table 3: MRE Concentrate Grades

Category	DTR Concentrate Mt	Fe %	Al_2O_3 %	P %	S %	SiO_2 %	TiO_2 %	LOI %
Indicated	121	69.9	0.19	0.004	0.002	2.61	0.03	-3.04
Inferred	227	69.7	0.20	0.004	0.003	2.91	0.03	-3.04
Total	348	69.7	0.20	0.004	0.002	2.81	0.03	-3.04

2.6.1 Deposit Geology and Geological Interpretation

The project is situated within folded, upper greenschist facies Neoproterozoic rocks of the Adelaide Fold Belt. The Braemar Facies magnetite ironstone is the host stratigraphy and comprises a series of narrow, strike extensive magnetite-bearing siltstones with a moderate dip of roughly 45°. Large areas of the prospective stratigraphy are covered by younger transported materials, with the base of oxidation estimated to be on average 80 m. The airborne magnetic data shows the magnetite siltstones as a series of narrow high amplitude magnetic anomalies.

Geological interpretations of the magnetite mineralised host stratigraphy are based on the airborne magnetic, drillhole logging, chemical analysis, DTR and analysis of downhole geophysical data. The magnetite deposit is interpreted to be intersected and offset by a number of faults forming three structural domains (Figure 3). The northern and central blocks are named the "Core Targets" while the southern (folded) zone is called the "Fold Target".

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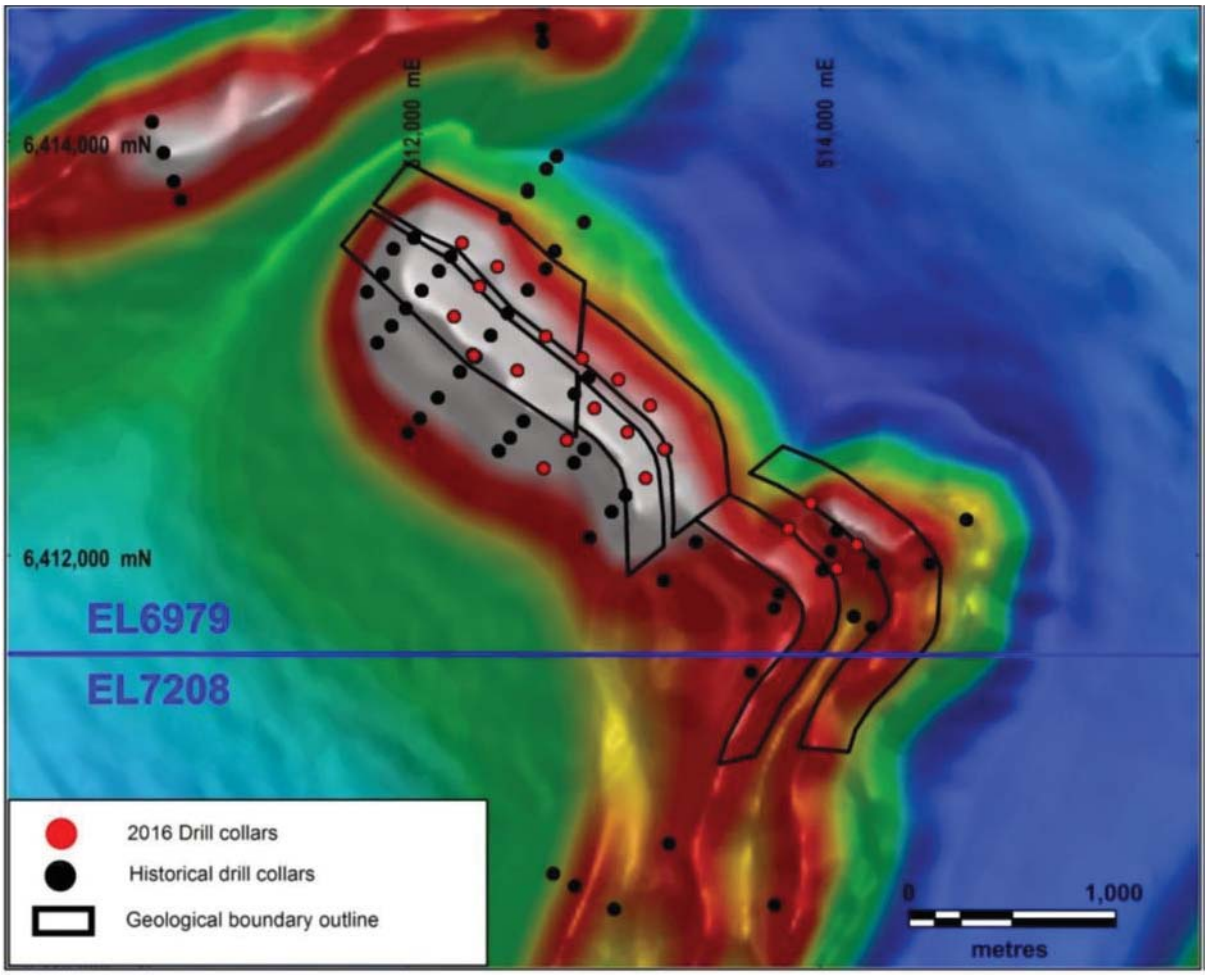

Figure 3: Core and fold targets geology and drillhole location map
Source: H&S Hawsons_Magnetite_Res_Est_Final_080617

According to the URE Report, thin and polished section work invokes a shallow depositional environment, with fine euhedral magnetite grains of detrital origin fairly evenly disseminated throughout the sediments. The magnetite is not replacing any other mineral, and the metamorphic grade is greenschist with localised development of chlorite and biotite. The abundance of magnetite in one bed relative to another adjacent one is variable (Figure 4), despite the similarity in grain sizes. Carbonate dominant beds appear to have notably reduced levels of magnetite compared to the siliciclastic beds. The basal magnetite enriched units are higher energy diamictites (Figure 5) with occasional interbedded finer-grained sandstone/siltstone units. Overall, the system appears to be broadly fining upwards to a series of interbedded fine sandstone and siltstone units. Subsequent regional metamorphism has imparted the euhedral grain morphology, but not resulted in magnetite dissolution and mobilisation. Overall, the magnetite is related to the bedding in the host sediments therefore linking bed-sets and establishing a depositional regime is an important part of understanding the grade continuity for magnetite.

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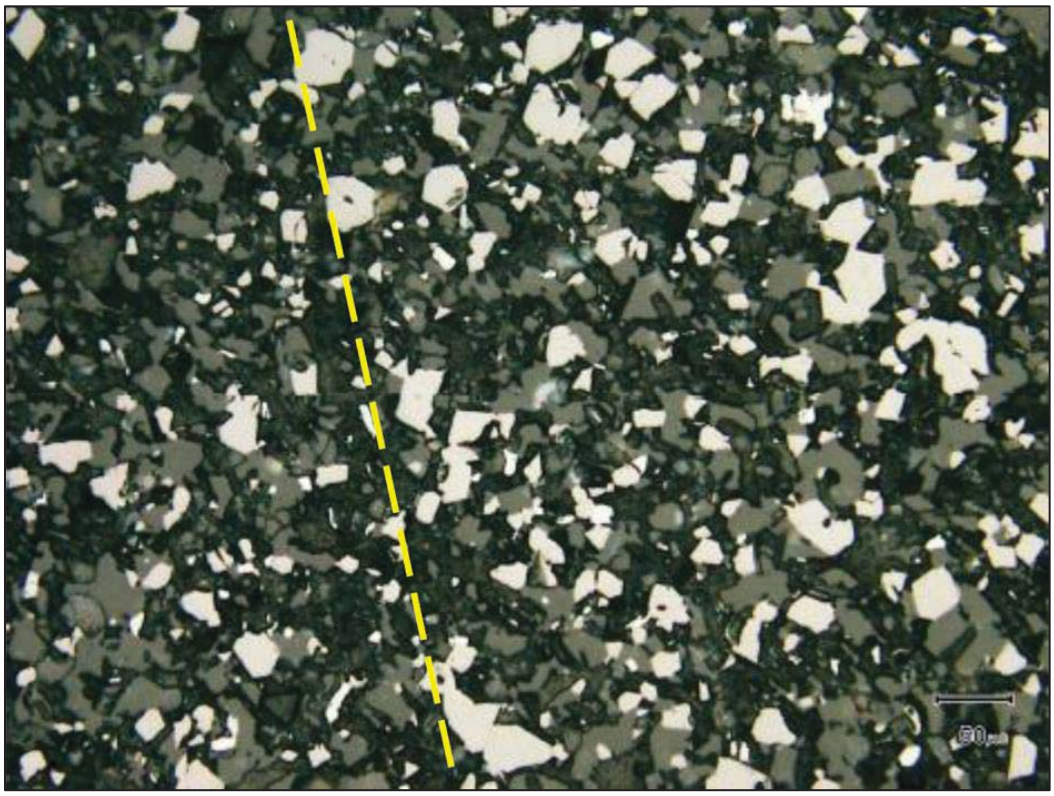

Figure 4: Sample CAP5761 (yellow line = bed boundary; white grains = magnetite)
Source: H&S Hawsons_Magnetite_Res_Est_Final_080617

Figure 5: Diamictite example RC10BRP029

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The broad geological interpretation from within the overall magnetite enriched package, invokes a series of three primary (relatively) highly magnetic mineralisation units, that are underlain, separated and overlain by a number of units that are (relatively) moderately to poorly magnetic (Figure 6). Within the broader geological unit zones, a more detailed interpretation of the geophysical data was undertaken to provide greater geological control/understanding constituent stratigraphy of the mineralisation zones. The downhole gamma logs identify zones of increasing clay content allowing a chronostratigraphic interpretation of sedimentological divisions or units. These units run parallel with correlation patterns visible in the downhole density data and the downhole magnetic susceptibility (magsus) data also shows very clear signatures attributed to the variably magnetic stratigraphic units. These thinner stratigraphic units of variable magnetite concentrations which range in thickness between 13 m and 51 m are strike (or drill section) continuous.

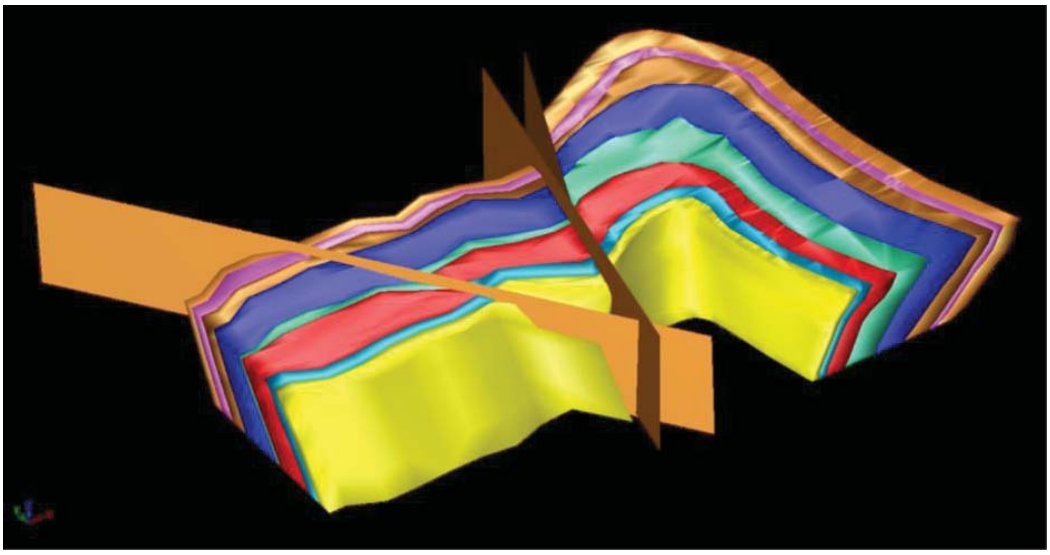

Figure 6: Core and fold target areas 3D geology

Pale brown = FW Unit, purple = Unit 1, brown = Interbed 1, blue = Unit 2, green = Interbed Unit, red = Unit 3, cyan = Upper HW Unit 1, yellow = Upper HW Unit 2; brown planes = fault surfaces).

Source: H&S Hawsons_Magnetite_Res_Est_Final_080617

CSA Global is of the opinion the geological interpretation is well constructed and appropriate to underpin an MRE.

2.6.2 Data Validation

Carpentaria provided the drillhole database to H&S and it was accepted in good faith as an accurate, reliable and complete representation of the available data. Limited data validation was completed, and no significant issues were detected.

CSA Global imported the drillhole database to Datamine Studio software as part of the validation process, and no significant issues were detected.

2.6.3 Downhole Survey, Geophysical Logging and Density

According to information captured in the Carpentaria database, downhole survey methods consisted of a mixture of north-seeking gyro, single-shot downhole and single downhole digital measurements. The downhole geophysical logging was collected for the majority of drillholes and consisted of downhole magsus, gamma and density readings at 0.01 m intervals. Carpentaria demonstrated through check density work that the downhole density value was under-reporting by 5.2% and the data was corrected for this.

CSA Global notes that downhole surveys in magnetic units should be completed by means of gyroscopic instruments, which the majority of drilling at the Hawsons Project has been. It is noted that corrections appear to have been applied in the database to many of the single shot and downhole digital measurements.

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Comparison of physical Archimedes principle density measurements ("Archimedes density") by the laboratory with Carpentaria measurements is very good for the one hole (10 samples) available. The corrected downhole density values appear to be reasonable. The exact interval that the physical Archimedes density are taken over is not readily apparent in the database with sample results allocated to 1 m intervals, which cannot be correct based on the sample weights. This presents the risk that correction factors are applied based erroneous interval comparisons (i.e. the downhole density readings averaged over the full metre may have been used in the comparison). There is therefore some risk inherent in the corrected density values being inaccurate, and the density should be revisited in future work.

CSA Global is of the opinion the overall interpreted mineralisation volumes are unlikely to be materially impacted by any deviation of the affected drillholes from the surveyed positions. The effect of minor variations in the density on overall estimated tonnages is not expected to be significantly material.

2.6.4 Quality Assurance and Quality Control

The documented quality control (QC) procedures for assaying and sampling and the QC results presented in reports prepared by Geochem Pacific were reviewed and found to be acceptable by H&S in the URE Report. There does not appear to be any systematic bias attributable to drilling method when comparing the RC/diamond twin drilling, despite some mixed results for confidence in short spaced magnetic fraction recovery, overall the length weighted DTR averages for equivalent intervals did not show a consistent bias. Similarly, no bias was detected for the sampling method, chemical analysis or the laboratory, based on the analysed results from the field duplicates, certified reference materials, blanks and umpire laboratory testing.

CSA Global has reviewed the available QC documentation and concurs that the QC procedures have demonstrated that the drilling data is suitable for use in an MRE.

2.6.5 Sample Analysis

The analysis methods used to determine magnetic fraction (magnetite) recovery by means of DTR with a 38 micron grind is considered an appropriate technique. The majority of the 2,644 DTR analysis samples had x-ray fluorescence (XRF) analysis of the concentrate product, with all having head grade XRF analysis. The 2010 DTR was based on a range of composite intervals between 4 m and 15 m, while the 2016 drilling was based on a consistent 5 m composite length.

For unsampled intervals, regression equations were employed to determine appropriate DTR based on the magsus readings. For the 2010 drilling, the regression developed previously was used, while for the 2016 drilling a new regression was developed and used for that data.

CSA Global considers the DTR with XRF analysis methodology employed and the use of regression to determine DTR for unsampled intervals to be appropriate for determination of the constituent mineralisation recovery and grade. Some risk is inherent in the two separate regressions being employed, although this may have been driven by differences in instruments used. The risk of using regression equations to assign grade is inherent in the methodology, especially for lower grade and transitional weathering zone material, where lower data numbers informing the regressions may not result in reasonably accurate assignment of a DTR grade.

In CSA Global's opinion, overall risk to the project from the analysis/grade assignment method is not considered significantly material.

2.6.6 Sample Compositing

Unconstrained (by geological and weathering domain) 5 m downhole composites were generated from the drillhole database, and the URE Report states that no obvious high-grade trend was noted. The (unconstrained composite) statistical analysis indicated a low coefficient of variation (CV) for DTR justifying the use of ordinary kriging as the primary estimation methodology. No top cuts were applied to any estimated

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grade variable. The global histogram shows a somewhat multi-modal character, which is a direct result of the lack of geological and weathering domain constraints.

CSA Global considers the use of unconstrained downhole compositing inappropriate. The weathering and geological domains should be used to constrain the composites in a geologically sensible manner. However, this impact is largely localised, and the risk presented to the global estimate is low.

2.6.7 Variogram Analysis

A spatial continuity analysis or variogram modelling is a method used to determine appropriate weights to apply to individual drillhole samples based on their location relative to the block being estimated. Higher weight is assigned to data in the direction of highest grade continuity (i.e. the direction in which the grades are least variable from one another). Measures to calculate the geostatistical reliability of grade estimates, which can be used as an additional aide in assigning the classification, are reliant on the variogram models.

Despite the lack of geologically based downhole composite constraints, the URE Report states that the variography was completed for all estimated parameters from data below the top of fresh rock (TOFR) surface from a selected relatively consistent part of the Core West structural domain. The resultant variogram models produced the expected results of a longest range along strike, moderately long ranges in the down-dip direction, and short ranges in the final direction perpendicular to the strike and dip.

Variogram models were also produced for the DTR and density data from above the TOFR surface from the Core West structural domain. These showed the along-strike direction with a long range while the vertical and horizontal axes had the expected short ranges.

CSA Global notes the variogram models have produced the expected results; however, is of the opinion that the data selection for the modelling, being unconstrained by geology, is not appropriate. CSA Global does note that in general, effects on the estimated grades due to the sample weighting applied is relatively minor. More significant effects on the grade estimate are seen through factors such as geological domaining, search ellipse orientation and volume, and the number of samples required for a valid block estimate.

CSA Global is of the opinion that the risk to the project estimated grade from the sample weighting applied through the variogram parameters is low.

2.6.8 Grade Estimation

The URE Report states that:

"Grade interpolation of the composite data was completed using Ordinary Kriging. Modelling was unconstrained as the nature of the mineralisation boundaries is gradational. Three structural domains with hard boundaries were used, relating to interpreted offsetting faults. A 4 pass search strategy using dynamic interpolation was applied with the strike-elongate search ellipse rotated to the dip and strike of the host sediments. An initial search of 250 m by 150 m by 40 m was applied and expanded in three increments to 450 m by 225 m by 75 m. Minimum number of data was 8 composites per hole decreasing to 6 with the minimum number of informing holes being 3 initially, decreasing to 1 for Pass 4."

The base of colluvium was also used to constrain the upper limit of the grade estimation. The orientation of the triangles that made up the nine wireframe surfaces used to create the eight lithological units were used to locally control the orientation of the search ellipse and variogram axes in the dynamic search method employed.

CSA Global is of the opinion the use of a dynamically controlled ordinary kriged estimate is an appropriate methodology for the deposit. The hard boundaries between structural domains is not unreasonable; however, the use of an unconstrained (by geology/lithological unit) estimation is not appropriate. The lithological domains are available and have been used to control the dynamic search. The risk is that local estimates are overly smoothed, with high-grade zones downgraded and low/marginally mineralised zones upgraded. More definitive study levels in future will require the geological domains to be used through the

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entire compositing and grade estimation process to ensure that recoveries and grades (including contaminants) are better understood in their spatial context. This will be important for mine planning to allow feed of appropriate materials to the suit the beneficiation plant requirements, as well as to assist metallurgists in obtaining suitable composite sample for more detailed testing to optimise beneficiation plant design parameters.

CSA Global is of the opinion the overall risk to contained metal is probably not material with the inherently understood error bars at the JORC classification levels reported and for these relatively early-stage studies.

2.6.9 Model Validation

The block model was validated using visual and statistical methods and the URE Report states that these provided satisfactory results.

CSA Global is of the opinion the model has returned the expected overly smoothed results that compare reasonably with the drill data.

2.6.10 Resource Classification

The MRE has been classified by the Competent Person based on the data spatial distribution, style of mineralisation, geological model, QC results, estimation search pass and comparison with previous estimates. Two solid wireframes encompassing the areas considered to be adequately informed for an Indicated classification were generated.

CSA Global notes that Indicated Mineral Resources in the Fold Zone may be more at risk due to the more complex geology and the unconstrained estimate. Some "spotted dogging" has occurred that would preferably be tidied up as good practice, but this is not considered a material risk.

CSA Global is of the opinion the classification is generally reasonable and not a significant project risk.

2.6.11 Grade-Tonnage Data

The grade-tonnage curve presented in the URE Report shows the sensitivity of the modelled MRE tonnage to estimated DTR cut-off grade.

CSA Global notes that the grade-tonnage curve does not show the full picture, as due to the unconstrained estimate, grade smoothing has occurred. However, this impact is largely localised, and the risk presented to the global estimate is low.

2.6.12 Mineral Resource Estimate Reporting

The MRE was reported to Carpentaria twice in June 2017. Initially on 8 June 2017, the MRE was reported based on a lower DTR cut-off grade of 10% and constrained beneath the base of oxidation to a maximum depth of -250 mRL. The result was a total of 2.38 billion tonnes (Bt) @ 14.1% DTR. Following this on 19 June 2017, the MRE was updated using a 9.5% DTR cut-off grade to a maximum depth of -240 mRL following advice from Carpentaria that PFS work had identified 9.5% DTR as a suitable cut-off grade. The resultant MRE provided a total of 2.5 Bt @ 13.9% DTR.

CSA Global notes that there are tonnes at risk due to the smoothing of higher grades into lower-grade zones; however, the overall metal contained is probably reasonable within the context of the potential error inherent in the grade estimation and further considered by the classification.

2.7 Mining, Ore Reserves and Prefeasibility Study

The proposed Hawsons Iron Project comprises a substantial open pit mining operation. The PFS for the project is the basis of this Report. An Ore Reserve estimate has been declared for the project and was published by Carpentaria in July 2017.

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To supplement this review, a financial model ("02.10.02 Hawsons Iron Project_Pellet Feed_10MTPA Port Pirie(30-5-17) RL-AW (7-8-17)"), a mining cost model ("Appendix_G_CostingEconomicAnalysis") and a compilation of mining cost data ("02.02.05+Appendix_C_Mining") have been used.

2.7.1 Relationship between Ore Reserves and Prefeasibility Study

The Hawson's Ore Reserve estimate comprises the Indicate Mineral Resource component of the PFS. The PFS contains a substantial amount of Inferred Mineral Resources (see Table 4) The Competent Person who prepared the Ore Reserve estimate has stated that they are satisfied the economic viability of the project is not dependent on the Inferred Resources.

The economic components of the project are discussed in more detail in sections below.

Table 4: Hawsons Iron Project – Ore Reserves and PFS mined quantities

	Mt	DTR %	DTR Mt	Fe concentrate %
Probable Ore Reserves	755	14.7	111	69.9
PFS life of mine (including Inferred)	1,423	14.1	201	70.0

2.7.2 Mining Approach

The mining method uses conventional open pit drill and blast techniques for the mine life. Loading of broken rock will be by large hydraulic face shovels. All waste will be transported out of the pit by dump trucks. The first benches of ore will be transported by dump truck to the ROM pad adjacent to the processing plant. After approximately four years, an in-pit conveying system is planned to transport ore from the operating benches to the ROM pad. Dump trucks will be used for horizontal transport of ore on the operating benches.

CSA Global considers the mining approach to be appropriate for the planned operation and production capacity.

2.7.3 Geotechnical

Preliminary geotechnical analysis has been completed for the open pit mine design.

The slope angles used for the optimisation and the mine design are as follows:

- 45° in saprolite
- 50° for northeast pit wall down to 100 mRL
- 55° for southwest pit wall down to 100 mRL
- 48° below 100 mRL.

The PFS report states that the geotechnical parameters available at the time of the design were of a conceptual nature and further geotechnical analysis was required.

During late 2019, GHD conducted further geotechnical analysis of the project and published a report of findings and geotechnical design parameters.

CSA Global considers that the geotechnical parameters used in the design were based on conceptual high-level assumptions, but these were subsequently demonstrated to be closely aligned to the findings of the GHD 2019 geotechnical study. Variations between the design wall angles and the recommended angles are not expected to have a material effect on the value of the project. No adjustments to the financial model have been made related the geotechnical considerations.

2.7.4 Pit Optimisation

An open pit optimisation process was completed on the Hawsons Mineral Resource using preliminary financial parameters and the geotechnical parameters discussed above. The optimised pit shell was used to guide the subsequent mine design for the progressive mining stages and final pit design.

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The optimisation process was driven by a target of 20 years' mine life producing 10 million tonnes per annum (Mtpa) of concentrate. The Indicated Mineral Resources only produced a pit that could sustain part of the required production life. Inferred Mineral Resources were added to the optimisation process where a much larger pit shell was created that could meet the life of mine production target.

CSA Global notes that the financial model for the Hawsons Iron Project achieves a breakeven position within the Indicated proportion of the production profile. After this point, the project relies on Inferred material to sustain production. This presents a Medium risk (i.e. a "Possible" Likelihood with a "Moderate" Consequence) to the project, should the conversion of this Inferred Mineral Resources to higher confidence Indicated (or even Measured) Mineral Resources, as is the normal trajectory for Mineral Resource upgrade as a project progresses, does not occur.

2.7.5 Cut-Off Grade

A cut-off grade of 10% DTR has been applied to the Resource. This results in an average mined grade of approximately 14% DTR. It is noted in the PFS that there is a substantial amount of material between 8% DTR and 10% DTR within the pit shell, and substantial Inferred material above 10% DTR proximal to the selected shell.

CSA Global considers that:

- Confidence in the total project value is dependent on conversion of Inferred to Indicated Resources
- There is reason to conduct a study to optimise the cut-off to maximise project value.

The conversion from Inferred to Indicated Mineral Resources is anticipated as the project progresses. This will include optimisation studies to refine and maximise project value as the project progresses towards Feasibility Study status.

2.7.6 Mine Design

The pit ramp has been designed at 25 m wide in the PFS. The PFS text acknowledges that the width is too small, but that the difference in impact to the project is negligible.

For this to be the case, the pit will require two ramps continually for the mine life. The first ramp will allow initial access to the first mining phase with a minimum width of 30 m to accommodate Cat 793 trucks. When the double ore conveyor system is installed on this ramp, all 793-truck traffic will have to exit the pit through a second ramp exiting near the waste dumps. The dual conveyor requires a width of 6 m on the ramp. Transport to the conveyor loading system from the operating benches will require separate internal temporary ramps.

CSA Global notes that increasing the pit ramp from 25 m to 30 m will increase the life of mine waste mining cost. CSA Global has made an adjustment of 5% to the mining operating costs to the financial model to reflect this impact. CSA Global notes that the Company has increased the mining costs contingency by 5% in the PFS financial model to allow for this issue.

2.7.7 Mining Schedule

The mining schedule targets a production rate of 10 Mtpa of concentrate. The ore mining rate is approximately 70 Mtpa with a peak period of three years in the middle of the life of the mine at 80 Mtpa.

The average waste stripping ratio is 0.50 which means that there is half as much waste as ore. The waste mining rate averages 70 Mtpa for the first 10 years and then reduces to about 5 Mtpa for the second half of the mine life.

The mining is scheduled in stages to achieve a sustainable balance between waste and ore mining.

The PFS mine plan includes Indicated and Inferred Mineral Resources throughout the mine life. Inferred Resources are mined in low proportions in the early periods and increase in the second half of the mine life.

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After 10 years, the proportion of scheduled Indicated Resources is 82% and the full mine life of 20 years has 63% Indicated Resources.

2.7.8 Mining Equipment

The primary mining equipment for mining activities are:

- Large hydraulic face shovels (PC8000 – 40 m^3 bucket)
- Cat 793 haul truck (~220 tonnes)
- Drills for 250 mm blast holes on 15 m benches.
- Supporting ancillary equipment.

The mining equipment selected for the project is appropriate for the planned production requirements.

2.7.9 In-Pit Crushing and Conveying

The proposed mine plan includes the introduction of an in-pit crushing and conveying (IPCC) system to transport ore from the mining bench in the pit, to the ROM pad. The IPCC system is scheduled for operation from Year 4. Waste material will be trucked from the mine to a waste dump for the duration of operations.

Ore mining is scheduled at a maximum rate of 80 Mtpa (~14,500 tonnes per hour (tpa)). The scheduled capacity of the ore conveyor system is a maximum rate of 14,500 tph for approximately three years in the middle of the mine life. The nominal average capacity for the remaining approximately 20 years is approximately 70 Mtpa (12,000 tph).

The PFS document discusses the IPCC system in general terms but does not contain specific planning work that demonstrates conveyor routes, location of feed and discharge points and interaction between the conveyor system and waste trucking.

The costs quoted in Appendix C of the PFS report from a conveyor provider specifically state that the cost estimates are conceptual and require further design information to be any more accurate. The conveyor specification from the potential supplier is two x 2.0 m conveyors running in parallel to meet the required production rate. Based on the quotation, the maximum rock size allowed on the belts is 400 mm to eliminate damage to the belts and spillage.

The components of the IPCC system are described as:

- Overland conveyors
- Stacker reclaimer
- Ramp conveyors
- Dump stations (new and relocation).

CSA Global notes that there is no discussion in the PFS about an in-pit crusher or rock sizer. A crusher or rock sizer will be required to reduce the rock size to a minimum 400 mm size. The planned drill and blast operations on a 15 m bench, with very large hydraulic shovels and trucks will not be able to deliver the required size distribution without a substantial in-pit crusher or rocker sizer.

A semi-mobile high throughput crusher/sizer installation that can accommodate 793 dump trucks is a substantial piece of infrastructure. The dump station will require two large crusher/sizers of 8,000 tph capacity with all the associated mechanical and civil construction. A typical cost of one of these installations is approximately US$75 million There is an allowance for capital costs for the dump stations that are to be located at a dump location within the operating pit. A total of ~US$44 million has been allocated for two dump stations. When compared to estimates for a similar installation, this estimate is below an expected value. An amount of US$30 million has been added to the capital estimate for the initial installation and for the subsequent relocation of the unit to lower sites in the pit over the mine life, in the cashflow summary

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The schedule should consider a three-month disruption to ore mining at each relocation. The PFS considers relocations at approximately five-year intervals. CSA Global suggests that the building of stockpiles could be considered as mitigations for direct ore mining disruptions. No adjustments have been made to the mining schedule as the required adjustments are considered to be within the current range of precision.

It should be noted that the introduction of primary crushing within the pit will have an impact on the Process Plant design, where the primary crusher may become redundant once the IPCC is established.

2.7.10 Mine Closure

The PFS document discusses an environmental analysis but not a specific Mine Closure Plan with specific rehabilitation, restoration and monitoring objectives. The operating costs include US$45 million for waste dump and rehabilitation, which comprises 1.8% of total operating costs.

A comprehensive Mine Closure Plan for the project that describes the work, schedule and cost estimates of the project closure and rehabilitation is recommended as the project progresses.

2.7.11 Mining Capital Costs

The mining capital costs consist of mining equipment purchases, IPCC purchase and non-equipment purchases. These costs have been based on budget quotes from suppliers and the equipment numbers required from the mine plan.

CSA Global has noted the under-estimate of the IPCC crushers in a section above. The remainder of the Capital cost estimate appears to be reasonable.

2.7.12 Mining Operating Costs

A mining cost model was supplied to CSA Global for analysis (Appendix G of the PFS report). The cost model categorised costs into a wide range of areas. The basis of the cost estimate could not be interrogated as the costs have been presented as total pasted values in dollar terms. It was not possible to identify a direct connection between unit costs and related activities to assess if these were correctly derived.

A working document that comprises some unstructured budget estimates was presented as Appendix C in the PFS. This document indicates that a number of the costs have been derived from supplier budget estimates.

The financial model presents a total unit operating cost for mining to be US$1.11/t mined. CSA Global has considered this unit cost in terms of the following considerations:

- High throughput mining operations – 97 Mtpa (average)
- Large efficient mining equipment – hydraulic face shovels and 220-tonne trucks
- Conveying the majority of ore out of the mine, rather than trucking.

CSA Global has referenced this mining cost against a scaled series of benchmark costs from other Australian open pits. The scaled unit mining costs are in a range from US$1.03/t to US$1.30/t mined. This places the modelled mining cost within a reasonable range.

2.7.13 Financial Model

A well-constructed financial model has been established for the Hawsons Iron Project. This model addresses the full project, from mining, to processing, concentrate transport, administration and sale.

The model includes project funding with equity and debt, depreciation and tax.

CSA Global has constructed a cash flow analysis and summary of the Hawsons Project. CSA Global used the CAP financial model "*02.10.02 Hawsons Iron Project_Pellet Feed_10MTPA Port Pirie(30-5-17) RL-AW (7-8-17)*".

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CSA Global has constructed a summary sheet using the values of the model to establish a cashflow from operations. The Cashflow from operations comprises net revenue minus capital costs, operating costs and tax. Depreciation to estimate taxable income was taken directly from the model. No adjustment was made to the depreciation to accommodate the additional Capital added by CSA Global. This impact to the project value was considered negligible. Taxation was estimated at 30% of taxable income. Taxable income comprises operating cashflow minus depreciation.

CSA Global considers that the values in the cash flow model (with the additional allowance for the Sizer Capital) are reasonable for use in this valuation exercise. The level of confidence regarding the proportion of inferred material should be taken into consideration when determining the appropriate range of value.

2.8 Processing

Metallurgical testing and development of the Hawsons Iron Project has been undertaken in three distinct stages to date:

- Metallurgical and comminution work culminating in the 2014 PFS.
- Further development including an 80-tonne pilot scale test run resulting in the updated 2017 PFS.
- Pre-bankable feasibility study (BFS) refining utilising larger scale piloting on both the crushing and concentrator aspects of the processing facility, along with some expansive variability testing.

The comminution testwork has been extensive in the early stages of the project with multiple reputable vendors engaged (JK Tech, Metso Minerals, CSIRO). This appears to have been driven as a result of softer material in comparison to other magnetite operations. Additionally, throughout the metallurgical testwork Bond Ball Work Index testwork is also present as an ongoing check with respect to the grindability and relative hardness of the material.

The metallurgical testwork has focused on magnetic separation via both scalable Low Intensity Magnetic Separators (LIMS) and the use of DTRs. The DTRs have been utilised in both the establishment of overall magnetite content and on tailings to establish magnetic recoveries/losses during their subsequent unit operation. The methodology has been sound and prudent.

The pilot-scale test run has established and to some degree verified the PFS inputs.

The elutriation testwork, conducted during the pilot plant and bench scale phases, has demonstrated that at a proof of concept level an upgrade to 70% Fe in the final concentrate can be achieved. This currently appears, from a metallurgical perspective, to be the largest risk factor if targeting a 70% iron concentrate.

In respect to hydro separation it is expected from first principles and bench scale testing that the unit operation should be able to achieve the desired upgrade. However, greater definition and ore specific, up-scaled bulk variability testwork is required in the BFS phase to instil a higher level of confidence and prove its applicability across operating scenarios.

The nature of the project also requires a series of key data points to ensure that mass flows around this unit operation are accurately captured for engineering and cost confirmation.

Carpentaria has in the next phase of work, provisioned for larger-scale piloting (100 tonnes) with vendor equipment and engineering to be utilised to further define this crucial final upgrade operation.

2.8.1 Flowsheet Selection

There are two overall flowsheets that have been observed. The flowsheet as observed in the 2017 PFS and an updated flowsheet that will feed into the BFS as per the Carpentaria Information Memorandum of February 2020. The variation observed is further definition around the hydro separator and the inclusion of a regrind along with another magnetic separation stage.

The flowsheet selection is consistent with interpretation from the testwork conducted to date.

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Comminution testing to date appears to confirm the use of impact crushing and the sizing of the grinding mills required.

Further definition around the final upgrading of material utilising hydro separation is expected to continue within the BFS and the current assumptions made are adequate. The testwork to date has shown a two-stage elutriation is required and current assumptions of whether this can be achieved in one stage are sufficient, however need justification during the BFS.

In CSA Global's opinion, the flowsheet selection is prudent with the testwork to date at the level of study.

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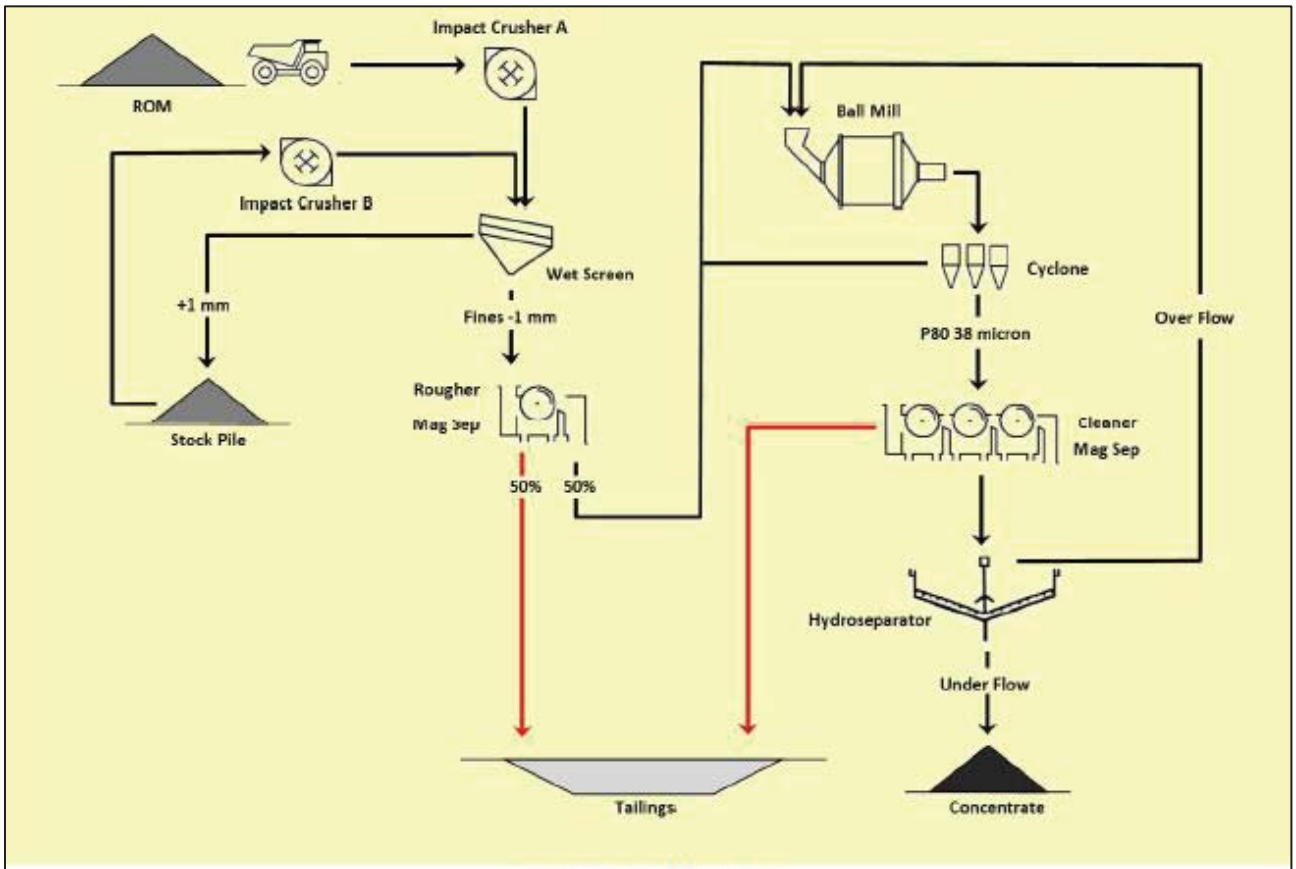
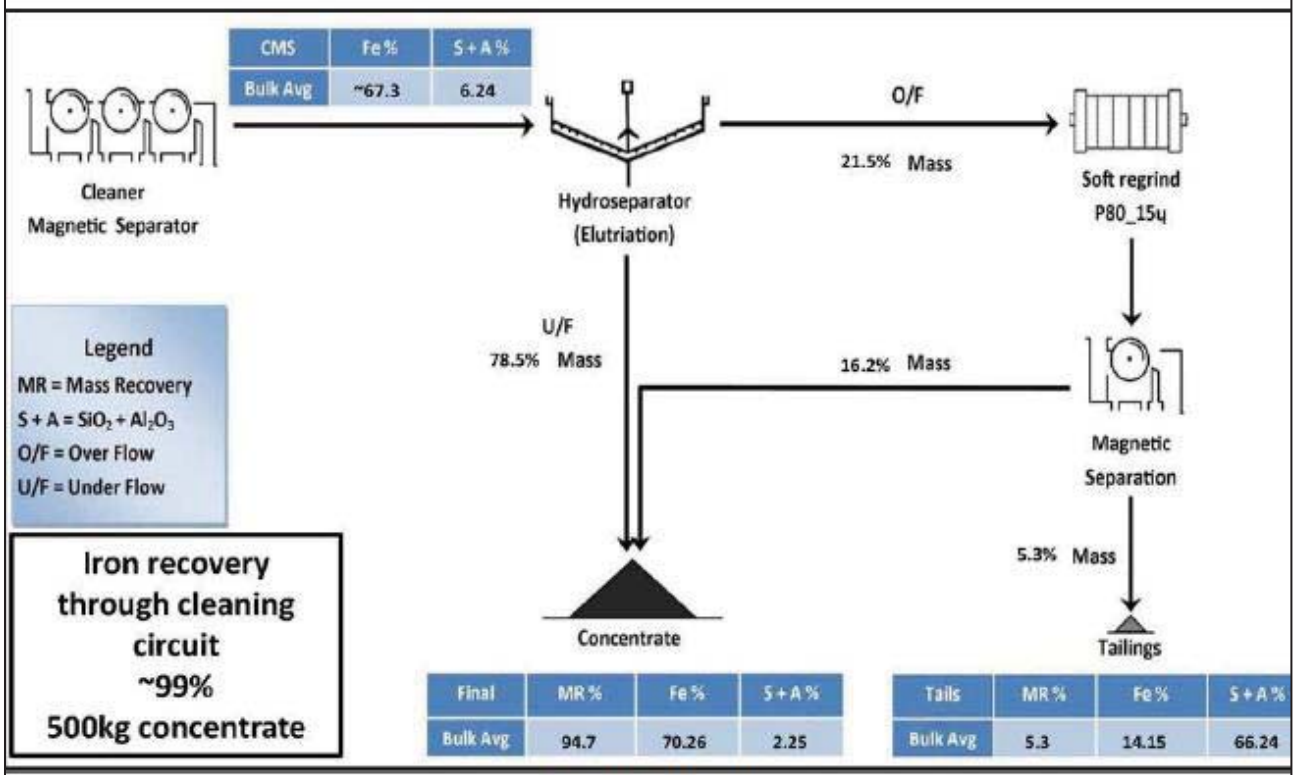


Simple process flow sheet



Simple upgrade circuit

Figure 7: High-level block flow diagram for the Hawsons base case BFS flowsheet

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2.8.2 *Pilot-Scale Testing (2014)*

The pilot-scale testing conducted in December 2014 provides a confirmation and strong basis upon which the 2017 PFS was built from a metallurgical perspective. Testwork conducted focused around establishing magnetic separation recovery data, crushing and grinding inputs as well as the potential of elutriation as a product upgrade circuit.

A summary of the key findings can be seen in Table 5 below.

Table 5: Hawsons magnetite pilot results summary

Test ID	Source	Feed (kg)	Unit mass (%)	Magnetic Fe grade (%)	Head grade (Fe %)
RMS (-1 mm)	Unit 2 (Core)	1,149	55	21.5	14.7
	Unit 2 (RC)	2,722	36	35.8	17.4
	Unit 3 (Core)	1,569	61	23.7	17.2
	Unit 3 (RC)	2,594	38	36.7	18.8
CMS (-38 µm)	Unit 2 (Core + RC)		33.3	67.9	30.6
	Unit 3 (Core + RC)		31.2	66.0	27.8
CMS Mag Elutriation (4.5 L/min)	Unit 2 (Core + RC)	435	98.0	69.0	67.9
CMS Mag Elutriation (7.0 L/min)	Unit 3 (Core + RC)	510	94.5	69.0	66.0

The sample selection and composite generation utilised 11 and 10 drillholes respectively for the Unit 2 and Unit 3 samples derived from a large portion of the depth of mineralisation.

In terms of methodology and observed outcomes, there is a discrepancy between RC chip and drill core (as expected) due to modification (typically finer particle size) that is observed during RC drilling. It is noted that for design purposes, conservative figures in line with the core were utilised.

The combination of the Rougher Magnetic Separation (RMS) magnetics from the drill core samples and RC chip have a potential to overstate the Cleaner Magnetic Separation (CMS) performance. With the established grain size of magnetite being documented as 50 µm it is debatable whether this would have a significant impact; however, it is a source of bias.

With respect to the CMS feed preparation, a 38 µm kason screen was utilised in the grinding of the material wherein the flowsheet currently observes classification via cycloning and a 75 µm DSM screen, likely resulting in a P_{80} of 38-45 µm. This also has the potential to bias and overstate the final CMS concentrate grade.

In the case of both the RMS and CMS testing, DTR checks on the tailings were done to confirm the magnetite recoveries and these formed the basis of plant performance. However, the elutriation tailings had no further definition in respect to recoverable/lost magnetite to the elutriation overflow.

In CSA Global's opinion, whilst a final grade of 69–70% was achieved, an overall magnetite recovery of 99.5% may be overstated when interpolating the full recirculating load and scale up to operation.

2.8.3 *Metallurgical Upgrade Testwork (2016)*

Further definition around the samples obtained during the pilot-scale run (2014) were subjected to flotation, elutriation, magnetic separation and mineralogy.

Key outcomes observed are highlighted in Table 6 below.

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Table 6: 2016 Hawsons magnetite cleaning and upgrade trade-off study results

Test ID	Source	Unit mass (%)	Magnetic Fe grade (%)	Head grade (Fe %)
Flotation (bulk)	Unit 2 (elutriated)	95.0	71.0	69.0
	Unit 3 (elutriated)	80.0	70.8	69.0
LIMS (600 G)	Unit 2 (elutriated)	99.5	69.2	69.0
	Unit 3 (elutriated)	99.4	69.1	69.0
Elutriation +LIMS (15 µm)	Unit 2 (elutriated)	95.4	70.5	69.0
	Unit 3 (elutriated)	95.2	70.2	69.0

Grades above 70% were obtained with both flotation and elutriation while further LIMS does not appear to show improvement. With respect to mass rejection, the elutriation route produces more concentrate.

Taking into account to that elutriation here is a two-stage process with a specific regrind on the overflow, the PFS mass yield of the CMS concentrate to the final concentrate via elutriation is 91.9% (PFS) compared to 93.4% (Unit 2) and 89.0% (Unit 3).

The assumption that is observed in the PFS is that one stage of elutriation is to be conducted with the regrind of overflow material occurring in the ball mill as opposed to its dedicated mill. Whether this is valid should be a point of focus in the BFS to ascertain the adequate scale-up of piloting equipment. It is understood that this intention has been displayed.

In CSA Global's opinion, a final grade of >70% Fe has been shown possible with the material and an interpretation of the flowsheet. Refinement of this by scale-up of the elutriation upgrade is expected to be established in the BFS.

2.8.4 Comminution Testing and Interpretation

The comminution testing has been extensive through the development stage. Post PFS (2017), it was identified that greater variability data was required in respect to comminution. This can be seen in Figure 8 below.

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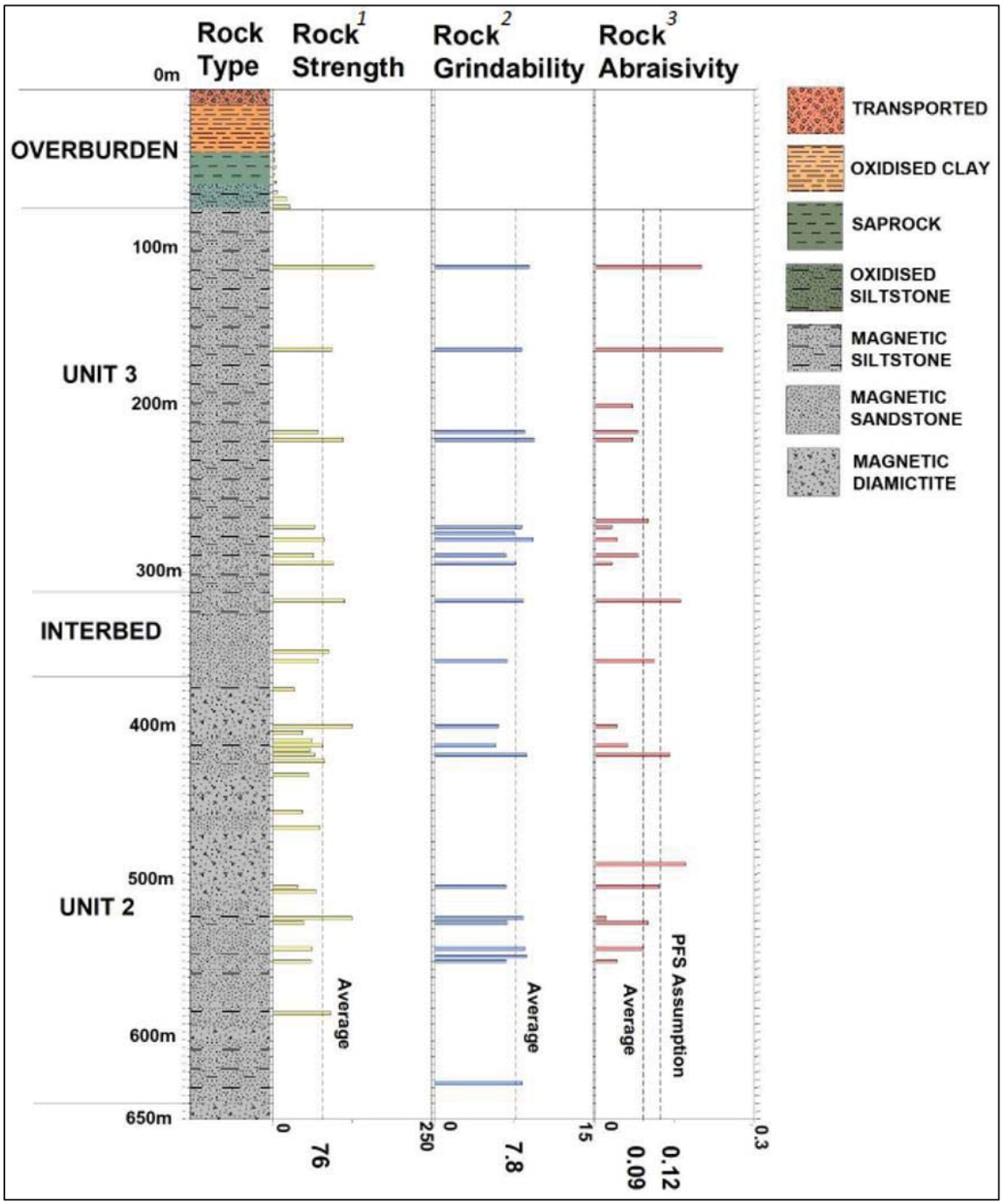

Figure 8: 2019 comminution variability data

From the current database, the PFS inputs appear appropriate in respect to equipment selection and sizing.

In CSA Global's opinion, the comminution data provided matches with the current design parameters observed from the PFS and provides a greater level of confidence in the design and capital costings from the PFS.

2.8.5 Capital Costs

The Process Plant capital cost has been reported at a figure of A$478 million with a contingency of 15.5% placed on estimates.

A translation and breakdown of the Process Plant capital cost is shown below in Table 7.

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Table 7: Process Plant capital cost assessment/summary

Breakdown	Cost base (A$ M)	Contingency (A$ M)	Total cost (A$ M)	Breakdown (%)
IPCC (included in mining)	**119.35**		**142.31**	
Site	2.95	0.34	3.3	0.7
Comminution	113.4	15.18	128.6	26.8
Concentration/Separation	91.4	9.30	100.7	21.0
Slurry storage and pipeline	7.89	1.18	9.07	1.9
Tailings	37.7	5.24	42.9	8.9
PRC – piping, pumps and valves	25.8	5.16	31	6.5
PRC – electrical/instrumentation/control	56.2	11.2	67.4	14.2
Rail Head filtration and loading facility	80.9	14.38	95.4	19.9
Process Plant – Subtotal	**416.37**	**62.04**	**478.4**	**100**
Port Pirie	204.52		245.42	
Project Design/Indirects	126.9		129.6	
Combined Areas Total	**867.14**		**995.73**	
PROJECT TOTAL	**1,320.16**		**1,727.84**	

The capital expenditure (capex) was developed by GHD and line items have been sourced from their network of budget database. Competitive quotes were not sourced (as expected at this stage of study) and an estimator was utilised when previous quotes from an equipment manufacturer were not available.

From a high-level review of the major cost line items as presented, there are no items that would be a source of serious deviation outside of the expected ±25–35% that would be expected of a PFS estimate. All major pieces of equipment, >A$5 million were reviewed and the costs are congruent with recent install costs from similar capacity operations. The area breakdown in percentage allocation in comparison to the processing plant total cost is reflective of the flowsheet, nature of operation and expected mass flow allocation whilst percentages for piping, electrics etc that can only be viewed as an all-in figure align with that expected from a project of this style, complexity and scale.

The capital costing presented in the grinding section appears to cover both flowsheet scenarios, depending on the outcome of the upgrade circuit flowsheet final selection.

In CSA Global's opinion, the capex costs are adequate for the size of the operation and the current flowsheet.

2.8.6 Operating Costs

The Process Plant operating costs have been reported at a total of A$111 million per annum. A breakdown of the operating expenditure (opex) as presented in the PFS can be seen below in Table 8.

Table 8: Hawsons magnetite operating cost breakdown by work breakdown structure

Breakdown	Total cost (A$ M)	%
Site	63.5	57.2%
Comminution	3.17	2.85%
Concentration/Separation	36.6	33.0%
Slurry storage and pipeline	0.73	0.65%
Tailings	1.80	1.62%
PRC – piping, pumps and valves	0.80	0.72%
PRC – Electrical/instrumentation/control	0.88	0.79%
Rail Head filtration and loading facility	3.6	3.25%
Total	**111**	

The opex has been determined with site covering the labour and power costs of the processing facilities and ROM maintenance, while the other sections have been estimated based on maintenance and consumables. A further breakdown of the opex can be seen below in Table 9.

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Table 9: Hawsons magnetite operating cost breakdown

Breakdown	Total cost (A$ M)	A$/t (dry concentrate)	%
Labour	**11,052,800**	**1.14**	**9.95%**
Power	**54,899,743**	**5.66**	**49.43%**
Process Plant	52,331,923	5.40	
Rail Head	2,567,820	0.26	
Maintenance	**19,152,541**	**1.97**	**17.25%**
Consumables/Reagents	**25,954,000**	**2.68**	**23.37%**
Comminution	490,000	0.05	
Concentration/Separation	23,664,000	2.44	
Tailings	1,800,000	0.19	
TOTAL	**111,059,084**	**11.45**	

The labour costs associated are A$11.05 million (~A$1.14/t). This was estimated on a 95-personnel basis. The breakdown in terms of operators and maintenance staff appears adequate with respect to the size of the operation. This equates to approximately 10% of the opex, which is similar to other operations. Note that this figure does not appear to include the Rail Head staff, which is not a large contribution.

The power costs are approximately A$54 million, which contribute in the range of 49% of the operating costs with large portion of this within the processing facility. This is marginally lower than what would typically expect for a magnetite operation (closer to 60% of the opex). However, the material has shown to be significantly softer than most orebodies and is congruent with the testwork data that supports it.

The concentration/separation section covers the four ball mills in operation where a large amount of the operating costs come from the media and liner/lifter replacement which have been estimated from the grindability and abrasivity data from the PFS and supported by the data displayed in 2019 comminution variability data (Figure 8).

The comminution line item reflective of the entire crushing system) equates to a total of A$490,000 per annum. This has been based off the hardness and abrasion testwork figures which are all reported as low. However, allocating A$27,000 per annum for maintenance, liners, hoses and other components per crusher intuitively appears excessively low. From a practical implementation perspective, this seems unrealistic and should be given consideration in the next phase of study.

In CSA Global's opinion, opex is adequate for the stage of the study on the current basis.

2.9 Marketing

A high-level assessment of the marketing assumptions used in the Hawsons PFS was undertaken by examining the 2017 GHD PFS marketing documents and having discussions with Carpentaria Marketing Adviser, Lou Jelenich. A subsequent teleconference including both Lou Jelenich and Quentin Hill (MD of Carpentaria) was held on 28 February 2020 to clarify and update price and freight assumptions.

The objective of this exercise was to form a view as to whether the Carpentaria Supergrade Magnetite product price assumptions used in the PFS valuation were reasonable and in line with standard iron ore industry practice. The price forecasts and premiums quoted by Carpentaria (e.g. CRU 65% Fe long term forecast price, recognised reputable independently sourced 65% Fe long term price, pellet feed premium, etc) were assumed to be correct and were not verified in this exercise. Recommendations are included for further marketing work in the Feasibility Study stage of the project.

2.9.1 Product Specifications

The PFS marketing analysis was based on the ALS Shipping Specification in Table 51-1 (70.3% Fe) of the PFS document. It is noted that this specification differs slightly from that contained in the Letter of Intent – the Letter of Intent indicate a product grade of ~69.7% Fe vs the ALS Shipping Specification of 70.3% Fe (see

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Table 10). The explanation provided for this discrepancy was that the Letter of Intent specification was more conservative being based on earlier testwork; subsequent metallurgical testwork resulted in the target grade being increased to 70.3% Fe. The risk around achieving the ~70% Fe target is discussed in the Processing section of this Report; for the purposes of this Report, a product grade of ~70% Fe was assumed.

Table 10: Quality positioning of Hawsons magnetite concentrate vs index specifications

		Fe	SiO_2	Al_2O_3	P
Standard Iron Ore Index Specifications	Platts 62% Fe Index	62.0	4.0	2.25	0.090
	Platts 65% Fe Index	65.0	3.5	1.00	0.075
	MBIO-CO Metal bulletin 66% Fe Concentrate	66.0	4.5	0.50	0.020
Hawsons Product Specifications	**PFS – Supergrade Pellet Feed (ALS)**	**70.3**	**1.99**	**0.29**	**0.007**
	Letter of intent – Hawsons Concentrate	69.7	2.9	0.20	0.004
	Difference (PFS-Letter of Intent) grades	0.6	-0.9	0.09	0.003

It can be seen from Table 10 that the Hawsons product is chemically superior to the index specifications, and hence would be expected to trade at a premium to these indices, as reflected in the project pricing assumptions.

2.9.2 Pricing Mechanism

Carpentaria commissioned Shanghai Metals Market to undertake a Chinese pellet feed study in 2014. The study appears comprehensive and recommended a pricing mechanism for supergrade pellet feed based on practices in the Chinese pellet feed market. This mechanism is based on the following formula:

Supergrade pellet feed price $/dmt CFR = 65% Fe Index price $/dmt CFR + Fe adjustment above 65% Fe + Negotiated pellet feed premium

Table 1-5 in the PFS executive summary illustrates how this formula is applied using the 2017 CRU Long Term 65% Fe forecast and a negotiated pellet feed premium of US$7.5/dmt (Table 11).

Table 11: PFS Table 1-5 iron ore pricing forecast

	CRU Long Term Forecast	Current 10 July 2017
62% Fe benchmark	US$63	US$64.55
65% Fe benchmark (a)	US$75	US$80.60
FE VIU (per 1% Fe above 65% (b)	US$1.10 = 5.50	US$1.15 = 5.75
Negotiated pellet premium (c)	US$7.50	NA
(a) + (b) + (c)	= US$88.00/dmt	US$93.85/dmt

The pricing mechanism and negotiated pellet feed premium appears reasonable based on the Shanghai Metals Market study results. The Fe VIU adjustment is slightly below the Fe $/dmtu adjustment that would be applied on a 65% Fe base price of US$75/dmt. Using the Fe $/dmtu price of US$75/dmt, this factor would be US$75/65% Fe = US$1.15 per 1% Fe, giving a slightly higher total Fe VIU adjustment of US$5.77/dmt vs US$5.50/dmt in Table 1-5. As it is usual industry practice to base Fe adjustments on the underlying Fe $/dmtu price, it is recommended that this approach be used. The effect of this is a slight increase in Fe VIU adjustment vs the PFS.

In CSA Global's opinion, this will not have a material impact on the valuation.

2.9.3 Price and Freight Forecasts Provided by Carpentaria

Two sets of iron ore price and freight values were obtained from Carpentaria – one contained in the PFS document, and a revised set being obtained from Quentin Hill by email on 28 February 2020. These two datasets are summarised in Table 12.

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Table 12: Iron ore price and freight rates obtained from Carpentaria

Price and freight forecasts provided by Carpentaria	2017 CRU long term forecast (PHS)	August 2019 recognised reputable independent source*
Price		
62% Fe Index	US$63.00	US$65.00
65% Fe Index	US$75.00	US$78.00
Ocean Freight	**PFS Table 49-1**	
$/wmt (Spencer Gulf-China)	US$7.86	US$10.78
$/dmt (Spencer Gulf-China, 8% moisture)	US$8.54	US$11.72

**Quentin Hill email dated 28 February 2020 Freight, which quotes 1.4 x the recognised reputable independent source*

As both CRU and the recognised reputable independent source are credible industry sources, it is recommended that in the absence of a revised CRU forecast, the August 2019 recognised reputable independent source forecast values be used. Based on experience with Cape shipping from the Spencer Gulf, freight rates have ranged between 1.35 and 1.45 x the Baltic C5 rate (the rate between Western Australia and China). Hence, it is considered reasonable to use the 1.4 x the recognised reputable independent source Baltic C5 freight forecast as suggested by Carpentaria and shown in Table 12 as US$10.78/wmt or US$11.72/dmt.

2.9.4 Recommendations

The financial model inputs should be updated to reflect the revised base price, Fe unit adjustment, and freight rates as outlined in this Report; these changes are summarised in Table 13. It can be seen from Table 13 that the increase in price is effectively offset by the increase in freight; hence, these revisions should not have a material impact on valuation.

Table 13: Summary of revised price and freight assumptions

Item	PFS (US$)	Revised (US$)
65% Fe base price	$75.00	$78.00
Fe dmtu adjustment per 1% Fe	$1.15	$1.20
Fe adjustment for 5% Fe	$5.77	$6.00
Negotiated PF premium	$7.50	$7.50
Total price $/dmt CFR	**$88.27**	**$91.50**
Freight $/wmt	$7.86	$10.78
Freight $/dmt	$8.54	$11.72
FOB price $/dmt	$79.73	$79.78
FOB price $wmt	$73.35	$73.40

The financial evaluation should run appropriate ranges around the total iron ore price. Based on past iron ore price volatility, coupled with current market uncertainty, it is recommended that a ±40% range be used to test the project robustness to price variations.

The Shanghai Metals Market study (undertaken in 2014) should be updated as part of the BFS, to obtain a revised view on the pricing mechanism and in particular the negotiated pellet feed premium of US$7.50/dmt CFR used in the PFS financial evaluation.

Further work on the potential price premium to be realised selling into the direct-reduction (DR) pellet feed market should also be undertaken as part of the BFS. If 100% of the Hawsons product can be placed in the DR market, this would open the potential to avoid pricing exposure to the Chinese pellet feed market which is likely to pay lower prices.

A risk not covered in this review is the marketing risk of the Hawsons product not meeting the target ~70% Fe specification (this is covered in the Processing section). From a marketing viewpoint, while a lower % Fe product would place some risk on the pellet feed premium, as long as the actual product grade is above 65% Fe and competitive with other pellet feeds in the Chinese market, the underlying pricing model remains valid,

i.e. using the 65% Fe index as a base price and correcting for Fe on a $/dmtu basis and adding a (potentially smaller) pellet feed premium.

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3 Valuation

Valuation of Mineral Assets is not an exact science and a number of approaches are possible, each with varying positives and negatives. While valuation is a subjective exercise, there are several generally accepted procedures for establishing the value of Mineral Assets. CSA Global consider that, wherever possible, inputs from a range of methods should be assessed to inform the conclusions about the Market Value of Mineral Assets.

The valuation is always presented as a range, with the preferred value identified. The preferred value need not be the median value and is determined by the Practitioner based on their experience and professional judgement.

Refer to Appendix A for a discussion of Valuation Approaches and Valuation Methodologies, including a description of the VALMIN classification of Mineral Assets.

3.1 Commodities Market

The iron ore price history in US$ for the past five years is illustrated in Figure 9, with further detail on the price history of the 65% Fe benchmark price vs the 62% Fe and 58% Fe benchmark prices over the two and a half years period to June 2020 in Figure 10. The volatility in the iron ore price evident over this period highlights the need to normalise transaction prices when comparing them over this period. Transaction prices are normalised by multiplying the implied transaction price per tonne of contained iron by a ratio of the iron ore price at the time of the transaction to the current iron ore price.

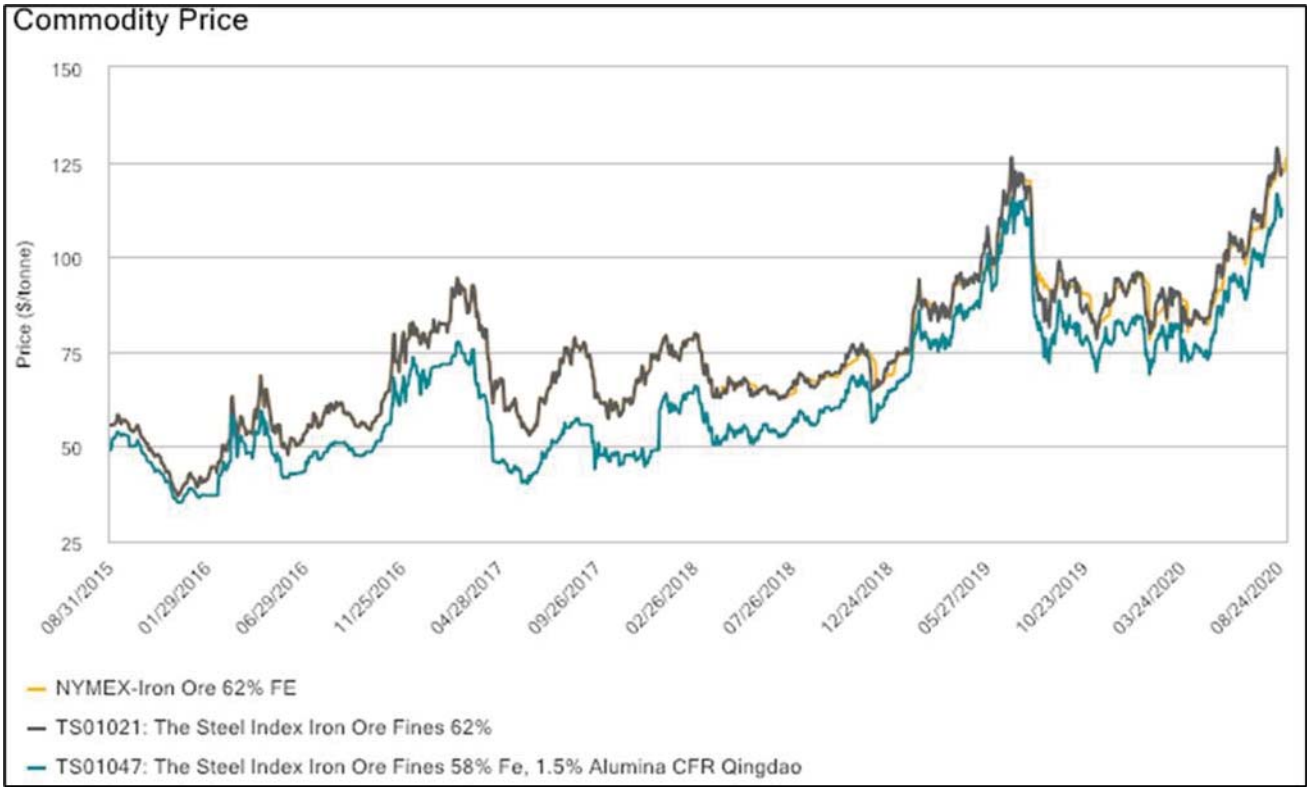

Figure 9: Five-year iron ore spot price (US$)
Source: S&P Global Market Intelligence

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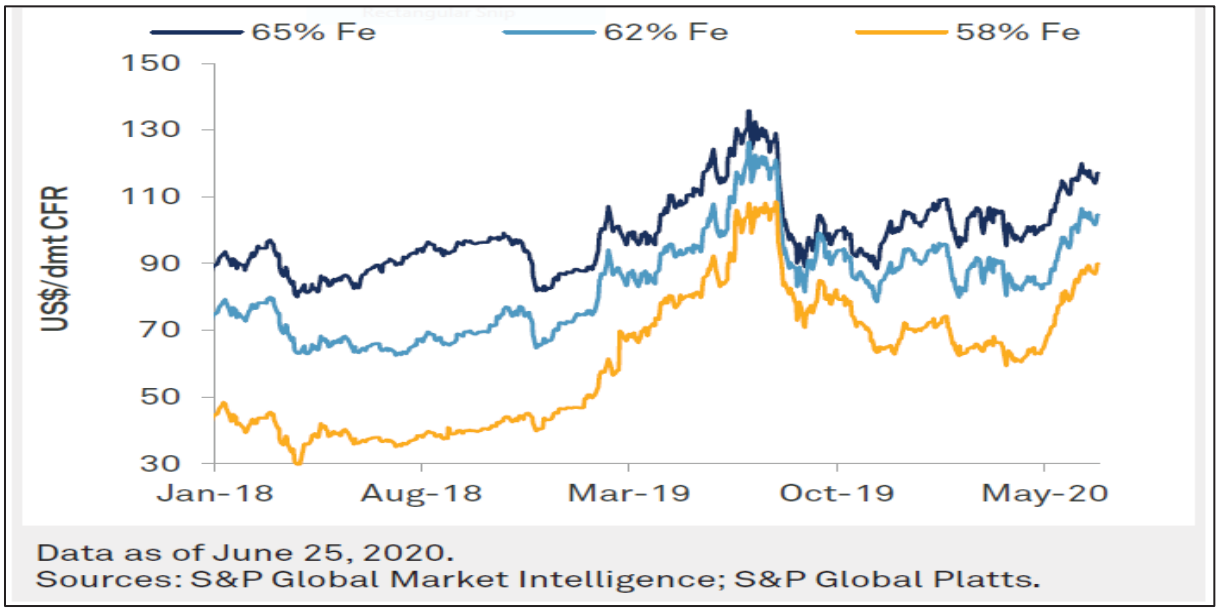

Figure 10: Variations in iron ore price over the past year for 65% Fe, 62% Fe and 58% Fe products
Source: S&P Global (2020)

3.2 Previous Valuations

CSA Global is aware of a previous transaction involving the Hawsons Project in May 2013. As described in Carpentaria's ASX announcement dated 6 May 2013, Pure Metals Limited acquired a 40% interest in the Hawsons Project previously held by Bonython Metals Group (BMG) from the Liquidator of the BMG assets for A$3.2 million. Pure Metals also agreed to pay A$3.8 million to Carpentaria, as well as fund A$5 million towards feasibility studies of the project. At the time of the transaction, the Hawsons Project had an Inferred Mineral Resource of 1.4 Bt at 17% Fe, with studies indicating a Davis Tube Recovery (DTR) of 15.5% for 220 million tonnes of high grade (69.9% Fe) iron concentrate.

This transaction is not included in CSA Global's analysis of comparative transactions as it is not within six years of this Report's valuation date. It is CSA Global's opinion that market conditions for magnetite iron ore in 2013 were materially different to current conditions.

3.3 Comparable Transactions Valuation

In analysing the transactions, all amounts were converted to A$ at the relevant exchange rate at the time of the transaction announcement, where not already reported in A$. Joint venture transactions were only valued to the first earn-in milestone and any subsequent earn-in milestones were ignored. Exploration expenditure was discounted at a nominal 10% over the earn-in period, to bring future expenditure back to a present value. Future payments contingent on a future milestone such as declaration of a Mineral Resource or decision to mine were ignored.

CSA Global identified and considered 12 transactions announced within the past six years that involved magnetite resource projects. Seven of these transactions involved Australian projects (two of which were terminated prior to completion), with two in Canada (one terminated due to market conditions relating to COVID-19 pandemic) and one each from Mongolia, the United States and Norway. The transactions are detailed in Table B1 and analysed in Table B2 (both in Appendix B).

The transactions were analysed in terms of the implied A$/t of contained Fe in Mineral Resource paid as well as the implied A$/t of contained Fe in Concentrate, where sufficient information on concentrate grade and yield were available in the public domain. The implied prices were then normalised to the September 2020 iron ore price of US$124.92/t (A$169.87/t) to account for movements in the iron ore price.

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CSA Global notes that it is the size and grade of the underlying resources, and the confidence in them, that is underpinning the implied values in this consideration of comparative transactions.

The terminated transactions were included in this analysis as CSA Global consider them to be indicative of an agreed value for the project at the date of the announcement, regardless of the fact that the transactions were terminated at a later date. These transactions informed our view of the market, but CSA Global did not place reliance on them in selecting a preferred value.

Upon review CSA Global concluded that the degree of comparability of the identified projects subject to transactions reported in the public domain was not high. While all identified projects were magnetite projects, there are a range of factors that limited the suitability of these projects to directly informing an opinion on the value of the Hawsons Project.

Therefore, CSA Global undertook an additional qualitative assessment step comparing various parameters of the Hawsons Project to the magnetite Mineral Resources in the Comparative Transactions (Table 14), considering:

- Lithology of the magnetite-bearing host rock, fundamentally hardness, which has a substantial effect on processing costs (most transactions were for Australian projects that are hard BIF deposits rather than the notably easier to work tillite/diamictite at Hawsons)
- Scale/relative size of the Mineral Resource;
- Comparability of iron concentrate grade/product quality;
- Project development stage; and,
- Access to infrastructure to get concentrate product to market.

The aim of the qualitative assessment was to rank the Hawsons Project relative to the Comparative Transactions, i.e. was the project subject to the transaction better than, similar to, or worse than the Hawsons Project on the selected criteria.

The 12 transactions analysed each fall within one of three broad groupings.

The first group consists only of the Kamistiatusset Project (Kami Project) in Canada, which is in CSA Global's opinion the project most similar to the Hawsons Project, in terms of geology, scale and development stage, however there remain important differences with Hawsons.

A Letter of Intent (LOI) detailing a possible transaction was announced in mid-February 2020, with a definitive agreement anticipated by 15 March 2020. On 26 March 2020, the company announced that the deal had been terminated due to the COVID019 pandemic. Nonetheless, CSA Global considers this terminated transaction to be relevant, on the basis that the LOI outlines a valuation range for the project that was agreed by the two parties on the date that the LOI was announced, and apart from the highly unusual situation relating to the COVID-19 pandemic, the announced LOI represents an agreed value range at the point the LOI was announced.

As indicated in Table 14, CSA Global consider that the Kami Project has similar mineability and processability characteristics to Hawsons, but is likely to produce a lower concentrate grade than Hawsons, and is in a better situation with regards to infrastructure than Hawsons. It is also at a more advanced state of development than Hawsons, as a significant portion of the Mineral Resource is in the Measured category, with a full Feasibility Study supporting substantial Proved Ore Reserves, and environmental and other licences and agreements are in place. The Kami Mineral Resource is also larger than the Hawsons resource base. Therefore, CSA Global conclude that, if this transaction were to be used to inform a market value of the Haswons Project, a lower A$/t is implied by this transaction than the actual.

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Table 14: Qualitative comparison of the comparative projects to the Hawsons Project

Project	Country	Mineability and Processability	Infrastructure	Product Quality	Development Stage	Qualitative Factor	A$ Fe in Resource		A$/t Fe in Concentrate		Comment
							†From transactions	‡Implied Value for Hawsons	†From transactions	‡Implied Value for Hawsons	
Razorback	Australia	Similar	Similar	Worse	Less advanced	0.5	0.03	0.09	0.06	0.16	
Kamistiatusset	Canada	Similar	Better	Worse	More advanced	1.5	0.17	0.15	0.23	0.21	Analysis based on Letter of Intent, not yet agreed transaction. LOI indicates possible ranges in both equity and consideration. The parties noted on 26/3/2020 that due to the COVID19 pandemic, the transaction was terminated
Yalgoo	Australia	Worse	Worse	Similar	Less advanced	0.5	0.02	0.05	0.03	0.06	
Mt Alexander	Australia	Worse	Worse	Similar	Less advanced	0.5	0.001	0.003	0.003	0.005	Highly contingent future payments not included.
Selenge	Mongolia	Worse	Similar	Worse	Less advanced	0.5	0.04	0.12	0.06	0.25	Contingent future payment not included.
Buena Vista	USA	Much worse	Worse	Worse	Less advanced	0.5	0.03	0.13			Project focus on cobalt and vanadium; but magnetite was focus during transaction
Ularring	Australia	Worse	Worse	Worse	Less advanced	0.5	0.01	0.07	0.01	0.06	Transaction terminated.
Yogi	Australia	Worse	Worse	Worse	Less advanced	0.5	0.005	0.019			Transaction terminated.
Mt Woods	Australia	Much worse	Worse	Worse	Less advanced	0.5	0.02	0.09			
Yerecoin	Australia	Worse	Worse	Worse	Less advanced	0.5	0.03	0.09	0.05	0.14	
Sydvaranger	Norway	Worse	Better	Worse	More advanced	1.25	0.07	0.11	0.08	0.13	Mine still in care and maintenance. Intention to restart mine in 2020 or 2021 announced
Bloom Lake	Canada	Worse	Better	Worse	More advanced	1.25	0.04	0.08	0.05	0.11	Mine recently restarted. Concentrate yield and grade based on data publicly released in 2017.

† Considering iron ore price at time of transaction
‡ Normalised to September 2020 iron ore price, and considering qualitative comparison factor

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The second group consists of two previously operating mines that were in care and maintenance when they transacted, i.e. the Bloom Lake mine in Canada, and the Sydvaranger mine in Norway.

As indicated in Table 14, CSA Global consider the mineability and processability of these projects to be worse than the Hawsons Project, and the concentrate grades produced by these mines to be lower than the concentrate grade anticipated for Hawsons. Being previously operated mines, CSA Global consider that they had better current access to infrastructure than Hawsons and were at a more advanced stage of development. Therefore, CSA Global conclude that if these transactions were to be used to inform a market value of the Haswons Project, lower A$/t factors are implied by these transactions than the actual.

The third group consists of the remaining projects, being the recently-transacted Razorback Project, the Australian magnetite BIF projects, the Selenge Project in Mongolia, and the Buena Vista Project in the USA. These projects are all at a less advanced stage of development than Hawsons, with resources declared but no studies comparable with Hawsons completed, and with the exception of Razorback and Ularring, these projects all had smaller resources (in terms of contained iron) than Hawsons, with Selenge and Buena Vista being much smaller.

As indicated in Table 14, with the exception of Razorback, CSA Global consider the mineability and processability of these projects to be worse than the Hawsons Project, and the concentrate grades anticipated from these projects is generally lower than the concentrate grade anticipated for Hawsons. CSA Global consider that they had worse current access to infrastructure than Hawsons, with the possible exception of Selenge and Razorback, which could be considered similar. Therefore, CSA Global conclude that, if these transactions are to be used to inform a market value of the Haswons Project, higher A$/t values than those implied by these transactions would be appropriate.

The transaction value for Selenge is anomalous, in that it is much higher than would be expected based on its characteristics. The purchaser in this case was not disclosed, with the seller referring to the purchaser as a private individual. CSA Global consider this transaction an outlier and have excluded it from further consideration, as the basis for the value paid is not clear, and has not been described by the purchaser.

As can be seen in Figure 11, the A$/t contained Fe paid for the Australian projects was generally lower than that paid for the other projects, both in terms of A$/t contained Fe in Mineral Resources or A$/t contained Fe in Concentrate. This appears to generally be due to the comparatively more advanced stage of the other projects, which included previously operating mines in care and maintenance (Sydvaranger and Bloom Lake), or included declared Ore Reserves (Buena Vista) or Measured Resources (Selenge).

The Australian projects included either only Inferred Mineral Resources, or a combination of Indicated and Inferred Mineral Resources. Only Ularring included Probable Ore Reserves. CSA Global notes that Razorback is geologically most comparable to Hawsons.

Figure 12 summarises the effect of the qualitative assessment, and indicates CSA Global's view on possible valuation factors for the Hawsons Project based on the individual comparative transactions.

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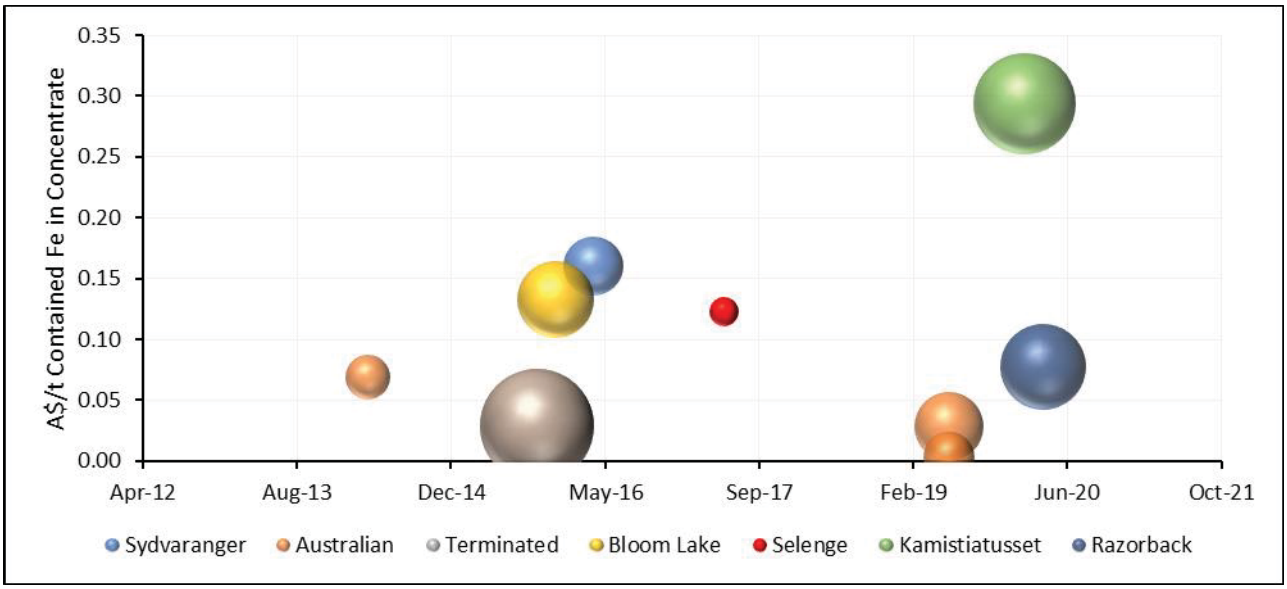

Figure 11: Comparative magnetite resource transactions analysed in terms of A$/t of contained Fe in Concentrate

Note: This figure includes Fe in Concentrate information for the Bloom Lake project in Canada, which was publicly released after the transaction was announced. It is included for comparison purposes only.

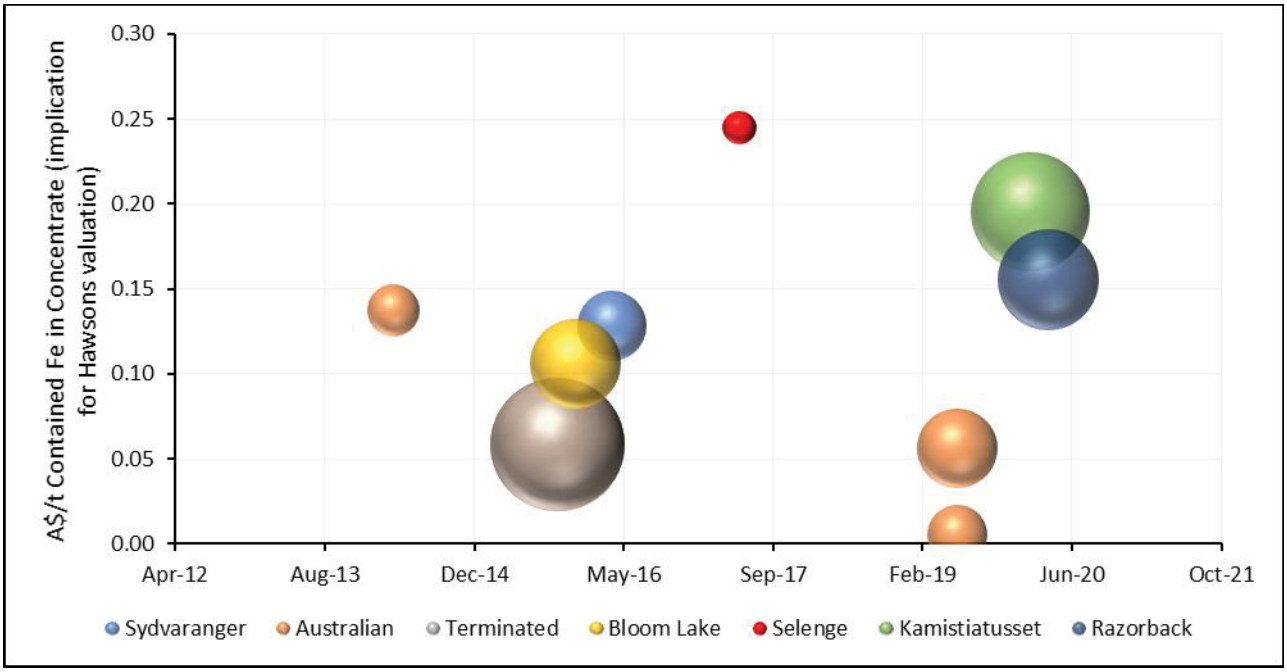

Figure 12: Comparative magnetite resource transactions analysed in terms of A$/t of contained Fe in Concentrate and qualitative comparison to Hawsons

Note: This figure includes Fe in Concentrate information for the Bloom Lake project in Canada, which was publicly released after the transaction was announced. It is included for comparison purposes only.

The Comparative transactions range from projects that are at an earlier stage to former magnetite-producing mines that are on care and maintenance.

Apart from one project, which was considerably smaller, most projects were a similar quantum of scale being large Mineral Resources.

A couple of projects had similar concentrate grades, but most were less than the Hawsons Project.

Access to infrastructure ranged from much worse than Hawsons (i.e. no readily accessible infrastructure options) to mine and transport infrastructure available at the mines on care and maintenance.

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Banded iron formation (BIF) was the dominant hosting rocktype of the magnetite in the Comparative Transactions, which is a lot harder (much higher bond work index >20 compared to ≈8) in comparison to the Hawsons Project, and would require more energy for grinding, hence higher processing costs.

Based on this qualitative analysis (Table 14), CSA Global in its professional judgement, weighing up all these aspects, concluded that an implied value range of A$0.05/t to A$0.20/t with a preferred value of A$0.10/t of contained Fe in concentrate, was more appropriate to inform an assessment on the value of the Hawsons Project using a Market Approach.

In CSA Global's professional opinion the range around the preferred value appropriately reflects the uncertainty associated with the current development stage of the Hawsons Project.

The valuation of the Hawsons Project on the basis of this Market analysis is summarised in Table 15.

Table 15: Hawsons Project valuation on the basis of Comparative Transactions (100% basis)

Contained Fe in Concentrate	Valuation factors (A$/t contained Fe)			Valuation (A$ million)		
	Low	Preferred	High	Low	Preferred	High
243 Mt	0.05	0.12	0.20	12.1	29.1	48.5

Note: The valuation has been compiled to an appropriate level of precision; values may not add up due to rounding.

3.4 Yardstick Order of Magnitude Check

CSA Global used the Yardstick method as an order of magnitude check on the Mineral Resources valuation completed using comparative transactions. The Yardstick order of magnitude check is simplistic (e.g. it is very generalised and does not address project-specific value drivers but takes an "industry-wide" view). It provides a non-corroborative valuation check on the primary Comparative Transactions valuation method, allowing CSA Global to assess the reasonableness of the derived Comparative Transactions valuation and whether there are any potential issues with the preferred primary valuation method.

For the Yardstick order of magnitude check, CSA Global used the September 2020 iron ore price of US$124.92/t (A$169.87/t).

In addition, CSA Global considered the following commonly used Yardstick factors:

- Inferred Mineral Resources: 0.5% to 1% of spot price
- Indicated Mineral Resources: 1% to 2% of spot price
- Measured Mineral Resources: 2% to 5% of spot price
- Ore Reserves: 5% to 10% of spot price.

The average spot price for iron ore for February used for the Yardstick order of magnitude check was consistent with that used for the evaluation of Comparative Transactions data so that the results could be compared.

For commodities like haematite and magnetite iron ore, Yardstick factors can be an order of magnitude lower, due to how the market prices different commodity projects. In CSA Global's experience, one order of magnitude is reasonable for haematite iron ore and two orders of magnitude is reasonable for magnetite iron ore. More value is attributed to convex commodities at an earlier project stage (e.g. gold and nickel sulphide projects), whereas for concave commodities like bauxite, nickel laterite, iron ore and potash, these are valued considerably lower until the project is closer to production (Trench and Packay, 2012).

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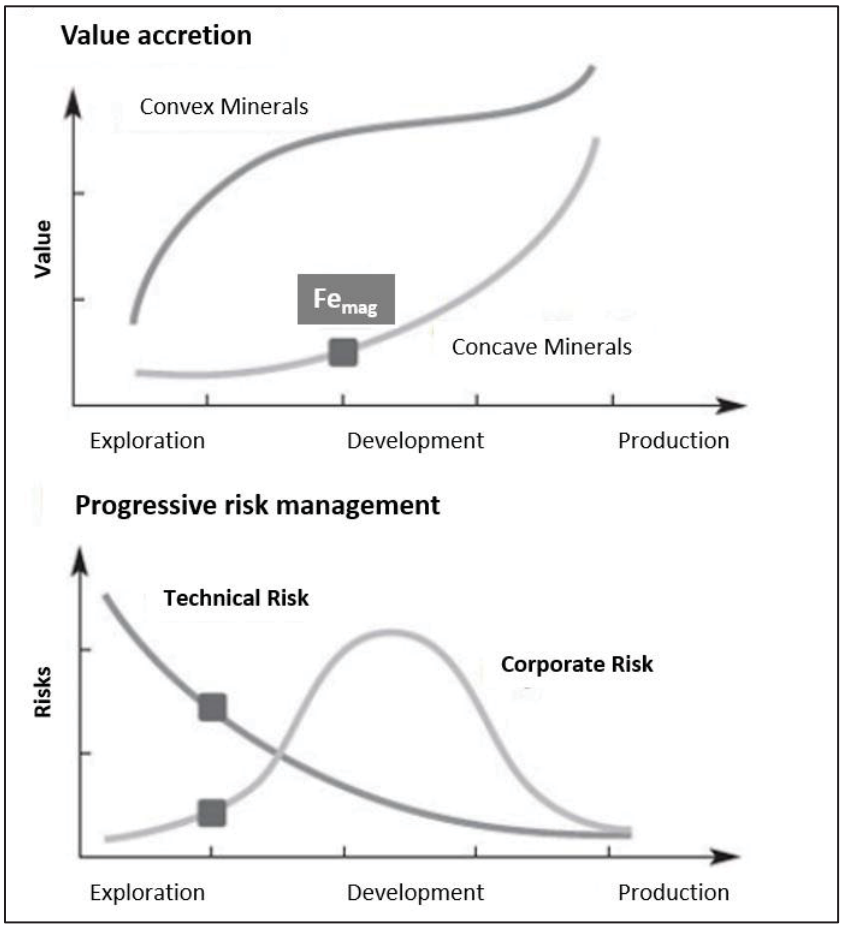

Figure 13: Value and risk of concave and convex commodities by development stage
Source: Modified after Trench and Packay (2012)

As with the Comparable Transactions valuation of the Hawsons Mineral Resources in Section 3.3, the Yardstick valuation has been done on the Hawsons Mineral Resources and Ore Reserves as outlined in Section 2.6.12.

For the Hawsons Resources and Reserves, CSA Global has used the following Yardstick factors:

- Inferred Mineral Resources: 0.005% to 0.010% of spot price.
- Indicated Mineral Resources: 0.010% to 0.020% of spot price.
- Ore Reserves: 0.050% to 0.100% of spot price

A summary of the Yardstick order of magnitude check for the Hawsons Project based on the Yardstick factors above, resulted in the valuation and preferred values for the Mineral Resources in Table 16.

Table 16: Summary of Yardstick order of magnitude crosscheck, including Ore Reserves

Category	Fe in concentrate (Mt)	Low value (A$ M)	Preferred value (A$ M)	High value (A$ M)
Reserves	77.6	6.6	9.9	13.2
Indicated (excluding Reserves)	7.0	0.1	0.2	0.2
Inferred	158.2	1.3	2.0	2.7
Total	**242.8**	**8.1**	**12.1**	**16.1**

Note: The valuation has been compiled to an appropriate level of precision; values may not add up due to rounding.

In CSA Global's professional judgement, the Yardstick order of magnitude check valuation has corroborated the value derived by Comparative Transactions in Section 3.3. It indicates the likely market value of a generic, "average" magnetite project. CSA Global's view that the Hawsons Project is superior to the average

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magnetite project on the basis of geology and access to infrastructure, is reflected in the higher valuation derived using the comparative transactions method, which did take project-specific factors into account.

3.5 Income Approach - Discounted Cash Flow Considerations

As discussed in Section 2.7.13 of this Report, CSA Global has constructed a cash flow analysis and summary of the Hawsons Project. CSA Global used the CAP financial model "*02.10.02 Hawsons Iron Project_Pellet Feed_10MTPA Port Pirie(30-5-17) RL-AW (7-8-17)*".

As a project with substantial Indicated Mineral Resources and a Pre-Feasibility Study, CSA Global concluded it was reasonable to investigate the Income Approach when considering the value of the Hawsons Project. With only limited Ore Reserves, and in the absence of a Feasibility Study, CSA Global concluded that this approach could only be used as a secondary method.

CSA Global created a summary sheet using the values of the model to establish a cashflow from operations. The cashflow from operations comprises net revenue minus capital costs, operating costs and tax. Depreciation to estimate taxable income was taken directly from the model. Taxation was estimated at 30% of taxable income. Taxable income comprises operating cashflow minus depreciation.

Revenue in the cashflow model is based on an iron ore price of US$75/dmtu (65% Fe index). The average price to be received after premiums is estimated to be US$88/t concentrate.

In contrast to the model provided by the Company, the cashflow from operations modelled by CSA Global does not include any cashflow related to equity or debt funding, nor any shareholder returns or debt servicing (principal or interest).

The cashflow was discounted to a Net Present Value in 2020 terms. The discounting included a 5-year delay before expenditure on the project begins, to reflect estimated delays due to finalising all required approvals and permitting in NSW, costs of completing Feasibility studies, final investment decision processes, Front-end Engineering Design, and initiation of the project. The base case discount rate used was 15% per year (real).

In CSA Global's opinion, this approach shows the inherent cashflow from the operation independent of funding arrangements that would be specific to the funding approach of the operating entity.

CSA Global conducted a check calculation where the original model parameters of 10% real discount rate and zero delay in the project timing are applied. The subsequent value in the CSA Global summary was slightly higher (within 5%) to the value generated by the CAP model. The CAP internal rate of return (IRR) is 18% and the CSA Global IRR is 18.8%. This confirmed that the results of the CSA Global analysis are reflective of the adjusted project values.

In order to derive insights into the market value of the Hawsons Project using the Income Approach and the work completed by the Company so far, CSA Global applied a real discount rate of 15% as the base case.

The CSA Global base case returns an NPV in 2020 terms of US$153.7 million with an internal rate of return (IRR) of 18.8%. This converts to A$205 million using the long-term exchange rate in the cashflow model of A$1=US$0.75.

CSA Global completed a sensitivity analysis on the impact of the real discount rate on the modelled base case NPV. The results are shown in Table 17.

Table 17: Discount rate sensitivity

Discount Rate	10%	12.5%	15.0%	17.5%	20%
NPV (US$ million)	604	329	154	42	-30
NPV (A$ million)	806	439	205	56	-39

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In CSA Global's professional judgement, a 15% discount real discount rate is often suitable in analysing projects where the technical studies are at the bankable Feasibility Study level. As the technical studies associated with the Hawsons Project are currently at the less advanced Pre-Feasibility level, CSA Global's analysis of likely market value focusses on downside scenarios to price in the higher level of risk associated with the PFS stage.

In CSA Global's opinion, if an investor has comfort that a 15% discount rate is acceptable, they would be comfortable that the information is equivalent to a BFS level of confidence. That means that the downside risk would be brought up from -25% (the nominal level of uncertainty of a PFS) to -15%. This implies that with the current information that would be presented to the market, the 10% downside risk would be factored into the project value.

Aspects of the project supporting this conclusion include:

- Carpentaria is yet to gain all the social, environmental and government approvals, permits and agreements required.
- Carpentaria is yet to identify and receive access to the substantial capital needed to fund the complete development and working capital needs of the project.
- Due to the study stage being only to PFS level, the project still has technical risks that require more advanced studies to mitigate.
- A substantial part of the mine life is still dependent on Inferred Resources to generate positive cashflow.

A time gap is not built into the cash flow of the PFS model. This gap in time is a material risk, the larger the potential time gap between the PFS study and achieving production, the larger the potential risks and the greater the possible effect on valuation. Within this time gap commodity prices, modifying factors, ability to raise funding, and other inputs may change significantly, changing the economic viability of the project.

CSA Global has concluded that a gap of five years from the valuation date is a realistic delay for the Hawsons Project.

Based on the logic described above, CSA Global applied multi-factor sensitivities at 10% increments to the base case scenario, focussing on the key sensitivities of capital expenditure and operating expenditure. Iron ore price was not flexed in this exercise and the PFS pricing was retained. Scenarios where the base case capital expenditure and operating expenditure were either increased or decreased by up to 20% were explored. These analyses are summarised in Table 24 (A$). The -10% scenario outcomes are indicated in the bounding boxes.

Table 18: Multi-factor sensitivity analysis (A$ millions)

AU$					
NPV 15%		Price US$ 75/t Fe Unit			
	Capex				
Opex	120%	110%	100%	90%	80%
120%	- 237.2	- 142.0	- 46.8	48.4	143.6
110%	- 111.3	- 16.1	79.1	174.3	269.5
100%	14.6	109.8	205.0	300.2	395.4
90%	140.5	235.7	330.9	426.1	521.3
80%	266.4	361.6	456.8	552.0	647.2

Based on the sensitivity analyses presented above, CSA Global's opinion on a Technical Value for the Hawsons Project based on the income method is summarised in Table 25.

Table 19: Hawsons Project Technical Value from DCF (15%) analysis

Mineral Asset	Project	Valuation A$ millions		
		Low	Preferred	High
Hawsons	100%	40.3	57.6	74.9

Note: The valuation has been compiled to an appropriate level of precision; values may not add up due to rounding.

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The preferred value is the average of the NPVs derived from the minus 10% scenarios indicated in the bounding boxes, and the range is based on a 30% flex of the preferred value.

CSA Global notes that the range in value is wide, limiting the effectiveness of this method in informing a view on the market value of an asset at the pre-feasibility stage.

The Technical Value derived by this analysis uses a 15% discount rate. In CSA Global's opinion, the level of uncertainty and risks associated with a PFS level cash flow model are such that the market value of the project would be lower than this Technical Value. CSA Global consequently consider this Technical Value range to provide a ceiling to the Market Value range for the Hawsons Project.

3.6 Valuation Summary

In forming an opinion on the current market value of the Hawson's Project (Table 20 and Figure 24), CSA Global has considered a valuation derived from the Comparative Transactions as a primary method. This was cross-checked using an Income Approach (using the parameters as outlined in Section 3.5) and a Yardstick order of magnitude check.

In CSA Global's opinion, the Yardstick method indicates a likely market value for a generic or "average" magnetite project in the current market. As the Hawsons Project is considered to be better than the average magnetite project, on the basis of geology (which directly affects mineability and processing), concentrate grade, and access to infrastructure, the market value of the Hawsons Project should be higher than the market value for an "average" magnetite project. Therefore, the current market value of the Hawsons Project should be higher than the value derived using the Yardstick method.

CSA Global considers the values derived from the income approach to be a Technical Value range, defined as "an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations" (VALMIN, 2015). In CSA Global's opinion, the level of uncertainty associated with PFS level work means that the Market Value of the project would be less than this Technical Value, which effectively provides a ceiling or maximum value for the project at the current time.

The current Market Value of the project should be lower than this, on the basis that a willing buyer would expect to pay less than the future net economic benefit expected from the project to acquire the project, i.e. if the price paid was equal to the future net economic benefit, there would be no benefit in acquiring the project.

CSA Global consider that both the Income Approach and the Yardstick crosscheck support the valuation based on the comparative transactions, in that it is higher than the market value for a generic magnetite project, indicated by the Yardstick method, and lower than the Technical Value indicated by the Income Approach.

CSA Global has exercised professional judgement in selecting a valuation range determined by the high and low range indicated by the Comparative Transactions method, and a Preferred Value as the midpoint of this range (Figure 24).

A summary of CSA Global's opinion on the market value of the Mineral Assets that Carpentaria has an interest in as at 1 September 2020 is provided in Table 20.

Table 20: Summary of CSA Global's opinion on the market value of Carpentaria's Mineral Assets (100% basis)

Mineral Asset	Project basis	Valuation (A$ million)		
		Low	Preferred	High
Hawsons Iron Project	100%	12	31	49

Note: The valuation has been compiled to an appropriate level of precision; values may not add up due to rounding applied to reflect the level of confidence in the valuations.

CSA Global notes that our valuation opinions, as expressed in this Report, must be considered in total, and that choosing parts of the analysis or the factors considered by it, without bearing in mind all the factors and

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analyses together could result in a misleading view of the process underpinning the valuation opinion presented in this Report. The preparation of a valuation of a mineral asset is a complex process incorporating varying degrees of qualitative opinion and does not readily lend itself to partial analysis or summary.

In CSA Global's opinion, nothing material has occurred up to the date of this Report, since the Valuation Date to affect CSA Global's technical review and valuation opinion.

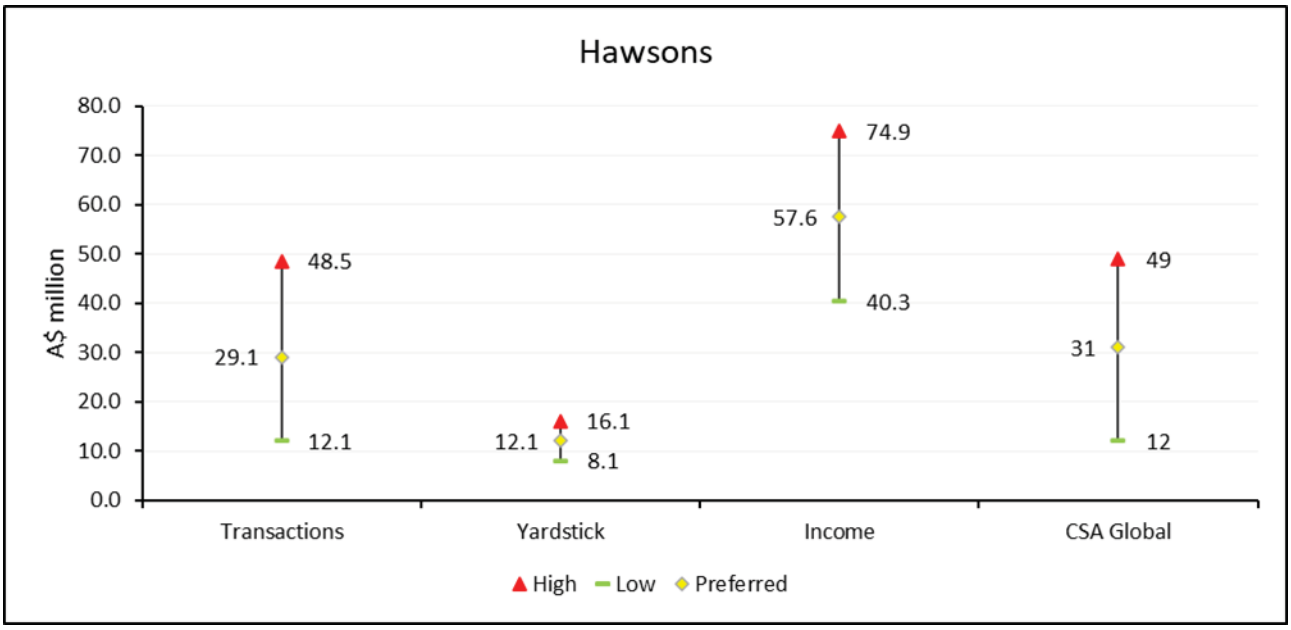

Figure 14: Hawsons Project – comparison of valuation techniques (100% basis)

In CSA Global's professional opinion, the 1.5% NSR royalty attaching to EL 6979 will not have a material effect on the current market value of the Hawsons Project, considering the current development stage of the project and the large valuation range.

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5 Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Wikipedia (www.wikipedia.org).

Archaean:	Widely used term for the earliest era of geological time spanning the interval from the formation of Earth to about 2,500 million years ago.
Batholith	A large, generally discordant plutonic mass that has more than 40 square miles (100 km^2) of surface exposure and no known floor.
Elutriation	A process for separating particles based on their size, shape and density, using a stream of gas or liquid flowing in a direction usually opposite to the direction of sedimentation. This method is mainly used for particles smaller than 1 µm.

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6 Abbreviations and Units of Measurement

±	plus or minus
°	degrees
µm	micro metre/micron
A$	Australian dollars
AIG	Australian Institute of Geoscientists
Alkane	Alkane Exploration (Terrigal) NL
As	arsenic
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Au	gold
AusIMM	Australasian Institute of Mining and Metallurgy
BAC	base acquisition cost
BDO	BDO Corporate Finance Ltd
BFS	bankable feasibility study
BLEG	bulk leach extractable gold
BP	BP Minerals Australia
Bt	billion tonnes
Cape Clear	Cape Clear (Lachlan) Pty Ltd
capex	capital expenditure
Carpentaria	Carpentaria Resources Limited
CLFB	Central Lachlan Fold Belt
cm	centimetre(s)
CMS	cleaner magnetic separation
CSA Global	CSA Global Pty Ltd
Cu	copper
CV	coefficient of variation
Cyprus	Cyprus Amax Australia Corporation
dmtu	dry metric tonne units
DR	direct reduction
DTR	Davis Tube Recovery
Fe	iron
g/t	grams per tonne
GMA	Gold Mines of Australia (NSW) Pty Ltd
H&S	H&S Consultants Pty Ltd
IP	induced polarisation
IPC	in-pit crushing
IPCC	in-pit crushing and conveying
IRG	intrusion-related gold
IRR	internal rate of return
kg	kilogram(s)
km	kilometres

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km^2	square kilometres
LIMS	low intensity magnetic separators
m	metre(s)
M	million(s)
magsus	magnetic susceptibility
mm	millimetre(s)
Mo	molybdenum
MRE	Mineral Resource estimate
Mt	million tonnes
Mtpa	millions of tonnes per annum
MTS	Mining Title Services Pty Ltd
NPV	net present value
NSR	net smelter return
opex	operating expenditure
PBHL	Perilya Broken Hill Limited
PFS	prefeasibility study
ppb	parts per billion
ppm	parts per million
QC	quality control
RAB	rotary air blast
RC	reverse circulation
RMS	rougher magnetic separation
ROM	run-of-mine
S	sulphur
SADME	South Australian Department of Mines and Energy
Sb	antimony
t	tonne(s)
TOFR	top of fresh rock
tph	tonnes per hour
US$	United States dollars
VTEM	versatile time domain electromagnetic (survey)
XRF	x-ray fluorescence

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Appendix A Valuation Approaches

Valuation of Mineral Assets is not an exact science; and a number of approaches are possible, each with varying strengths and shortcomings. Whilst valuation is a subjective exercise, there are a number of generally accepted methods for ascertaining the value of Mineral Assets. CSA Global consider that, wherever possible, inputs from a range of methods should be assessed to inform the conclusions about the Market Value of Mineral Assets.

The valuation opinion is always presented as a range, with the preferred value identified. The preferred value need not be the median value and is determined by the Practitioner based on their experience and professional judgement.

Background

Mineral Assets are defined in the VALMIN Code[5] as all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Business valuers typically define market value as "The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer, and a knowledgeable, willing but not anxious seller acting at arm's length." The accounting criterion for a market valuation is that it is an assessment of "fair value", which is defined in the accounting standards as "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction." The VALMIN Code defines the value of a Mineral Asset as its Market Value, which is "the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value usually consists of two components, the underlying or Technical Value, and a premium or discount relating to market, strategic or other considerations. The VALMIN Code recommends that a preferred or most-likely value be selected as the most likely figure within a range after considering those factors which might impact on Value.

The concept of Market Value hinges upon the notion of an asset changing hands in an arm's length transaction. Market Value must therefore consider, inter alia, market considerations, which can only be determined by reference to "comparable transactions". Generally, truly comparable transactions for Mineral Assets are difficult to identify due to the infrequency of transactions involving producing assets and/or Mineral Resources, the great diversity of mineral exploration properties, the stage to which their evaluation has progressed, perceptions of prospectivity, tenement types, the commodity involved and so on.

For exploration tenements, the notion of value is very often based on considerations unrelated to the amount of cash which might change hands in the event of an outright sale, and in fact, for the majority of tenements being valued, there is unlikely to be any "cash equivalent of some other consideration". Whilst acknowledging these limitations, CSA Global identifies what it considers to be "comparative transactions" (i.e. transactions that are useful to consider) to be used in assessing the values to be attributed to Mineral Assets.

Valuation Methods for Mineral Assets

The choice of valuation methodology applied to Mineral Assets, including exploration licences, will depend on the amount of data available and the reliability of that data.

[5] *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code) 2015 Edition.* Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

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The VALMIN Code classifies Mineral Assets into categories that represent a spectrum from areas in which mineralisation may or may not have been found through to Operating Mines which have well-defined Ore Reserves, as listed below:

- **"Early-stage Exploration Projects"** – tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **"Advanced Exploration Projects"** – tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource (as defined in the JORC[6] Code) estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- **"Pre-Development Projects"** – tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **"Development Projects"** – tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Prefeasibility Study (PFS).
- **"Production Projects"** – tenure holdings – particularly mines, wellfields and processing plants – that have been commissioned and are in production.

Each of these different categories will require different valuation methodologies, but regardless of the technique employed, consideration must be given to the perceived "market valuation".

The Market Value of Exploration Properties and Undeveloped Mineral Resources can be determined by the following general approaches: Income, Market and Cost (Table A1). The Market Value of Development and Production Projects are best assessed using the Market and Income approaches, whereas the Market Value of Exploration projects are best assessed using the Market and Cost approaches.

Table A1: Valuation approaches for different types of mineral properties (VALMIN, 2015)

Valuation approach	Exploration properties	Mineral Resource properties	Development properties	Production properties
Income	No	In some cases	Yes	Yes
Market	Yes	Yes	Yes	Yes
Cost	Yes	In some cases	No	No

Income

The Discounted Cash Flow/Net Present Value Method

The discounted cash flow (DCF) valuation method recognises the time value of money, it is most suitable for Development Projects, where detailed studies have been completed to justify input assumptions and Production Projects, where there is actual historical data to justify input assumptions. Less commonly the DCF methodology is applied to Pre-Development Projects.

[6] *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code) 2012 Edition*. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

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The DCF valuation method provides a means of relating the magnitude of expected future cash profits to the magnitude of the initial cash investment required to purchase a mineral asset or to develop it for commercial production. The DCF valuation method determines:

- The net present value (NPV) of a stream of expected future cash revenues and costs
- The internal rate of return (IRR) that the expected cash flows will yield on a given cash investment.

The DCF valuation method is a forward-looking methodology, requiring that forecasts be made of technical and economic conditions which will prevail in the future. All future predictions are inherently uncertain. The level of uncertainty reduces as the quality of the data available to project future rates of production and future costs, increases.

It is important to understand certain fundamental attributes of the mining industry in undertaking a DCF such as:

- An Ore Reserve and in some cases Mineral Resource is the basis of any mineral development.
- Costs are determined by the number of tonnes mined and processed, while revenues are determined by the number of tonnes, pounds or ounces of metal produced. The two are related by the recovered grade of the ore.
- Profit is typically more sensitive to changes in revenue that to changes in costs.
- The commodity price is a principal determinant of revenue but is also the factor with the greatest level of financial risk.

The most significant factors, which must be considered in a DCF valuation of a mineral asset is the reliability of the Mineral Resource and Ore Reserve, particularly with respect to recovered grade, the price at which the product is sold and the risk of not maintaining the projected level of commodity price.

Key inputs into the DCF valuation method for a mineral asset valuation are:

- Life-of-mine planning assumptions.
- Capital cost estimates – can be the initial cost of constructing the project and/or the ongoing cost of sustaining the productive life of the operation.
- Operating cost estimates – costs incurred both on-site in producing the commodity which is shipped from the property, and off site, in the transportation and downstream processing of that commodity into saleable end products.
- Revenue estimates – revenue in the mining context is the product of the following factors:
  - The tonnage of ore mined and processed
  - The grade of the ore
  - The metallurgical recovery
  - The price of the saleable commodity.
- Taxation and royalty payments.
- Discount rate – represents the risk adjusted rate of interest expected to be yielded by an investment in the mineral asset.

The Income Approach is not appropriate for properties without Mineral Resources. It should be employed only where enough reliable data are available to provide realistic inputs to a financial model, preferably based on studies at or exceeding a prefeasibility level.

Market

Comparative Transaction Method

The Comparative Transactions method looks at prior transactions for the property and recent arm's length transactions for comparative properties.

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The Comparative Transaction method provides a useful guide where a mineral asset that is generally comparable in location and commodity has in the recent past been the subject of an "arm's length" transaction, for either cash or shares.

For the market approach resources are not generally subdivided into their constituent JORC Code categories. The total endowment or consolidated in situ resources are what drives the derivation of value. Each transaction implicitly captures the specific permutation of resource categories in a project. There are too many project-specific factors at play to allow any more than a consideration of price paid vs total resource base. Therefore, considering individual project resource permutations is neither practicable nor useful for this valuation approach. To that end, CSA Global's discussion of the market approach is predicated on the consolidated resource base, to allow application of the method.

Where a progressively increasing interest is to be earned in stages, it is likely that a commitment to the second or subsequent stages of expenditure will be so heavily contingent upon the results achieved during the earlier phases of exploration that assigning a probability to the subsequent stages proceeding will in most cases be meaningless. A commitment to a minimum level of expenditure before an incoming party can withdraw must reflect that party's perception of minimum value and should not be discounted. Similarly, any up-front cash payments should not be discounted.

The terms of a sale or joint venture agreement should reflect the agreed value of the tenements at the time, irrespective of transactions or historical exploration expenditure prior to that date. Hence the current Value of a tenement or tenements will be the Value implied from the terms of the most recent transaction involving it/them, plus any change in Value as a result of subsequent exploration.

High quality Mineral Assets are likely to trade at a premium over the general market. On the other hand, exploration tenements that have no defined attributes apart from interesting geology or a "good address" may well trade at a discount to the general market. Market Values for exploration tenements may also be impacted by the size of the landholding, with a large, consolidated holding in an area with good exploration potential attracting a premium due to its appeal to large companies.

Yardstick

The Rule-of-Thumb (Yardstick) method is relevant to exploration properties where some data on tonnage and grade exist, and these properties may be valued by methods that employ the concept of an arbitrarily ascribed current in situ net value to any Ore Reserves (or Mineral Resources) outlined within the tenement (Lawrence 2001, 2012).

Rules-of-Thumb (Yardstick) methods are commonly used where a Mineral Resource remains in the Inferred category and available technical/economic information is limited. This approach ascribes a heavily discounted in situ value to the Resources, based upon a subjective estimate of the future profit or net value (say per tonne of ore) to derive a rule-of-thumb.

This Yardstick multiplier factor applied to the Resources delineated (depending upon category) varies depending on the commodity. Typically, a range from 0.4% to 3% of the current spot price is used for base metals and platinum group metals, whereas for gold and diamonds a range of 2% to 5% of the current spot price is used, and typically much lower factors are applied for bulk commodities. The method estimates the in situ gross metal content value of the mineralisation delineated (using the spot metal price and appropriate metal equivalents for polymetallic mineralisation as at the valuation date).

The chosen percentage is based upon the valuer's risk assessment of the assigned Mineral Resource category, the commodity's likely extraction and treatment costs, availability/proximity of transport and other infrastructure (particularly a suitable processing facility), physiography and maturity of the mineral field, as well as the depth of the potential mining operation.

This method is best used as a non-corroborative check on the order of magnitude of values derived using other valuation methods that are likely to better reflect project-specific criteria.

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Cost

The Appraised Value or Exploration Expenditure method considers the costs and results of historical exploration.

The Appraised Value method is based on the premise that the real value of an exploration property lies in its potential for the existence and discovery of an economic mineral deposit (Roscoe, 2002). It utilises a Multiple of Exploration Expenditure (MEE), which involves the allocation of a premium or discount to past **relevant and effective expenditure** using the Prospectivity Enhancement Multiplier (PEM). This involves a factor which is directly related to the success (or failure) of the exploration completed to date, during the life of the current tenements.

Guidelines for the selection of a PEM factor have been proposed by several authors in the field of mineral asset valuation (Onley, 1994). Table A2 lists the PEM factors and criteria used in this Report.

Table A2: PEM factors

PEM range	Criteria
0.2 to 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 to 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 to 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 to 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical activities)
1.5 to 2.0	Scout drilling (rotary air blast (RAB), air-core, reverse circulation percussion (RCP)) has identified interesting intersections of mineralisation
2.0 to 2.5	Detailed drilling has defined targets with potential economic interest
2.5 to 3.0	A Mineral Resource has been estimated at Inferred JORC category, no concept or scoping study has been completed
3.0 to 4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a PFS
4.0 to 5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

Geoscience Factors

The Geoscience Factor (or Kilburn) method (GFM), as described by Kilburn (1990), provides an approach for the technical valuation of the exploration potential of mineral properties, on which there are no defined resources. It seeks to rank and weight geological aspects, including proximity to mines, deposits and the significance of the camp and the commodity sought.

Valuation is based upon a calculation in which the geological prospectivity, commodity markets, and mineral property markets are assessed independently. The GFM is essentially a technique to define a Value based upon geological prospectivity. The method appraises a variety of mineral property characteristics:

- Location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies
- Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued
- Number and relative position of anomalies on the property being valued
- Geological models appropriate to the property being valued.

The GFM systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors (Table A3).

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Table A3: Geoscientific Factor ranking

Rating	Address/Off-property factor	On-property factor	Anomaly factor	Geological factor
0.5	Very little chance of mineralisation; Concept unsuitable to the environment	Very little chance of mineralisation; Concept unsuitable to the environment	Extensive previous exploration with poor results	Generally unfavourable lithology; No alteration of interest
1	Exploration model support; Indications of prospectivity; Concept validated	Exploration model support; Indications of prospectivity; Concept validated	Extensive previous exploration with encouraging results; Regional targets	Deep cover; Generally favourable lithology/alteration (70%)
1.5	Reconnaissance (RAB/air-core) drilling with some scattered favourable results; Minor workings	Exploratory sampling with encouragement	Several early stage targets outlined from geochemistry and geophysics	Shallow cover; Generally favourable lithology/alteration (50–60%)
2	Several old workings; Significant RCP drilling leading to advanced project	Several old workings; Reconnaissance drilling or RCP drilling with encouraging intersections	Several well-defined targets supported by reconnaissance drilling data	Exposed favourable; Lithology/alteration
2.5	Abundant workings; Grid drilling with encouraging results on adjacent sections	Abundant workings; Core drilling after RCP with encouragement	Several well-defined targets with encouraging drilling results	Strongly favourable lithology, alteration
3	Mineral Resource areas defined	Advanced resource definition drilling (early stages)	Several significant sub-economic targets; No indication of "size"	Generally favourable lithology with structures along strike of a major mine; Very prospective geology
3.5	Abundant workings/mines with significant historical production; Adjacent to known mineralisation at PFS stage	Abundant workings/mines with significant historical production; Mineral Resource areas defined	Several significant sub-economic targets; Potential for significant "size"; Early stage drilling	
4	Along strike or adjacent to Resources at Definitive Feasibility Study stage	Adjacent to known mineralisation at PFS stage	Marginally economic targets of significant "size" advanced drilling	
4.5	Adjacent to development stage project	Along strike or adjacent to Resources at Definitive Feasibility Study stage	Marginal economic targets of significant "size" with well drilled Inferred Resources	
5	Along strike from operating major mine(s)	Adjacent to development stage project	Several significant ore grade co-relatable intersections	

The Geoscience Rating Factor valuation method is a subjective valuation method and different valuation practitioners are likely to derive different on-off property, anomaly, and geological factors, based on their interpretation and understanding of the project. Different descriptions of the rating factors also exist. However, provided the same rating system of factors and descriptions of their values is used, the results from different practitioners should not be dramatically different.

The Basic Acquisition Cost (BAC) is an important input to the GFM. In essence, it is the average cost to acquire and hold an average age tenement in the jurisdiction and it is determined by summing the costs to identify and area of interest, application fees, annual rents and other government costs, work required to facilitate granting (e.g. native title, environmental etc.) and minimum annual statutory expenditures. In other words, the BAC is the total average expenditure per standard unit area (km², hectare, sub-block, etc.) and captures the identification cost and then the application and retention costs. Each factor is then multiplied serially by the BAC to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

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The standard references on the method (Kilburn, 1990; Goulevitch and Eupene, 1994) do not provide much detail on how the market factor should be ascertained. CSA Global takes the approach of using the implied value range from our selected Comparable Transactions to inform the selection of a GFM market factor. Our presumption is that the comparatives are capturing the market sentiment, so any other valuation method should not be significantly different (order of magnitude).

This is achieved by finding the market factor that produces an average GFM preferred value per unit area for whole project (i.e. total preferred GFM value divided by the total area) that falls within the range of the comparatives implied values per unit area. It is CSA Global's view that this adequately accounts for global market factors on an empirical basis. For example, if the implied value range is $100/km^2 to $2,000/km^2, then the market factor should give an average GFM preferred value per unit area that falls within that range.

CSA Global generally would select a market factor (rounded to an appropriate number of significant digits) that gives a value closer to the upper end of the range (though this is the valuer's judgement call). This is because the GFM is a tool that addresses the exploration potential of a project and is best suited to informing the upper end of valuation ranges for a project.

Geological Risk Method

In the Geological Risk Valuation method, as described by Lord *et al* (2001), the value of a project at a given stage of knowledge/development is estimated based on the potential value of the project at a later stage of development, discounted by the probability of the potential value of the later stage being achieved, and considering the estimated cost of progressing the project to the next stage.

The relevant stages of exploration are defined in Table A4.

Table A4: Definition of exploration stages

Stage	Description
Stage A	Ground acquisition, project/target generation
Stage B	Prospect definition (mapping and geochemistry)
Stage C	Drill testing (systematic reverse circulation, diamond drilling)
Stage D	Resource delineation
Stage E	Feasibility

The expected value (E) of a project at a given stage is then dependent on the target value at the next stage (T), the probability of successfully advancing the project to the next stage (P), and the cost of advancing the project (C). This can be expressed as:

$$E = P * (T - C)$$

This valuation method generates an expected value for each project (or prospect) at each of the main exploration stages or decision points, by working back from a project's target value. A project's target value can be based on an expected NPV from a reasonably constrained DCF model, or from a reasonable approximation of the value of a defined resource, in which case the initial target value will be the value at the end of Stage D, as opposed to the value at the end of Stage E.

Lord *et al* (2001) concluded that the probability of successfully proceeding from one exploration phase to the following one was as depicted in Table A5, based on a detailed study of gold exploration programs in the Laverton area of Western Australia.

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Table A5: Probability of successfully proceeding from one exploration stage to another

Stages	Probability of advancing
Generative to reconnaissance	0.54
Reconnaissance to systematic drill testing	0.17
Systematic drill testing to Resource delineation	0.58
Resource delineation to Feasibility	0.87
Feasibility to mine	0.90

Source: Lord et al. (2001)

Valuation Approaches by Asset Stage

Regardless of the technical application of various valuation methods and guidelines, the valuer should strive to adequately reflect the carefully considered risks and potentials of the various projects in the valuation ranges and the preferred values, with the overriding objective of determining the "fair market value".

Table A1 shows the valuation approaches that are generally considered appropriate to apply to each type of mineral property.

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Appendix B Comparative Transactions

Table B1: Details of Comparative Transactions of magnetite resource projects

Transaction	Project	Country	Date announced	Iron ore price (US$/t)	A$:US$ exchange rate	Iron ore price (A$/t)	Buyer	Seller	Transaction details	Comment
Braemar earn-in to Razorback	Razorback	Australia	Apr-20	83.95	0.66	127.86	Braemar Mining Developments Pty Limited	Magnetite Mines Limited	In April 2020, Magnetite Mines announced that it had received an indicative farm-in proposal from Braemar, with details of the offer released in June 2020. The first stage of the farm in would see Braemar earning a 30% interest in the project by spending A$5 million on the Project, and completing the NextRe trial, including commercial testing of the NextOre Technology.	
Tungshu LOI on Kami	Kamistiatusset	Canada	Feb 2019	83.90	0.65	128.60	Tungshu Group Co. Ltd	Alderon Iron Ore Corp	In February 2020, Alderon announced a Letter of Intent with Tungshu, setting out the intent of Tungshu to acquire between 26% and 38% of the Kami project for between US$15 million and US$23 million. **The parties noted on 26/3/2020 that due to the COVID19 pandemic, the transaction was terminated.**	Analysis based on LOI indicating possible ranges in both equity and consideration. *CSA Global notes that the pandemic is an unusual factor, and that the original offer remains a valid data point and represents an agreed value range at that point in time.*
Venus divestment of Yalgoo	Yalgoo	Australia	Jun 2019	117.95	0.70	168.19	FI Joint Venture Pty Ltd	Venus Metals Corporation Ltd	In June 2019, Venus announced the divestment of its 50% interest in the Yalgoo Project for A$2.5 million.	Venus considered this a stranded asset since 2012.
Zenith divestment of Mount Alexander	Mount Alexander	Australia	Jun 2019	117.95	0.70	168.19	Mt Alexander Iron Ore Pty Ltd	Zenith Minerals Ltd	In June 2019, Zenith announced the divestment of its 100% interest in Mount Alexander for A$250,000 in cash, and 10 annual payments of A$250,000 once the project has reached commercial production.	Highly contingent future payments not included.

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Transaction	Project	Country	Date announced	Iron ore price (US$/t)	A$:US$ exchange rate	Iron ore price (A$/t)	Buyer	Seller	Transaction details	Comment
Haranga divestment of Selenge	Selenge	Mongolia	Jun 2017	62.60	0.75	84.03	Private investor	Haranga Resources Ltd	In June 2017, Haranga announced the divestment of its 80% interest in Selenge for US$1.1 million, plus US$3.5 million 12 months from the first date that proceeds from the sale of product from the project are received.	Contingent future payment not included.
Nevada divestment of Buena Vista	Buena Vista	USA	Sep 2016	55.20	0.76	72.35	Investor group	Nevada Iron Ltd	In September 2016, Nevada Iron announced the sale of the Buena Vista project for a cash payment of A$100,000 and the assumption of A$800,000 in debt.	Related party transaction.
GIM acquisition of Ularring	Ularring	Australia	Oct 2015	49.50	0.71	69.73	GIM Australia Pty Ltd	Macarthur Minerals Ltd	In October 2013, Macarthur announced an agreement to sell its WA iron ore projects to GIM for A$6 million. The transaction was not finalised.	Transaction terminated.
Padbury acquisition of Yogi	Yogi	Australia	Dec 2014	68.92	0.82	84.03	Padbury Mining Ltd	Ferrowest Ltd	In December 2014, Padbury agreed to acquire the Yogi Project from Ferrowest for A$750,000. The transaction was terminated prior to closing.	Transaction terminated.
IMX divestment of Mount Woods	Mt Woods	Australia	Sep 2014	82.27	0.88	94.00	Cu-River Mining Australia Pty Ltd	IMX Resources	In September 2014, Cu-River agreed to purchase the Mount Woods tenements in South Australia from IMX Resources for A$3.68 million cash.	IMX required funds to extinguish a liability associated with another project.
Radar acquisition of Yerecoin	Yerecoin	Australia	Apr 2014	114.58	0.93	123.38	Radar Iron Ltd	Cliffs Natural Resources, Nippon Steel, Sojitz Mineral Development	In April 2014, Radar announced the acquisition of a large iron ore tenement holding in the south west region of WA, including the Yerecoin deposit, for A$3.74 million, with a A$1/t production royalty.	Transaction followed a multi-stage bidding process.
Tschudi acquisition of Sydvaranger	Sydvaranger	Norway	Apr 2016	65.20	0.77	85.17	Tschudi Group	Administrator for Northern Iron Ltd	In April 2016, Tschudi purchased the bankrupt Sydvaranger mine, including the company railway line and processing plant, from the administrator for US$8.3 million. The mine was kept in care and maintenance, with campaign mining planned.	Mine still in care and maintenance. Intention to restart mine in 2020 or 2021 announced.

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Transaction	Project	Country	Date announced	Iron ore price (US$/t)	A$:US$ exchange rate	Iron ore price (A$/t)	Buyer	Seller	Transaction details	Comment
Champion acquisition of Bloom Lake	Bloom Lake	Canada	Dec 2015	42.90	0.73	58.72	Champion Iron Ltd	Cliffs Natural Resources Inc.	In December 2015, Champion purchased the Bloom Lake Mine and Rail Assets from affiliates of Cliffs that were currently subject to restructuring proceedings under Canadian law. The bid was for a cash consideration of C$10.5 million, and the assumption of rehabilitation liabilities, assessed at approximately C$43 million.	Mine subsequently restarted in March 2018. As the only project with documented environmental liabilities CSA Global has chosen to not include this sum in the consideration of implied value to be more consistent with the treatment of the other transactions. Including this sum would have the effect of increasing the implied value, and CSA Global qualitatively considered this factor in our analysis

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Table B2: Analysis of comparative Magnetite Resource Transactions

Transaction	Project	Country	Asset details	Contained Fe (Mt)	Recovery	Tonnes concentrate (Mt)	Concentrate Fe grade	Tonnes contained Fe in concentrate (Mt)	A$/t Fe (Resource)	Normalised to Sep2020	A$/t Fe (concentrate)	Normalised to Sep2020
Braemar earn-in to Razorback	Razorback	Australia	The Razorback Project had a completed Scoping Study and an Indicated and Inferred resource of 2.7Bt at 18.2% Fe.	497.2	15.50%	423.5	67.40%	285.4	0.03	0.045	0.058	0.078
Tangshu LOI on Kami	Kamistiatusset	Canada	The Kami Project had a completed BFS and a significant portion of Measured resources. Proved and Probable Ore Reserves based on the BFS. Total resource of 1.8Bt at 29.6% Fe.	532.0	34%	611.0	65.20%	398.0	0.166 - 0.174	0.220 - 0.230	0.222 - 0.233	0.293 - 0.308
Venus divestment of Yalgoo	Yalgoo	Australia	The Yalgoo deposit had an Indicated and Inferred Resource of 698 Mt at 29.3% Fe.	204.6	37%	257.2	70%	180.0	0.024	0.025	0.028	0.028
Zenith divestment of Mount Alexander	Mount Alexander	Australia	The Mount Alexander deposit had an Inferred Mineral Resource of 565.7 Mt at 30% Fe.	169.7	25%	140.3	70%	98.1	0.001	0.001	0.003	0.003
Haranga divestment of Selenge	Selenge	Mongolia	The Selenge project in Mongolia had a Measured, Indicated and Inferred Mineral Resource of 254.4 Mt at 17.2% Fe.	43.8	18%	45.8	67%	30.5	0.042	0.085	0.061	0.123
Nevada divestment of Buena Vista	Buena Vista	USA	The Buena Vista project in the USA had Reserves and Resources totalling 177.7 Mt at 18.9% Fe.	33.6		0.0	68%		0.027	0.063		
GIM acquisition of Ularring	Ularring	Australia	The Ularring deposit had a total resource of 1.4 Bt at 31% Fe.	432.3	60%	837.9	60%	502.7	0.014	0.034	0.012	0.029

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Transaction	Project	Country	Asset details	Contained Fe (Mt)	Recovery	Tonnes concentrate (Mt)	Concentrate Fe grade	Tonnes contained Fe in concentrate (Mt)	A$/t Fe (Resource)	Normalised to Sep2020	A$/t Fe (concentrate)	Normalised to Sep2020
Padbury acquisition of Yogi	Yogi	Australia	The Yogi deposit had an Inferred resource of 572.5 Mt at 27.5% Fe.	157.5		0.0			0.005	0.010		
IMX divestment of Mt Woods	Mount Woods	Australia	The Mount Woods project had an Inferred Resource of 568.9 Mt at 27.11% Fe.	154.2		0.0			0.024	0.043		
Radar acquisition of Yerecoin	Yerecoin	Australia	The Yerecoin deposit had an Inferred Resource of 404 Mt at 28.3% Fe.	111.1	28%	110.3	68%	74.9	0.034	0.046	0.050	0.069
Tschudi acquisition of Sydvaranger	Sydvaranger	Norway	Previously operating mine, plant and equipment close to Arctic port in Norway, in close proximity to Russia. Total resource of 506.6 Mt at 31% total iron, 26% magnetic. Went bankrupt in November 2015 due to sustained fall in iron ore price.	157.0	39%	198.1	68%	135.0	0.069	0.138	0.080	0.160
Champion acquisition of Bloom Lake	Bloom Lake	Canada	Previously operating mine, plant and related rail assets in Quebec, Canada. The mine went into bankruptcy due to the fall in the iron ore price. Remaining Resources (Measured, Indicated and Inferred) of 992 Mt at 29.4% Fe.	291.4	34.5%	342.2	66%	225.9	0.036	0.103	0.046	0.133

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ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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CORPORATE DIRECTORY

Board of Directors

Peter Graham	Non-executive Chairman
Quentin Hill	Managing Director
Paul Cholakos	Non-executive Director

Company Secretary

Robert William Hair

Registered Office	Share Registry
Level 6 345 Ann Street Brisbane Qld 4000 PO Box 10919 Adelaide Street Brisbane QLD 4000 Telephone: +61 7 3220 2022 Facsimile: +61 7 3220 1291 Email: info@capres.net.au Website: www.carpentariares.com.au/	Link Market Services Limited Level 21 10 Eagle Street Brisbane QLD 4000 Telephone: 1300 554 474 Facsimile: 02 9287 0303
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	

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DIRECTORS' REPORT

Your Directors present their report on Carpentaria Resources Limited for the year ended 30 June 2020.

DIRECTORS

The names and details of the Directors of Carpentaria Resources Limited (Carpentaria) in office at the date of this report or at any time during the financial year are:

Name	Position	Period of directorship
Peter Graham	Non-executive Chairman	Appointed 4 May 2020
Quentin Hill	Managing Director	Appointed 1 September 2013
Paul Cholakos	Non-executive Director	Appointed 2 April 2012
Dr Neil Williams	Former Non-executive Chairman	Appointed 1 January 2012, resigned 21 November 2019
John Anderson	Former Non-executive Chairman	Appointed 21 November 2019, resigned 23 April 2020
Jon Parker	Former Non-executive Director	Appointed 12 June 2018, resigned 4 May 2020

Peter Graham *BEc*
Non-executive Chairman

Mr Graham brings to the Board significant knowledge of and experience in the finance industry, including in banking and treasury and corporate advisory. Following university, he worked for Ernst & Young before moving into banking, more specifically, Treasury. Initially with Westpac and then UBS, he provided trading, financing and hedging services to Australian resource companies.

In 1995, Mr Graham moved into equities, commencing as a research analyst covering resource companies. Exposure was also gained to the wagering and gaming and technology sectors. He has since worked in corporate advisory and floated or raised capital for several companies from the late 1990s till now, covering various sectors of the market.

Mr Graham is also Non-executive Chairman of TZ Limited (ASX:TZL). He has not been a director of any other listed company in the last three years.

Quentin Hill *BSc (Geology)*
Managing Director

Quentin is a geologist with more than 24 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 Hawsons Iron Project. As Managing Director he has overseen successful resource upgrades, product marketing efforts and a prefeasibility study that have created a stable technical platform for project development and positioned Hawsons to be widely accepted by off-takers as the leading high quality iron project in the world.

Prior to his 10 years with Carpentaria, Quentin held technical positions with major miners, including seven years with Delta Gold and with Vale's coal division. He also held a senior role in the Queensland Government, where he implemented several exploration funding initiatives. He is a member of the Australian Institute of Geoscientists and holds a graduate certificate in business administration.

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

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

Paul has more than 32 years of resources industry experience, successfully managing complex development projects and operations for leading oil and gas and diversified mining companies, including through executive roles at major Australian oil and gas company Oil Search Limited (ASX:OSH) and Exeter Resources and a variety of operational and commercial roles at MIM Holdings. He has worked in North America, South America and Asia-Pacific. He holds Master of Business Administration and Bachelor of Engineering degrees.

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

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

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Dr Neil Williams *PSM BSc Hons (ANU) PhD (Yale) FTSE*
Former Non-executive Chairman (resigned 21 November 2019)

Dr Williams has had a long and distinguished minerals-related career and in early 2014 was awarded the Haddon Forrester King Medal from the Australian Academy of Science for his contributions to the discovery, evaluation and exploitation of mineral deposits.

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

John Anderson *BCOM, MBA, GAICD*
Former Non-executive Chairman (resigned 23 April 2020)

Mr Anderson has around 40 years' experience in the finance sector in banking, investment banking and general consulting, and in the mining sector in Australia and Chile.

Mr Anderson is a director of Canterbury Resources Limited (ASX:CBY).

Jon Parker *BSc (Hons), Grad. Dip Business Management*
Former Non-executive Director (resigned 4 May 2020)

Mr Parker has more than 40 years' industry experience including 26 years with leading iron ore producer Rio Tinto. He has a distinguished record in executive management and value creation across the resources sector for a range of ASX-listed companies, where he has overseen substantial growth in market capitalisation.

Mr Parker 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 Resources Limited are shown in the table below:

Director	Ordinary Shares	Non-Recourse Employee Shares	Options
Quentin Hill	2,312,500	1,500,000	3,500,000
Peter Graham	-	-	-
Paul Cholakos	-	-	2,200,000

COMPANY SECRETARY

Bob Hair *BA (Hons)*
Company Secretary

Bob is by background a lawyer (having been admitted as a barrister in Queensland in 1983) with more than 30 years of experience in the resources sector. He was previously an in-house lawyer, director of subsidiary companies and Commercial Manager and General Manager in the MIM group in Australia, Asia, Europe, North America, South America, and GM Commercial for the ASX-listed Highlands Pacific Limited and was Managing Director of Ferrum Crescent Limited (ASX; LSE; JSE/FCR). He has since worked for and consulted to various listed and unlisted companies in the resources industry.

Bob was a non-executive director of Carpentaria from its listing on ASX until his resignation effective 30 September 2015. He has not been a director of a listed company in the last three years.

CORPORATE INFORMATION

Corporate Structure

Carpentaria is a company limited by shares and incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange (ASX). Carpentaria has prepared a consolidated financial report encompassing the entities that it controlled during the financial year.

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NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the course of the financial year was mineral exploration.

Following listing on ASX on 17 November 2007, the Consolidated Entity has continued exploration activity on its projects in Queensland, New South Wales and South Australia. Its principal focus is completion of the bankable feasibility study into the Hawsons Iron Project (**HIP**) and, if economically and technically viable, the financing, construction and operation of that project.

There was no significant change in the nature of the activity of the Consolidated Entity during the year.

CURRENCY

The financial report is presented in Australian dollars and amounts are rounded to the nearest dollar.

OPERATING RESULTS

Commentary and Comparison with Prior Year

For the year ended 30 June 2020, the loss for the Consolidated Entity after providing for income tax was $4,043,722 (2019: $1,847,961). The loss for the 2020 financial year is $2,195,761 more than the loss of 2019, primarily attributable to:

- Impairment of all capitalised exploration expenditure apart from the Hawsons Iron Project
- Recognition of a deferred success and break fee from a strategic consultant only payable if and when certain Hawsons Iron Project milestones are met
- Transaction costs associated with the potential ownership restructure of Hawsons Iron Project joint venture.

The Consolidated Entity's cash position decreased from year end 2019 by $2,307,873.

Business Strategies and Prospects For Future Financial Years

Despite the economic downturn caused by the COVID-19 pandemic, there continues to be significant interest in HIP's potential product offering from buyers of steelmaking raw materials. The Company on 28 July 2017 announced the results of the prefeasibility study conducted by independent consultants GHD, with the results showing robust project economics for production of 10 Mtpa of the world-leading Hawsons Supergrade® product for steelmakers.

The work programmes for the next twelve months will be directed to bankable feasibility study (BFS) milestones. The programmes will be funded by capital raising and investments by end-users of HIP product and others to secure offtake and other rights. The cost of the work programmes will be set to maximise the Company's ability to attract additional investment and to maintain a strong financial position.

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

REVIEW OF FINANCIAL POSITION

Liquidity and funding

As at 30 June 2020 the Consolidated Entity had cash reserves of $716,317, net current liabilities of $445,770 and net assets of $4,034,441. Included in current liabilities is a deferred consultant fee that is to be paid to a strategic consultant only if and when certain Hawsons Iron Project milestones are met. Included in current liabilities is also accrued back pay that is paid only if and when certain Hawsons Project milestones are met. Excluding the deferred fee and accrued back pay, the Consolidated Entity has net current assets $548,917.

The Consolidated Entity incurred a loss of $4,043,722 for the year ended 30 June 2020 and had an outflow of $1,785,000 of cash from operating activities.

The Consolidated Entity requires further capital to fund future exploration activity and meet other necessary corporate expenditure.

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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.

Capital structure

At 30 June 2020 the Company had 275,132,537 shares on issue (including 5,500,000 non-recourse employee shares) and 12,600,000 options on issue.

Treasury policy

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

Dividends

No dividends were paid during the financial year ended 30 June 2020 (2019: nil), and no dividend is recommended for the current year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Carpentaria Resources Limited remained relatively unaffected during the period by COVID-19. Staff worked remotely when possible and followed enhanced social distancing and health and safety procedures when at the workplace. The Company did not receive any subsidies beyond the universally available ATO cashflow boost scheme ($50,000).

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

REVIEW OF OPERATIONS

The Company's focus during the financial year remained on development of the Hawsons Iron Project. During the period, the term of the option agreement with Japan's Mitsui & Co.,Ltd, whereby Mitsui can earn the right to secure 2Mtpa of Hawsons Supergrade® pellet feed on agreed commercial terms, was extended to 31 July 2020. In the meantime, the parties have been negotiating commercial terms to extend the option beyond that date. The Company continued to seek other non-dilutive funding from tier one offtakers and end users with negotiations continuing through the year with these and other potential investors with a view to obtaining the best possible value for shareholders.

A number of parties have confirmed they will be willing to negotiate a role in development at the post-BFS stage and are watching progress closely. The Company remains confident the project can attract strategic investment to unlock value for shareholders, additional to Mitsui's commitment. The steel-making input trends for high quality ore in China, tightness and concentration of DR quality ore supply in Middle East and North Africa (MENA) and long-run decarbonisation of steel-making in Europe continue to support the Hawsons development case.

Carpentaria is manager of the Hawsons joint venture with Pure Metals Pty Ltd, and Carpentaria's interest in Hawsons stands at 69.8%.

The Company is in the process of either relinquishing or transferring its remaining projects to other parties.

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Hawsons Iron Project (HIP) Development Summary

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

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

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

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

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 2020 and the number of meetings attended by each director.

	Directors' Meetings		Audit		Remuneration	
	Attended	*Eligible to Attend*	*Attended*	*Eligible to Attend*	*Attended*	*Eligible to Attend*
Peter Graham	2	2	-	-	-	-
Quentin Hill	17	17	-	-	-	-
Paul Cholakos	17	17	1	1	1	1
Neil Williams	3	3	1	1	1	1
John Anderson	10	10	-	-	-	-
Jon Parker	15	15	1	1	1	1

INDEMNIFICATION OF OFFICERS OR AUDITOR

Each of the Directors and the Secretary of the Company ha entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company and certain indemnification to those directors and secretary.

The Company has insured all of the Directors of Carpentaria Resources Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

During the financial year, the Company paid insurance premiums to insure the Directors and Officers of the Company against certain risks associated with their activities as officers of the Company. The terms of that policy prohibit disclosure of the nature of liability covered, the limit of such liability and the premium paid.

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to environmental regulations in relation to its exploration activities. The directors are not aware of any significant breaches during the period covered by this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

SHARE OPTIONS

Issued Options

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

Tranche	Grant Date	Expiry Date	Exercise Price	1 Jul 2019	Granted in year	Exercised in year	Lapsed	30 June 2020
1	24 Nov 2016	24 Nov 2019	$0.10	1,155,000	-	-	(1,155,000)	-
2	24 Nov 2016	24 Nov 2021	$0.20	2,200,000	-	-	(575,000)	1,625,000
3	1 Dec 2017	30 Nov 2022	$0.15	250,000	-	-	(250,000)	-
4	1 Dec 2017	30 Nov 2022	$0.25	325,000	-	-	(325,000)	-
5	1 Dec 2017	30 Nov 2022	$0.40	75,000	-	-	(75,000)	-
6	1 Dec 2017	30 Nov 2022	$0.50	100,000	-	-	(100,000)	-
				4,105,000	-	-	(2,480,000)	1,625,000

There are no options issued or shares issued as a result of exercise of options since the end of the financial year.

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REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for the directors and other key management personnel of Carpentaria Resources Limited (the Company).

Remuneration Policy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Remuneration Committee assesses the appropriateness of the nature and value of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, equity and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of directors and executives are set out in this Remuneration Report.

The Company aims to reward the Executive Director and other key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. With this in mind, a significant part of the remuneration package of executives is based on the performance of the Company, as set out in milestones contained in the relevant contracts, the achievement of which may result in the issue to them of securities in the Company and the payment of cash bonuses.

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive Director and other key management personnel remuneration is separate and distinct except that Non-executive Directors, as well as the Executive Director, participate in incentives involving the issue to them of securities in the Company and a rate of remuneration that rewards the achievement of corporate milestones.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cash cost that is acceptable to shareholders. The Company's specific policy for determining the nature and value of emoluments of board members of the Company is as follows:

In accordance with the Constitution, the existing shareholders of the Company have determined in general meeting the maximum Non-executive Director remuneration to be $220,000 per annum. This limit excludes the value of equity instruments provided to Non-executive Directors.

The Directors have resolved that each Non-executive Director is entitled to receive fees of $30,000 per annum and the Chairman of Directors is entitled to receive $60,000 per annum. 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 2020 is detailed below.

Executive Director and Other Key Management Personnel Remuneration

The Company aims to reward the Executive Director and other key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Managing Director and other key management personnel for the period ended 30 June 2020 is detailed below.

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REMUNERATION REPORT (continued)

Employment Contracts

Agreement with Managing Director

Mr Quentin Hill is engaged as Managing Director of the Company under the following terms and conditions:

- annual salary of $240,000 plus 9.5% superannuation payments and reimbursement of all reasonable business expenses;
- the base annual salary will retrospectively increase from $240,000 to $340,000, calculated from 1 December 2017, upon the Company achieving one or more of the milestones described in Milestone 1 (see below);
- entitled to cash performance bonuses as outlined in the Milestone table below;
- entitled to receive options to acquire shares as outlined in the Milestone table below, subject to shareholder approval;
- provision for six months' notice for termination;
- the contract is ongoing; and
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

Milestone #	Milestones	Cash bonus if achieved	Options that vest if achieved
1 **Any of the following:**	Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or $25 million, whichever is the lesser; Carpentaria having a 20 day VWAP of not less than 20 cents; Secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 2 Mtpa.	$100,000	1,000,000 options $0.15 exercise price
2 **Any of the following:**	ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project; Carpentaria having a 20 day VWAP of not less than 50 cents; Carpentaria market capitalisation of $100 million or more; Secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 5 Mtpa.	$150,000	1,300,000 options $0.25 exercise price
3 **Any of the following:**	Carpentaria market capitalisation of $300 million or more; Completion of financing arrangements to construct the Hawsons Iron Project; Decision to carry out the Hawsons Iron Project.	$200,000	300,000 options $0.40 exercise price
4 **Any of the following:**	Commencement of commercial production at Hawsons; Carpentaria market capitalisation of $500 million or more.	$250,000	400,000 options $0.50 exercise price

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

The performance conditions detailed above were chosen as the Directors believe this appropriately aligns company performance with shareholder wealth.

Agreement with Company Secretary

A company associated with Mr Robert Hair is engaged to provide company secretarial, legal, risk management and human resource services to the Company under the following terms and conditions:

- annual fee of $90,000 and reimbursement of all reasonable business expenses;
- the base fee will retrospectively increase from $90,000 to $180,000, calculated from 2 January 2018, upon achieving one or more of the milestones described in Milestone 1 (see below);
- entitled to cash performance bonuses as outlined in the Milestone table below;
- entitled to receive options to acquire shares as outlined in the Milestone table below;
- provision for three months' notice for termination;
- the contract is ongoing; and
- standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Milestone #	Milestones	Cash bonus if achieved	Options that vest if achieved
1 **Any of the following:**	Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or $25 million, whichever is the lesser; Carpentaria having a 20 day VWAP of not less than 20 cents; Secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 2 Mtpa.	$60,000	500,000 options $0.15 exercise price
2 **Any of the following:**	ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project; Carpentaria having a 20 day VWAP of not less than 50 cents; Carpentaria market capitalisation of $100 million or more; Secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 5 Mtpa	$90,000	625,000 options $0.25 exercise price
3 **Any of the following:**	Carpentaria market capitalisation of $300 million or more; Completion of financing arrangements to construct the Hawsons Iron Project; Decision to carry out the Hawsons Iron Project	$120,000	150,000 options $0.40 exercise price
4 **Any of the following:**	Commencement of commercial production at Hawsons; Carpentaria market capitalisation of $500 million or more	$150,000	200,000 options $0.50 exercise price

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

The performance conditions detailed above were chosen as the Directors believe this appropriately aligns company performance with shareholder wealth.

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Details of Directors and Other Key Management Personnel

Directors

Name	Position	Period of directorship
Peter Graham	Non-executive Chairman	Appointed 4 May 2020
Quentin Hill	Managing Director	Appointed 1 September 2013
Paul Cholakos	Non-executive Director	Appointed 2 April 2012
Dr Neil Williams	Former Non-executive Chairman	Appointed 1 January 2012, resigned 21 November 2019
John Anderson	Former Non-executive Chairman	Appointed 21 November 2019, resigned 23 April 2020
Jon Parker	Former Non-executive Director	Appointed 12 June 2018, resigned 4 May 2020

Key Management Personnel

Name	Position	Detail
Robert William Hair	Company Secretary	Appointed 1 October 2015

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

2020	Short Term				Post-Employment	Share-based Payments			
	Salary & Fees	Consulting Fees	Accrued Salary*	Leave benefits	Superannuation	Options	Total	Performance Related %	% consisting equity
	$	$	$		$	$	$		
Directors									
Quentin Hill	240,000	-	80,219	(2,190)	22,800	23,122	363,951	-	6.35%
Peter Graham [1]	10,000	-	-	-	-	-	10,000	-	-
Paul Cholakos	27,813	-	-	-	-	18,945	46,758	-	40.52%
Jon Parker [2]	23,113	-	-	-	-	16,497	39,610	-	41.65%
John Anderson [3]	36,039	-	-	-	3,424	-	39,463	-	-
Neil Williams [4]	18,750	-	-	-	1,781	25,016	45,547	-	54.92%
Key Management Personnel									
Robert Hair	90,000	-	72,197	-	-	16,794	178,991		9.38%
	445,715	**-**	**152,416**	**(2,190)**	**28,005**	**100,374**	**724,320**		

***** Payment of accrued salary is conditional upon Milestone 1 being achieved – refer pages 10 and 11 for details. Accrued back pay is calculated from the total commitment accrued at year end and adjusted for the probability that the employee may satisfy vesting requirements.

(1) Appointed 4 May 2020
(2) Resigned 4 May 2020
(3) Appointed 21 November 2019, resigned 23 April 2020
(4) Resigned 21 November 2019

REMUNERATION REPORT (continued)

2019	Short Term				Post-Employment	Share-based Payments			
	Salary & Fees	Consulting Fees	Accrued Salary*	Leave benefits	Superannuation	Options	Total	Performance Related %	% consisting equity
	$	$	$		$	$	$		
Directors									
Quentin Hill	242,269	-	80,000	6,402	20,531	40,363	389,565	-	10.36%
Neil Williams	45,000	-	-	-	4,275	42,171	91,446	-	46.12%
Paul Cholakos	25,000	-	-	-	2,375	30,663	58,038	-	52.83%
Jon Parker	25,000	8,000	-	-	2,375	31,154	66,529	-	46.83%
Key Management Personnel									
Robert Hair	90,000	-	72,000	-	-	33,682	195,682	-	17.21%
	427,269	**8,000**	**152,000**	**6,402**	**29,556**	**178,033**	**801,260**		

* Payment of accrued salary is conditional upon Milestone 1 being achieved – refer pages 10 and 11 for details. Accrued back pay is calculated from the total commitment accrued at year end and adjusted for the probability that the employee may satisfy vesting requirements.

Shares issued on exercise of remuneration options

No ordinary shares of Carpentaria Resources 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 Resources Limited to increase executive retention and goal congruence between executives, Directors and shareholders.

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

2020	Opening Balance	Acquired	Disposed	Derecognised on resignation	Closing Balance
Directors					
Quentin Hill	3,812,500	-	-	-	3,812,500
Peter Graham	-	-	-	-	-
Paul Cholakos	-	-	-	-	-
Jon Parker	-	-	-	-	-
John Anderson	-	-	-	-	-
Neil Williams	-	-	-	-	-
Key Management Personnel					
Robert Hair	2,722,521	-	-	-	2,722,521
Total	6,535,021	-	-	-	6,535,021

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REMUNERATION REPORT (continued)

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

2020	Opening Balance	Granted as remuneration	Options Expired	Derecognised on resignation	Closing Balance	Vested and exercisable
Directors						
Quentin Hill	3,750,000	-	(250,000)	-	3,500,000	-
Peter Graham	-	-	-	-	-	-
Paul Cholakos	2,305,000	-	(105,000)	-	2,200,000	-
Jon Parker	2,000,000	-	-	(2,000,000)	-	-
John Anderson	-	-	-	-	-	-
Neil Williams	2,875,000	-	-	(2,875,000)	-	-
Key Management Personnel						
Robert Hair	1,780,000	-	(105,000)	-	1,675,000	-
Total	12,710,000	-	(460,000)	(4,875,000)	7,375,000	-

Director/Key Management Personnel option holdings by Tranche:

2020	Tranche 2	Tranche 11	Tranche 12	Tranche 13	Tranche 14
Directors					
Quentin Hill	500,000	1,000,000	1,300,000	300,000	400,000
Paul Cholakos	200,000	350,000	350,000	300,000	1,000,000
Key Management Personnel					
Robert Hair	200,000	500,000	625,000	150,000	200,000

Director/Key Management Personnel option expiration by Tranche:

2020	Tranche 1
Directors	
Quentin Hill	250,000
Paul Cholakos	105,000
Key Management Personnel	
Robert Hair	105,000

Director/Key Management Personnel options derecognised on resignation

2020	Tranche 1	Tranche 2	Tranche 11	Tranche 12	Tranche 13	Tranche 14
Directors						
Jon Parker	-	-	350,000	350,000	300,000	1,000,000
Neil Williams	125,500	250,000	500,000	500,000	500,000	1,000,000

REMUNERATION REPORT (continued)

Option conditions:

Tranche #	Grant Date	Expiry Date	Exercise Price	Vesting Conditions
1	24 Nov 2016	24 Nov 2019	$0.10	ASX release of information that qualifies as PFS standard in relation to an approved production rate at the Hawsons Iron Project
2	24 Nov 2016	24 Nov 2021	$0.20	*Any of the following:* ▪ ASX release of information that qualifies as DFS standard in relation to the Hawsons Iron Project; ▪ Market capitalisation of AUD$30 million or more; ▪ 20-day VWAP of not less than 30 cents; ▪ Secured binding offtake arrangements with one or more end users of the Hawsons Iron Project product or reputable trading houses, in respect of not less than 5 Mtpa.
11	15 Oct 2018	14 Oct 2023	$0.15	*Any of the following:* ▪ Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or $25 million, whichever is the lesser; ▪ Carpentaria having a 20-day VWAP of not less than 20 cents; ▪ Carpentaria having secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 2 Mtpa.
12	15 Oct 2018	14 Oct 2023	$0.25	*Any of the following:* ▪ ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project; ▪ Carpentaria having a 20-day VWAP of not less than 50 cents; ▪ Carpentaria market capitalisation of $100 million or more; ▪ Carpentaria having secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 5 Mtpa.
13	15 Oct 2018	14 Oct 2023	$0.40	*Any of the following:* ▪ Carpentaria market capitalisation of $300 million or more; ▪ Completion of financing arrangements to construct the Hawsons Iron Project; ▪ Decision to carry out the Hawsons Iron Project.
14	15 Oct 2018	14 Oct 2023	$0.50	*Any of the following:* ▪ Commencement of commercial production at Hawsons; ▪ Carpentaria market capitalisation of $500 million or more.

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REMUNERATION REPORT (continued)

Performance based remuneration granted and forfeited during the year:

	Long term incentive Options		
	Value granted	Value exercised	Value forfeited
	$	$	$
Directors			
Quentin Hill	-	-	6,100
Paul Cholakos	-	-	2,565
Neil Williams	-	-	8,450
Key Management Personnel			
Robert Hair	-	-	2,562

Director/Key Management Personnel Transactions and Loans

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

Relationship between remuneration and Company performance

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

Measures	2020 $	2019 $	2018 $	2017 $	2016 $
Share price at end of financial year	0.020	0.055	0.071	0.061	0.050
Market capitalisation at end of financial year ($M)	5.50	15.13	14.14	10.34	6.19
Profit/(loss) for the financial year	(4,043,722)	(1,847,961)	(1,183,143)	(1,053,145)	(1,381,168)
Cash spend on exploration programmes	522,873	537,485	1,668,544	1,829,869	1,121,821
Director and other Key Management Personnel remuneration	721,320	801,260	620,220	424,634	601,234

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 2020 financial year.

End of Remuneration Report

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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 – preparation of income tax return and other services	$7,949

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

There have been no events since 30 June 2020 that impact upon the financial report.

Signed in accordance with a resolution of the Board of Directors

Q S Hill
Director
Dated 27 August 2020

Auditor's Independence Declaration

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Australia

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

As lead auditor of Carpentaria Resources Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 27 August 2020

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Carpentaria Resources Limited (Carpentaria) aims to achieve appropriate standards of corporate governance and has established corporate governance policies and procedures, where practicable, consistent with the ASX Corporate Governance Council's *'Corporate Governance Principles and Recommendation – 4th Edition' (***ASX Recommendations***),* which were published in February 2019.

In ensuring appropriate standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical or provide the optimal result given the particular circumstances and structure of the Company. Nevertheless, the Board is committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with best practice and which, unless otherwise stated, were in place during the whole of the period to the date of this statement.

Principle 1

Lay solid foundations for management and oversight

1.1 Roles and Responsibilities of the Board – followed

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

The Board takes responsibility for the overall corporate governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting. In so doing, the Board acts in accordance with the Board Charter, which is published on the Company's website.

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.

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.

1.4 Company Secretary – followed

The Company Secretary is accountable directly 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.

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.

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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 is 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 Nomination Committee.

The Company's constitution and the Corporations Act 2001 specify that the number of Directors must be at least three. The Board may at any time appoint a Director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for Executive Directors is linked to their holding of executive office.

Whilst not having a nomination committee 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.

2.2 Board skills matrix – followed

The Company has 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

The Board for much of the 2019/2020 financial year consisted of four directors, three of whom were independent Non-executive Directors. The names of the Directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of each Annual Report.

Following resignations for personal reasons of certain directors, the Company has at the date of this statement only one independent Non-executive Director.

The Company has had 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 – partially followed

The Board for much of the 2019/2020 financial year consisted of four directors, three of whom were independent directors. Mr Hill is not independent.

The Company's constitution and the Corporations Act 2001 specify that the number of Directors must be at least three. The Board may at any time appoint a Director to fill a casual vacancy. Directors appointed by the Board are subject to election by Shareholders at the following annual general meeting and thereafter Directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for Executive Directors is linked to their holding of executive office.

The Company as at the date of this statement has only one independent Non-executive Director. Whilst this is at variance with the ASX Recommendations, the Directors consider that at the date of this report the structure of the Board is appropriate to carry out the Company's immediate plans. The Board will review this situation in the coming months.

2.5 The Chairman – partially followed

The Chairman for most of the financial year was 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.

The Chairman for part of the financial year is a Non-executive Director but is not independent. Whilst this is at variance with the ASX Recommendations, the Directors consider that at the date of this report the structure of the Board is appropriate to carry out the Company's immediate plans. The Board will review this situation in the coming months.

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

Instil a culture to act ethically and responsibly

3.1 Articulate and disclose Company values

The Company has articulated the values that it seeks to instil in its people, and a statement of its values is published on the Company's website.

3.2 Code of conduct – followed

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

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

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

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. The Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possesses information that is not generally available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available.

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

3.3 Whistleblower policy – followed

The Company has a whistleblower policy, which is published on the Company's website.

3.4 Anti-bribery and corruption policy – followed

The Company has an anti-bribery and corruption policy, which is published on the Company's website.

Principle 4

Safeguard integrity in corporate reporting

4.1 Audit committee – partially followed

Carpentaria has an Audit Committee, which was established to oversee corporate governance, internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

For much of the 2019-2020 financial year, the Audit Committee comprised of three Non-executive Directors. For some of the year, it comprised of two members, both of whom were independent Non-executive Directors. At the time of this statement, only one of the two members is independent. Whilst this is at variance with the ASX Recommendations, the Directors consider that at the date of this report the structure of the Board is appropriate to carry out the Company's immediate plans. The Board will review this situation in the coming months.

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

The Audit Committee charter is published on the Company's website.

4.2 CEO and CFO financial statements declaration – followed

The Chief Executive Officer and Chief Financial Officer are required to provide written declarations under section 295A of

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the Corporations Act 2001 that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true an fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. Both the Managing Director and Chief Financial Officer provide said assurances at the time the section 295A declarations are provided to the Board.

4.3 Disclose integrity verification process for corporate reporting - followed

The Company has a process to verify the integrity of quarterly reports and other unaudited reports to the market. The Company Secretary, in association with the Managing Director, ensure that such reports are accurate and not misleading and circulate such reports to the Board before they are released on ASX.

Principle 5

Making timely and balanced disclosure

5.1 Continuous disclosure policy – followed

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

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half yearly financial report lodged with the ASX and ASIC and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website; and
- disclosure of the Company's corporate governance practices and communications strategy on the Company website.

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

5.2 Circulation of market announcements to the Board – followed

The Board receives a copy of all announcements made to the market.

5.3 Release to the market of new and substantive presentations – followed

Where the Company gives a new and substantive investor or analyst presentation it releases a copy of the presentation materials on the ASX platform ahead of the presentation.

Principle 6

Respect the rights of shareholders

6.1 Information on website – followed

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

6.2 Investor relations programme – not followed

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

6.3 Security holder participation at meetings – followed

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

6.4 Deciding substantive resolutions by a poll – partially followed

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The Company ensures that resolutions at shareholder meetings are decided by a poll to the extent that it is required to do so in accordance with the ASX Listing Rules. All resolutions involving approvals for the purposes of the ASX Listing Rules are decided by a poll.

6.5 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 does not at this point have a separately constituted risk committee. The Board considers that consideration of risk at this stage of the Company's development is dealt with effectively by the Audit Committee and the Board itself.

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 – not 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 – partially followed

For much of the 2019-2020 financial year, the Remuneration Committee comprised of three Non-executive Directors. For some of the year, it comprised of two members, both of whom were independent Non-executive Directors. At the time of this statement, only one of the two members is independent. Whilst this is at variance with the ASX Recommendations, the Directors consider that at the date of this report the structure of the Board is appropriate to carry out the Company's immediate plans. The Board will review this situation in the coming months.

The Committee has a formal charter.

8.2 Executive and Non-executive Director remuneration policy – followed

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors is to be fixed from time to time by a general meeting. Directors may apportion any amount up to this maximum amount amongst the non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors.

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

8.3 Equity-based remuneration scheme – not followed

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

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Consolidated Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 $	2019 $
Other revenue		2,245	3,618
Employment benefit expenses		(750,089)	(643,780)
Depreciation and amortisation expense		(2,973)	(4,524)
Project generation and business development expenses		(763,224)	(784,545)
Administration expenses		(542,526)	(418,730)
Impairment of exploration expenditure	4	(1,226,509)	-
Consultants expenses	3	(760,646)	-
Loss before income tax		(4,043,722)	(1,847,961)
Income tax expense/(benefit)	10	-	-
Loss after income tax expense		(4,043,722)	(1,847,961)
Other comprehensive income		-	-
Total comprehensive income		**(4,043,722)**	**(1,847,961)**
		Cents	**Cents**
Loss per share			
Basic and diluted loss per share	11	(1.5)	(0.8)

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

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Consolidated Balance Sheet
As at 30 June 2020

	Note	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	2	716,317	3,024,190
Trade and other receivables		39,135	29,630
Other current assets		8,182	17,892
TOTAL CURRENT ASSETS		763,634	3,071,712
NON-CURRENT ASSETS			
Trade and other receivables		38,409	58,409
Plant and equipment		4,204	7,178
Exploration and evaluation assets	4	4,437,598	5,141,234
TOTAL NON-CURRENT ASSETS		4,480,211	5,206,821
TOTAL ASSETS		5,243,845	8,278,533
CURRENT LIABILITIES			
Trade payables	5	127,137	87,289
Other payable	3	608,517	-
Provisions	6	473,750	365,584
TOTAL CURRENT LIABILITIES		1,209,404	452,873
TOTAL LIABILITIES		1,209,404	452,873
NET ASSETS		4,034,441	7,825,660
EQUITY			
Share capital	7	28,166,109	28,166,109
Share based payment reserve	8	2,389,011	2,185,147
Accumulated losses		(26,520,679)	(22,525,596)
TOTAL EQUITY		4,034,441	7,825,660

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

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Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

Consolidated Entity	Share Capital	Share based payment reserve	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2018	24,253,396	1,985,587	(20,677,635)	5,561,348
Transactions with owners in their capacity as owners				
Issue of share capital	4,186,823	-	-	4,186,823
Costs of raising capital	(274,110)	-	-	(274,110)
Employee share options – value of employee services	-	199,560	-	199,560
	3,912,713	199,560	-	4,112,273
Comprehensive income				
Loss after income tax	-	-	(1,847,961)	(1,847,961)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,847,961)	(1,847,961)
Balance at 30 June 2019	**28,166,109**	**2,185,147**	**(22,525,596)**	**7,825,660**
Balance at 1 July 2019	28,166,109	2,185,147	(22,525,596)	7,825,660
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Costs of raising capital	-	-	-	-
Transfer of expired options	-	(48,639)	48,639	-
Consultants share-based payments	-	152,129	-	152,129
Employee share options – value of employee services	-	100,374	-	100,374
	-	203,864	48,639	252,503
Comprehensive income				
Loss after income tax	-	-	(4,043,722)	(4,043,722)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(4,043,722)	(4,043,722)
Balance at 30 June 2020	**28,166,109**	**2,389,011**	**(26,520,679)**	**4,034,441**

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

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Consolidated Cash Flow Statement
For the year ended 30 June 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,787,245)	(1,414,972)
Interest received		2,245	3,618
Net cash used in operating activities	2	(1,785,000)	(1,411,354)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		-	(6,592)
Proceeds from sale of financial assets at fair value through profit or loss		-	14,283
Payments for exploration and evaluation assets		(522,873)	(537,485)
Net cash used in investing activities		(522,873)	(529,794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	7	-	4,186,823
Costs associated with the issue of shares	7	-	(274,110)
Net cash provided by financing activities		-	3,912,713
Net decrease in cash and cash equivalents		(2,307,873)	1,971,565
Cash and cash equivalents at the beginning of the financial year		3,024,190	1,052,625
Cash and cash equivalents at the end of the financial year	**2**	**716,317**	**3,024,190**

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of Carpentaria Resources Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). Carpentaria Resources Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities
The principal activity of the Consolidated Entity is mineral exploration.

Currency
The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Parent.

Authorisation of financial report
The financial report was authorised for issue on 27 August 2020.

COVID-19 Impacts
Carpentaria Resources Limited remained relatively unaffected during the period by COVID-19. Staff worked remotely when possible and followed enhanced social distancing and health and safety procedures when at the workplace. The Company did not receive any subsidies beyond the universally available ATO cashflow boost scheme ($50,000).

The Company is not expecting any significant impacts in the coming year.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements

Compliance with IFRS
The consolidated financial statements of the Carpentaria Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified by the measurement at fair value of selected financial assets and other payables.

Critical accounting estimates and judgements
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. The following estimates and judgements were used for the current financial year:

Employee share based payments:
The Consolidated Entity initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield, milestone achieved and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

Accrued back pay:
The Consolidated Entity has made estimates for the accrued back pay that is to be paid to Directors and staff if certain milestones are met. Estimating the accrued back pay requires determination of the most likely milestone to trigger the back pay, and the probability that the milestone will be achieved. Refer to Note 6 for further details.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Consultants expenses:
The Consolidated Entity has made estimates for the deferred success fee that is to be paid to a strategic consultant if certain project milestones are met. Estimating the deferred success fee requires determination of the probability that the project milestones will be achieved. Refer to Note 3 for further details.

Accounting policies

(a) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(b) Impairment of Non-Financial 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(c) Financial Instruments

(i) Financial assets

The Consolidated Entity classifies its financial assets in the following measurement categories:

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

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

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

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

Measurement

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

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

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Consolidated Entity has cash and cash equivalents and trade and other receivables as financial assets. Consequently, the measurement category most relevant to the group is as follows:

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Impairment
The Consolidated Entity assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

Financial Liabilities
The Consolidated Entity's financial liabilities are measured at amortised cost. The group has trade payables as financial liabilities.

Fair Values

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

New accounting standards and interpretations

The Consolidated Entity has adopted the new Australian Accounting Standards AASB 16 Leases from 1 July 2019. This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2019. This standard replaces the accounting requirements applicable to leases in AASB 117 Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for most leases, a right-to-use asset and a liability will be recognised, with the right-to-use asset being depreciated and the liability being unwound in principal and interest components over the life of the lease. In applying AASB 16 for the first time, the Consolidated Entity has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

The Consolidated Entity is not party to any leases with a lease term of more than 12 months. The adoption of this standard did not have a material impact on the Consolidated Entity's financial position or financial performance.

New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's has assessed the impact of these new standards that are not yet effective and determined that they are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Going Concern

As at 30 June 2020 the Consolidated Entity had cash reserves of $716,317, net current liabilities of $445,770 and net assets of $4,034,441. Included in current liabilities is a deferred consultant fee that is to be paid to a strategic consultant only if and when certain Hawsons Iron Project milestones are met. Excluding the deferred fee, and accrued back pay that is also to be paid only if and when certain Hawsons Project milestones are met, the Consolidated Entity has net current assets $548,917.

The Consolidated Entity incurred a loss of $4,043,722 the year ended 30 June 2020 and had an outflow of $1,785,000 of cash from operating activities.

The Consolidated Entity requires further capital to fund future exploration activity and meet other necessary corporate expenditure. The Consolidated Entity does not expect the COVID-19 pandemic to adversely impact its ability to raise further capital.

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.

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	2020 $	2019 $

NOTE 2 CASH & CASH FLOW INFORMATION

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the balance sheet.

Cash flows are presented in the consolidated cash flow statement on a gross basis, except for the GST component of financing and investing activities, which are disclosed as operating cash flows.

Reconciliation of loss after income tax to net cash outflow from operating activities

Loss after income tax	(4,043,722)	(1,847,961)
Depreciation and amortisation	2,973	4,524
Share-based payments	252,503	199,560
Impairment of exploration expenditure	1,226,509	-
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(9,506)	44,142
(Increase)/decrease in other assets	29,710	(65,040)
(Decrease)/increase in trade payables and accruals	40,132	83,017
(Decrease)/increase in other payables	608,236	-
(Decrease)/increase in provisions	108,165	170,404
Net cash outflow from operating activities	(1,785,000)	(1,411,354)

Non-cash transactions investing & financing activities

2019: 9,500,000 options were issued to Directors in recognition for services provided.

Reconciliation of cash

Cash at the end of the financial period as shown in the consolidated cash flow statement is reconciled to items in the consolidated balance sheet as follows:

Cash on hand and at bank	700,422	3,008,295
Cash on deposit	15,895	15,895
	716,317	3,024,190

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NOTE 3 CONSULTANTS EXPENSES

In 2013, the Company entered into an agreement with a consultant to provide financial modelling, financing negotiation support and other related services for the Hawsons Iron Project. The consultant provided these services to the Company at a discounted rate on the basis that a success fee of 5 times the foregone fees would be payable upon the first sale of iron ore/concentrate from the Hawsons Iron Project ("foregone fees"). The gross amount of the foregone fees at 30 June 2020 was $1,945,087.

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

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

The gross amount of the break fee at 30 June 2020 was $1,097,500.

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

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

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

The liability and equity-settled share-based payment recognised at 30 June 2020 were as follows:

	2020 $	2019 $
Fair value of liability recognised [1]	608,517	-
Fair value share-based payment recognised in equity	152,129	-
Total consultants expenses	760,646	-

[1] Shown as other payables in the Consolidated Balance Sheet

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NOTE 4 EXPLORATION AND EVALUATION ASSETS

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

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

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

During the period the Consolidated Entity impaired all exploration projects to nil except for the Hawsons Iron Project. All other projects will be either relinquished or transferred to other parties.

	2020 $	2019 $
Opening balance	5,141,234	4,657,289
Capitalised expenditure	522,873	483,945
Impairment of exploration expenditure	(1,226,509)	-
	4,437,598	5,141,234

NOTE 5 TRADE PAYABLES

Trade payables	99,931	65,547
Accrued expenses	27,206	21,742
	127,137	87,289

Trade payables are amounts due to suppliers for goods purchased or services provided in the ordinary course of business. Trade payables are generally due for settlement within 30 days and therefore are all classified as current.

Accrued expenses generally arise from normal transactions within the usual operating activities of the group and comprise items such as employee taxes, employee on costs, GST and other recurring items.

NOTE 6 PROVISIONS

Accrued back pay	386,170	265,315
Employee benefits	87,580	100,269
	473,750	365,584

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be settled later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on commercial bonds with terms to maturity that match the expected timing of cash flows.

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

	2020 $	2019 $
NOTE 7 SHARE CAPITAL		
Fully paid ordinary shares	28,166,109	28,166,109

Ordinary Shares

	2020 $	2019 $	2020 #	2019 #
At the beginning of the year	28,166,109	24,253,396	269,632,537	193,690,706
Shares issued [1]	-	4,186,823	-	75,941,831
Share issue costs	-	(274,110)	-	-
At reporting date	28,166,109	28,166,109	269,632,537	269,632,537
Non-recourse employee shares (NRE)				
At the beginning of the year	-	-	5,500,000	5,500,000
NRE shares issued	-	-	-	-
Transfer to treasury shares	-	-	-	-
At reporting date	-	-	5,500,000	5,500,000
Total Ordinary and NRE Shares	**28,166,109**	**28,166,109**	**275,132,537**	**275,132,537**

[1] 2019: 14,638,235 ordinary shares issued at $0.085 each.
61,303,596 ordinary shares issued at $0.048 each.

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

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

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

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

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	2020 $	2019 $

NOTE 8 RESERVES

Share based payment reserve	2,389,011	2,185,147
Share based payment reserve movements during the year		
Opening balance	2,185,147	1,985,587
Transfer to accumulated losses (expired options)	(48,639)	-
Share-based payment expense	252,503	199,560
Closing balance	2,389,011	2,185,147

Share based payment reserve
The share-based payments reserve is used to record the value of share based payments provided to employees and consultants as part of their remuneration.

NOTE 9 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year. There are no franking credits available to the shareholders of the Company.

NOTE 10 INCOME TAX

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

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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

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

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, (except for a business combination) where there is no effect on accounting or taxable profit or loss.

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NOTE 10 INCOME TAX (cont'd)

	2020 $	2019 $

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 2020 and 2019 is as follows:

Accounting loss before income tax	(4,043,722)	(1,847,961)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(1,112,024)	(508,189)
Non-deductible expenses	56,320	56,597
Other	-	-
Deferred tax assets not bought to account	1,055,704	451,592
Income tax	-	-
Recognised deferred tax assets		
Unused tax losses	1,175,011	1,646,479
Deductible temporary differences	443,397	165,429
	1,618,408	1,811,908
Recognised deferred tax liabilities		
Assessable temporary differences	1,618,408	1,811,908
	1,618,408	1,811,908
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	4,713,252	3,819,188
Unused capital losses for which no deferred tax asset has been recognised	430,614	419,967

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise these benefits.

NOTE 11 LOSS PER SHARE

The Consolidated Entity presents basic and diluted loss per share (LPS) data for its ordinary shares. Basic LPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding NRE shares. Diluted LPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Earnings used to calculate basic and dilutive loss per share	(4,043,722)	(1,847,961)

	2020 #	2019 #
Weighted average number of ordinary shares outstanding during the year	275,132,537	218,820,214
Adjustments for calculation of diluted loss per share - options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	275,132,537	218,820,214

Options, including in-substance options related to NRE shares, could potentially dilute basic loss per share in the future but were not included in the calculation of diluted earnings per share for 2020 or 2019 as they were anti-dilutive.

NOTE 12 EMPLOYEE SHARE BASED PAYMENTS

Equity based instruments - Options

The Company has granted options over ordinary shares to employees (including directors) in recognition of services provided to the Company. The options were granted for nil consideration and are not quoted on the ASX. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Information with respect to the number of options granted is as follows:

2020

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	24 Nov 2016	24 Nov 2019	$0.10	1,155,000	-	-	(1,155,000)	-	-
2	24 Nov 2016	24 Nov 2021	$0.20	2,200,000	-	-	(575,000)	1,625,000	-
3	1 Dec 2017	30 Nov 2022	$0.15	250,000	-	-	(250,000)	-	-
4	1 Dec 2017	30 Nov 2022	$0.25	325,000	-	-	(325,000)	-	-
5	1 Dec 2017	30 Nov 2022	$0.40	75,000	-	-	(75,000)	-	-
6	1 Dec 2017	30 Nov 2022	$0.50	100,000	-	-	(100,000)	-	-
7	2 Jan 2018	1 Jan 2023	$0.15	500,000	-	-	-	500,000	-
8	2 Jan 2018	1 Jan 2023	$0.25	625,000	-	-	-	625,000	-
9	2 Jan 2018	1 Jan 2023	$0.40	150,000	-	-	-	150,000	-
10	2 Jan 2018	1 Jan 2023	$0.50	200,000	-	-	-	200,000	-
11	15 Oct 2018	14 Oct 2023	$0.15	2,200,000	-	-	-	2,200,000	-
12	15 Oct 2018	14 Oct 2023	$0.25	2,500,000	-	-	-	2,500,000	-
13	15 Oct 2018	14 Oct 2023	$0.40	1,400,000	-	-	-	1,400,000	-
14	15 Oct 2018	14 Oct 2023	$0.50	3,400,000	-	-	-	3,400,000	-
				15,080,000	-	-	(2,480,000)	12,600,000	-
Weighted average exercise price				$0.29	-	-	-	$0.31	-

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.96 years.

2019

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	24 Nov 2016	24 Nov 2019	$0.10	1,155,000	-	-	-	1,155,000	1,155,000
2	24 Nov 2016	24 Nov 2021	$0.20	2,200,000	-	-	-	2,200,000	-
3	1 Dec 2017	30 Nov 2022	$0.15	250,000	-	-	-	250,000	-
4	1 Dec 2017	30 Nov 2022	$0.25	325,000	-	-	-	325,000	-
5	1 Dec 2017	30 Nov 2022	$0.40	75,000	-	-	-	75,000	-
6	1 Dec 2017	30 Nov 2022	$0.50	100,000	-	-	-	100,000	-
7	2 Jan 2018	1 Jan 2023	$0.15	500,000	-	-	-	500,000	-
8	2 Jan 2018	1 Jan 2023	$0.25	625,000	-	-	-	625,000	-
9	2 Jan 2018	1 Jan 2023	$0.40	150,000	-	-	-	150,000	-
10	2 Jan 2018	1 Jan 2023	$0.50	200,000	-	-	-	200,000	-
11	15 Oct 2018	14 Oct 2023	$0.15	-	2,200,000	-	-	2,200,000	-
12	15 Oct 2018	14 Oct 2023	$0.25	-	2,500,000	-	-	2,500,000	-
13	15 Oct 2018	14 Oct 2023	$0.40	-	1,400,000	-	-	1,400,000	-
14	15 Oct 2018	14 Oct 2023	$0.50	-	3,400,000	-	-	3,400,000	-
				5,580,000	9,500,000	-	-	15,080,000	1,155,000
Weighted average exercise price				$0.21	$0.34	-	-	$0.29	$0.10

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.6 years.

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NOTE 12 EMPLOYEE SHARE BASED PAYMENTS (cont'd)

Fair value of options granted

The assessed fair value at the date of grant of options issued is determined using an option pricing model that takes into account the exercise price, the underlying share price at the time of issue, the term of the option, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument. The value of the options was calculated using the inputs shown below:

Inputs into pricing model	Tranche 1	Tranche 2
Grant date	24 November 2016	24 November 2016
Exercise price	$0.10	$0.20
Vesting conditions	ASX release of information that qualifies as PFS standard in relation to an approved production rate at the Hawsons Iron Project	- ASX release of information that qualifies as DFS standard in relation to the Hawsons Iron Project; - Market capitalisation of AUD$30 million or more; - 20-day VWAP of not less than 30 cents; - Secured binding offtake arrangements with one or more end users of the Hawsons Iron Project product or reputable trading houses, in respect of not less than 5 Mtpa.
Share price at grant date	$0.05	$0.05
Life of the options	3 years	5 years
Underlying share price volatility	83%	83%
Expected dividends	Nil	Nil
Risk free interest rate	1.70%	1.70%
Pricing model	Binomial	Trinomial
Fair value per option	$0.0244	$0.0216

Inputs into pricing model	Tranches 3 and 7	Tranche 4 and 8	Tranche 5 and 9	Tranche 6 and 10
Grant date (tranches 3 – 6)	1 December 2017	1 December 2017	1 December 2017	1 December 2017
Grant date (tranches 4 – 7)	2 January 2018	2 January 2018	2 January 2018	2 January 2018
Exercise price	$0.15	$0.25	$0.40	$0.50
Vesting conditions	Milestone 1	Milestone 2	Milestone 3	Milestone 4
Share price at grant date	$0.11	$0.11	$0.11	$0.11
Life of the options	5 years	5 years	5 years	5 years
Underlying share price volatility	78%	78%	78%	78%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	2.29%	2.29%	2.29%	2.29%
Pricing model	Binomial	Binomial	Binomial	Binomial
Fair value per option	$0.0636	$0.0522	$0.0419	$0.0371

Inputs into pricing model	Tranche 11	Tranche 12	Tranche 13	Tranche 14
Grant date	15 October 2018	15 October 2018	15 October 2018	15 October 2018
Exercise price	$0.15	$0.25	$0.40	$0.50
Vesting conditions	Milestone 1	Milestone 2	Milestone 3	Milestone 4
Share price at grant date	$0.088	$0.088	$0.088	$0.088
Life of the options	5 years	5 years	5 years	5 years
Underlying share price volatility	77%	77%	77%	77%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	2.29%	2.29%	2.29%	2.29%
Pricing model	Binomial	Binomial	Binomial	Binomial
Fair value per option	$0.0463	$0.0384	$0.0299	$0.0261

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NOTE 12 EMPLOYEE SHARE BASED PAYMENTS (cont'd)

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

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Equity based instruments – Director and Employee Shares with Non-Recourse Loans

The Company has issued ordinary shares to Directors and employees pursuant to the CAP Employee Share Plan. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been treated as an *option* grant in accordance with AASB2 "Share Based Payment". In line with AASB2 "Share Based Payment", the related expense for the shares is recorded from the date that agreement with the employee is met. Information with respect to the number of director and employee shares with non-recourse loans granted is as follows:

2020

Tranche	Grant Date	Escrow Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed/ transferred during year	Balance at end of year	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	$0.48	750,000	-	-	-	750,000	750,000
Director 2	31 May 2011	31 May 2013	$0.48	750,000	-	-	-	750,000	750,000
Employee 1	1 March 2011	2 March 2013	$0.60	2,100,000	-	-	-	2,100,000	2,100,000
Employee 2	5 July 2013	5 July 2013	$0.30	1,900,000	-	-	-	1,900,000	1,900,000
				5,500,000	-	-	-	5,500,000	5,500,000
Weighted average exercise price				0.47	-	-	-	0.47	0.47

2019

Tranche	Grant Date	Escrow Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed/ transferred during year	Balance at end of year	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	$0.48	750,000	-	-	-	750,000	750,000
Director 2	31 May 2011	31 May 2013	$0.48	750,000	-	-	-	750,000	750,000
Employee 1	1 March 2011	2 March 2013	$0.60	2,100,000	-	-	-	2,100,000	2,100,000
Employee 2	5 July 2013	5 July 2013	$0.30	1,900,000	-	-	-	1,900,000	1,900,000
				5,500,000	-	-	-	5,500,000	5,500,000
Weighted average exercise price				0.47	-	-	-	0.47	0.47

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NOTE 12 EMPLOYEE SHARE BASED PAYMENTS (cont'd)

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

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

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Expenses arising from employee share-based payment transactions

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

	2020 $	2019 $
Options	100,374	199,560

NOTE 13 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.

Summary	2020 $	2019 $
Short-term employee benefits	595,941	593,671
Post-employment benefits	28,005	29,556
Share-based payments	100,374	178,033
	724,320	801,260

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 16.

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 2020 (2019: $Nil).

Transactions with Related Parties

There were no other transactions between the Consolidated Entity and its related parties during the year (2019: nil).

NOTE 14 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 2020 (2019: nil).

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions. The Consolidated Entity does not have any material credit risk exposure.

Maximum exposure to credit risk

	2020 $	2019 $
Non-trade receivables	69,710	88,039
Cash and cash equivalents	716,317	3,024,190
	786,027	3,112,229

Credit risk - Cash and cash equivalents

The counterparty to these financial assets is Westpac a large financial institution with a strong credit rating.

Credit risk - Receivables

Amounts owed to the Company comprise GST receivables and receivables in relation to security bonds for exploration tenements.

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NOTE 14 FINANCIAL RISK MANAGEMENT

(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 2020. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2020 $	2019 $
Less than one year		
Trade payables and accruals	127,137	87,289

Terms and conditions relating to the above financial instruments:

- Trade creditors are unsecured, non-interest bearing and are normally settled on 30 day terms
- Other creditors are unsecured and non-interest bearing
- Due to the short-term nature of the current payables the carrying value is assumed to approximate their fair value.

(c) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity does not have any material interest rate exposure.

Price risk

The Consolidated Entity does not have any price risk exposure.

(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 7. 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.

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NOTE 15 SEGMENT REPORTING

Reportable Segments

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

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

All assets are located in Australia.

NOTE 16 COMMITMENTS

Operating leases

The Consolidated Entity leases office space on a month to month basis and does not have any ongoing commitments under the arrangement.

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.

	2020 $	2019 $
Exploration obligations to be undertaken:		
Payable within one year	10,560	375,041
Payable between one year and five years	-	170,830
	10,560	545,871

To keep tenements in good standing, work programmes should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements or to meet expenditure requirements by joint venture or farm in agreements.

NOTE 17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets at 30 June 2020.

NOTE 18 EVENTS AFTER BALANCE SHEET DATE

There have been no events since 30 June 2020 that impact upon the financial report.

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NOTE 19 PARENT ENTITY INFORMATION

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

	2020 $	2019 $
Parent Entity Financial Information		
Current assets	763,634	3,071,713
Non-current assets	4,470,211	5,196,820
Total assets	5,233,845	8,268,533
Current liabilities	1,209,404	452,873
Non-current liabilities	-	-
Total liabilities	1,209,404	452,873
Net assets	4,024,441	7,815,660
Issued capital	28,166,109	28,166,109
Share based payment reserve	2,389,011	2,185,147
Accumulated losses	(26,530,679)	(22,535,596)
Total equity	4,024,441	7,815,660
Loss after income tax	(4,043,722)	(1,847,961)
Other comprehensive income	-	-
Total comprehensive income	(4,043,722)	(1,847,961)

Controlled Entities of the Parent Entity

	Percentage Owned	
	2020 %	2019 %
Willyama Prospecting Pty Ltd	100%	100%

Principles of Consolidation

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Commitments, Contingencies and Guarantees of the Parent Entity

The committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity. Refer to Note 17 for details.

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

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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 2020 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 16 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2020, comply with section 300A of the *Corporations Act 2001.*
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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

Q S Hill
Director

Brisbane
27 August 2020

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of Carpentaria Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Carpentaria Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

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

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of exploration and evaluation assets

Key audit matter	*How the matter was addressed in our audit*
Refer to note 4 in the financial report. The Group carries exploration and evaluation assets as at 30 June 2020 in relation to the application of the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation asset is a key audit matter due to: • The significance of the total balance; and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 *Exploration for Evaluation of Mineral Resources* ('AASB 6') in light of any indicators of impairment that may be present.	Our Procedures included, but were not limited to the following: • Obtaining evidence that the Group has valid rights to explore the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains tenements in good standing • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow budget for the level of budgeted spend on exploration projects and held discussions with directors of the Group as to their intentions and strategy • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.

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Share Based Payments

Key audit matter	*How the matter was addressed in our audit*
As disclosed in note 3 on 21 January 2020, the Company amended an agreement with a consultant. Prior to the amendment the agreement was disclosed as a contingent liability under AASB137 *Provisions, Contingent Liabilities and Contingent Assets*. Following the amendment the Group has recognised an equity-settled share-based payment and a cash-settled share-based payment related to an amendment to the terms of the Company's agreement with a consultant. Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments, we consider the Group's calculation of the share-based payment expense to be a key audit matter.	Our procedures included, but were not limited to the following: • Reviewed relevant supporting documentation to obtain an understanding of the contractual nature and terms of conditions of the consultant's agreements. • Enquiring of management, reviewing ASX announcements and directors' minutes to ensure completeness of the Groups contractual agreements with consultants. • Recalculating estimated fair value of the share based payments. • Involving our internal specialist to review the accounting treatment of the amendment to the contractual agreements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 16 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Carpentaria Resources Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

T R Mann
Director

27 August 2020

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ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 17 AUGUST 2020

Number of Securities Held	Ordinary shares fully paid	No. of holders
1 to 1,000	59,872	163
1,001 to 5,000	991,890	345
5,001 to 10,000	2,379,387	294
10,001 to 50,000	18,646,658	730
50,001 to 100,000	16,681,891	223
100,001 and over	236,372,839	479
	275,132,537	2,234

Number of shareholders holding less than a marketable parcel of shares	919

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,963,289	6.89
2	SILVERGATE CAPITAL PTY LTD	17,990,800	6.54
3	MR PETR TURCOVSKY	5,000,000	1.82
4	BALMAIN SUPER FUND	4,054,444	1.47
5	BNP PARIBAS NOMINEES PTY LTD	3,827,590	1.39
6	MR KOK LEONG WONG	3,425,000	1.24
7	SILVERGATE CAPITAL PTY LTD	2,953,706	1.07
8	ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C>	2,775,000	1.01
8	ONE MANAGED INVESTMENT FUNDS LIMITED <TI ABSOLUTE RETURN>	2,775,000	1.01
9	CAMCOVE PTY LTD	2,702,521	0.98
10	MR DAVID WILLIAM FULLER	2,400,000	0.87
11	M & K KORKIDAS PTY LTD	2,270,317	0.83
12	MS YING JIN	2,270,130	0.83
13	CITICORP NOMINEES PTY LTD	2,237,443	0.81
14	MR ROBERT VEITCH AND MRS ELAINE VEITCH	2,171,701	0.79
15	MR QUENTIN SIMON HILL	2,000,000	0.73
16	MR GRASON CHARLES TRAPPEL	1,839,218	0.67
17	MR QUENTIN SIMON HILL	1,812,500	0.66
18	ONE MANAGED INVESTMENT FUNDS LIMITED <TI HIGH CONVICTION A/C>	1,764,706	0.64
19	BEST EXPAND INVESTMENTS LIMITED	1,550,735	0.56
20	MR CHRISTOPHER JOHN BYNON-POWELL	1,500,000	0.55
20	MS CAROL ANNE MCCOLL	1,500,000	0.55
	TOTAL	**87,784,060**	**31.91**

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 17 August 2020 are:

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

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INTERESTS IN MINING TENEMENTS

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

Licence	Notes	Name	Original Grant Date	Expiry Date	Equity	Sub-blocks	Area (km^2)
EL 6979	1,2	Redan	11/12/2007	11/12/2021	69.8%	62	180
EL 7208	2	Burta	22/09/2008	22/09/2020	69.8%	100	290
EL 7504	2	Little Peak	8/04/2010	8/04/2020	69.8%	14	41
MLA 460	3.4	Hawsons Iron	Under application	Under application	69.8%	n/a	187
EL 6901	5	Combaning	8/10/2007	8/10/2020			0
EL 7896	5	Barellan	6/02/2012	6/02/2021			0

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

2. JV; Pure Metals Pty Ltd. EL7504 renewal lodged

3. MLA made on 18 October 2013; tenement application subject to unspecified grant date and conditions.

4. Subject to the Hawsons Joint Venture with Pure Metals Pty Ltd.

5. CAP's interest to convert to 1% net smelter return, Cape Clear to assume ownership.