



ABN 63 095 117 981

ASX Code CAP

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016



CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Robert William Hair

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<p>Auditors</p> <p>BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000</p> <p>Telephone: 07 3237 5999 Fax: 07 3221 9227 Website: www.bdo.com.au</p>	<p>Share Registry</p> <p>Link Market Services Limited Level 19 324 Queen Street Brisbane QLD 4000</p> <p>Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au</p>



DIRECTORS' REPORT

Your directors present their report on Carpentaria Exploration Limited (the "Company") and its controlled entities (the "Consolidated Entity") for the half-year ended 31 December 2016.

DIRECTORS

The names and details of the Directors of Carpentaria Exploration Limited ("Carpentaria") in office at the date of this report or at any time during the financial period are:

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

OPERATING RESULTS

For the half-year ended 31 December 2016, the loss for the Consolidated Entity after providing for income tax was \$618,430 (2015: loss of \$770,665).

REVIEW OF OPERATIONS

The Company's principal asset is its interest in the Hawsons Iron project.

Hawsons Iron Project JV (CAP 64%, Pure Metals P/L 36% (diluting))

The results at the Hawsons Iron Project ("Hawsons") have continued to demonstrate the potential to produce the "Super grade" iron product at comparatively low costs. Work carried out this period is detailed below.

Drilling Program

The Company in December 2016 announced positive results from the drilling program at Hawsons. The program was designed to support a resource upgrade and planned new prefeasibility study for the Company's flagship project near Broken Hill.

Drilling comprised of 5,963m in 20 reverse circulation (RC) holes and included additional drilling in the Fold prospect (Figure 1). The drilling targets were designed to upgrade significant portions of the resource from JORC Inferred Resource to JORC Indicated Resource which, if achieved, will boost confidence in the project's economic viability. A resource upgrade is set to form part of a new prefeasibility study for Hawsons, scheduled for completion in the second quarter of 2017.

The work program carried out, together with results to date, has improved the potential for a resource upgrade as results are broadly in line with expectation, drill spacing has been tightened, Davis Tube analysis has been done on every interval and geophysics collected on 80% of the drilling, consistent with earlier drilling programs.

The confidence in some of the deposit's key competitive advantages is also increasing as extra drilling supports earlier mining and processing assumptions. This is because:

- there is no expected material change in mining characteristics, including the exceptional mining widths of circa 500m and the depth of overburden as the geological interpretation so far appears robust;
- concentrate quality results received to date are outstanding and consistent with expectations. Pilot plant work (ASX Announcement 14 October 2015) has shown Hawsons can produce amongst the finest quality concentrate in the world, known as Hawsons Super grade, at 70.3%Fe. While the resource grade determined by Davis Tube Recovery concentrate analysis is currently 69.7% Fe, the test work included an additional upgrade stage without materially affecting recoveries.

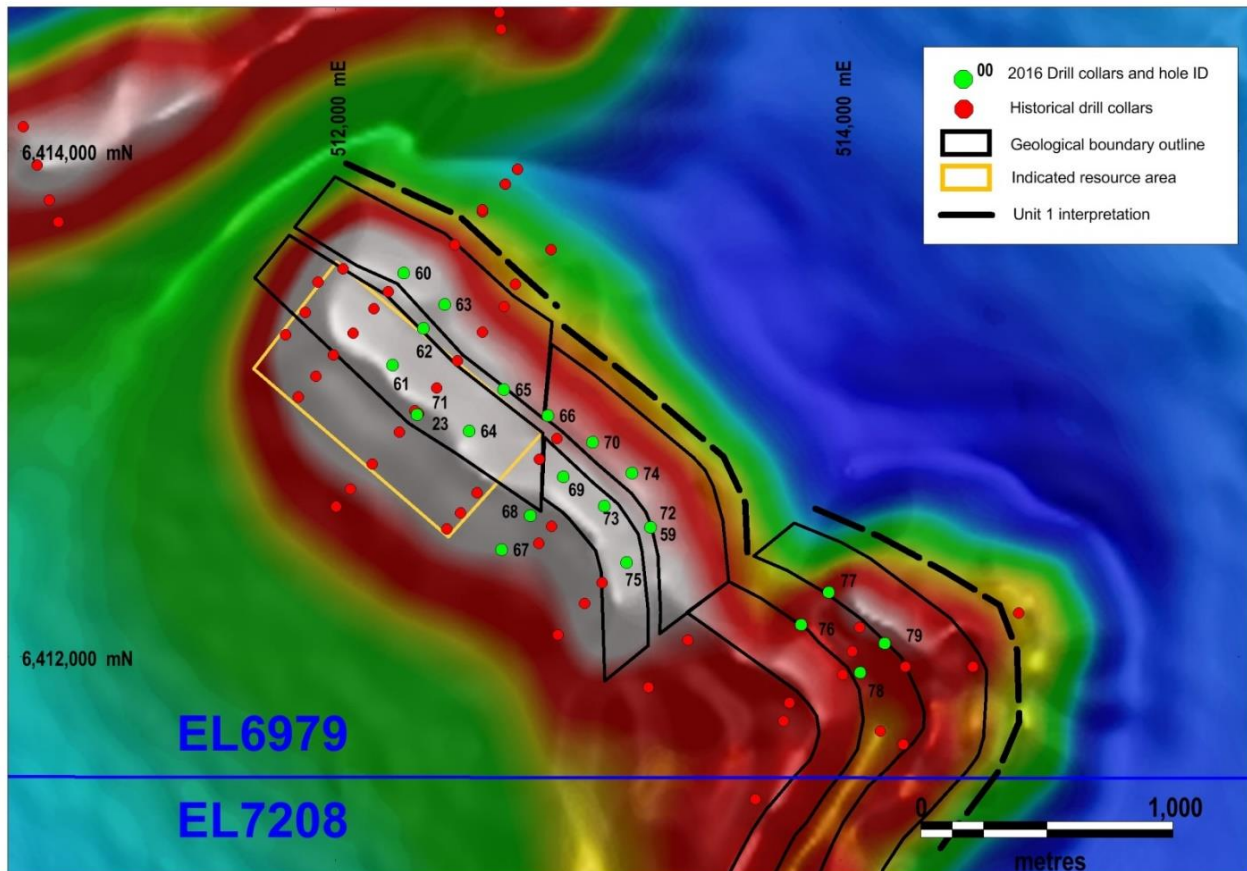


Figure 1 – Drill hole location plan

Product Marketing

During the half-year period, the Company entered into two additional non-binding letters of intent (“LOIs”) with prospective end users of Hawsons product.

Asian demand for the Hawsons Super grade product continues to increase, with the Company during the period entering into an LOI with Taiwanese conglomerate Formosa Plastics Group through its Authorised Representative for Australia. Already an investor in Australia’s iron ore industry, Formosa intends to buy 2 million tonnes per annum (mtpa) of Super grade iron ore concentrate from the Hawsons Iron Project near Broken Hill, NSW for an initial 10-year period.

Adding to the strong international demand for this Super grade product, during the half-year Carpentaria signed an LOI with leading UAE steel and direct reduction iron (DRI) producer Emirates Steel for the purchase of 0.9 million tonnes per annum (mtpa) of direct reduction (DR) grade iron ore pellets from Hawsons including the first shipment of DR grade pellets from the project. This LOI is the first for Hawsons DR grade pellets and resulted in the Company having LOIs with blue-chip buyers comprising Middle Eastern pellet supplier Bahrain Steel, Taiwan’s Formosa Plastics Group, Japan’s Mitsubishi Corporation, and global trading house Gunvor Group, demonstrating strong international interest in Hawsons Super grade product extending across China, Taiwan, Japan and the Middle East. It takes planned production now under LOIs to nearly 80%.

A bulk concentrate (500kg) was produced demonstrating how the project can produce direct reduction (DR) grade feed at commercial scale without chemicals, using gravity and magnets.

Capital Raisings

In September 2016, the Company carried out the successful placement of 16,372,846 new fully paid ordinary shares at an issue price of \$0.049 per share to raise approximately \$800,000.



In conjunction with this placement, the Company announced that it was conducting a 1:2.6 pro-rata, non-renounceable rights offer at the price of \$0.049 per share (the "Offer"). The Offer was also made to the public to participate in this share issue, and a prospectus was sent to eligible shareholders and made available to the public. The Company issued a total of 16,173,407 shares under the Offer (thereby raising a total of approximately \$792,000), and subsequently placed shortfall of 8,162,862 shares, raising approximately \$400,000. The funds will primarily be used for the drilling program at Hawsons.

OTHER ASSETS

Cape Clear (Lachlan) Pty Ltd during the period advised that it had met its \$100,000 minimum expenditure commitment under the farm-out agreement with the Company relating to the Barellan (EL 7896) and Combaning (EL 6901) projects.

EL 5561 (South Dam), located in the Braemar Province in South Australia was successfully renewed during the period for a further 2 years.

The Company continues to seek divestment of its remaining non-ferrous projects.

EVENTS AFTER BALANCE SHEET DATE

There have been no events since 31 December 2016 that impact upon the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in black ink, appearing to read "Q S Hill", is written over a light-colored background.

Q S Hill
Managing Director

Dated this 24th day of February 2017

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

As lead auditor for the review of Carpentaria Exploration Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 24 February 2017



**Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2016**

	Note	Half-Year Ended December 2016 \$	2015 \$
Revenue		66,786	81,958
Fair value gain/(loss) on financial assets at fair value through profit or loss		38,009	(41,464)
Employment benefit expenses	4	(262,197)	(363,625)
Depreciation and amortisation expense		(5,948)	(8,415)
Rental and other lease expenses		(31,164)	(66,774)
Administration and business development expenses		(423,916)	(372,345)
Loss before income tax		(618,430)	(770,665)
Income tax		-	-
Loss after income tax		(618,430)	(770,665)
Other comprehensive income		-	-
Total comprehensive income		(618,430)	(770,665)
		Cents	Cents
Earnings per share			
Basic earnings/(loss) per share		(0.44)	(0.67)
Diluted earnings/(loss) per share		(0.44)	(0.67)

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



**Consolidated Balance Sheet
As at 31 December 2016**

	Note	December 2016 \$	June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		2,199,310	1,682,599
Trade and other receivables		30,948	8,506
Financial assets at fair value through profit or loss		48,375	10,366
Other current assets		20,811	8,647
TOTAL CURRENT ASSETS		2,299,444	1,710,118
NON-CURRENT ASSETS			
Trade and other receivables		60,000	60,000
Plant and equipment		23,257	16,895
Exploration and evaluation assets	5	2,635,881	1,863,288
TOTAL NON-CURRENT ASSETS		2,719,138	1,940,183
TOTAL ASSETS		5,018,582	3,650,301
CURRENT LIABILITIES			
Trade and other payables		75,959	53,530
Provisions		79,273	83,917
TOTAL CURRENT LIABILITIES		155,232	137,447
TOTAL LIABILITIES		155,232	137,447
NET ASSETS		4,863,350	3,512,854
EQUITY			
Share capital	2	22,025,766	20,121,700
Share based payment reserve		1,899,923	1,835,063
Accumulated losses		(19,062,339)	(18,443,909)
TOTAL EQUITY		4,863,350	3,512,854

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



**Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2016**

	Share Capital	Share Based Payment Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2015	20,007,093	1,947,113	(17,174,791)	4,779,415
Transactions with owners in their capacity as owners				
Transfer of expired options	-	(112,050)	112,050	-
Issue of share capital	92,724	-	-	92,724
Total	92,724	(112,050)	112,050	92,724
Comprehensive income				
Loss after income tax	-	-	(770,665)	(770,665)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(770,665)	(770,665)
Balance at 31 December 2015	20,099,817	1,835,063	(17,833,406)	4,101,474
Balance at 1 July 2016	20,121,700	1,835,063	(18,443,909)	3,512,854
Transactions with owners in their capacity as owners				
Issue of share capital	2,110,413	-	-	2,110,413
Costs of raising capital	(206,347)	-	-	(206,347)
Issue of options	-	64,860	-	64,860
Total	1,904,066	64,860	-	1,968,926
Comprehensive income				
Loss after income tax	-	-	(618,430)	(618,430)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(618,430)	(618,430)
Balance at 31 December 2016	22,025,766	1,899,923	(19,062,339)	4,863,350

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



**Consolidated Cash Flow Statement
For the Half-Year Ended 31 December 2016**

	Half-Year Ended December	
	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(561,745)	(732,132)
Interest received	11,841	42,539
Net cash (used in)/ provided by operating activities	(549,904)	(689,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	(772,593)	(779,569)
Payments for plant and equipment	(12,310)	-
Government grants in relation to exploration assets	-	1,428,656
Net cash (used in)/ provided by investing activities	(784,903)	649,087
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	2,047,919	7,630
Costs associated with issue of shares	(196,401)	-
Net cash provided by financing activities	1,851,518	7,630
Net increase/(decrease) in cash and cash equivalents	516,711	(32,876)
Cash and cash equivalents at the beginning of the half-year	1,682,599	2,226,711
Cash and cash equivalents at the end of the half-year	2,199,310	2,193,835

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

Carpentaria Exploration Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

b) Statement of Compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2016.

This consolidated interim financial report was approved by the Board of Directors on 24th day of February 2017.

Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2016.

New and revised standards have been issued by the AASB and are effective for the half-year; however there are no material changes to the policies that affect the recognition or measurement of the results or financial position of the Consolidated Entity.

c) Going Concern

As at 31 December 2016 the Consolidated Entity had cash reserves of \$2,199,310 and net current assets of \$2,144,212.

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

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

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

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

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

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

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

Key judgements – exploration & evaluation assets

The Consolidated Entity has certain exploration tenements that have expired as at 31 December 2016. The Consolidated Entity has lodged applications for renewal within the required timelines and expects the licenses to be renewed in due course. Management has therefore continued to capitalise exploration & evaluation costs on the basis that they expect the application for the rights to tenure to be granted. Should the renewals not be granted this may impact the carrying value of Exploration and evaluation assets recognised in the balance sheet.



	December 2016 \$	June 2016 \$		
NOTE 2 SHARE CAPITAL				
Fully paid ordinary shares	22,025,766	20,121,700		
Ordinary Shares				
	Dec 2016	June 2016	Dec 2016	June 2016
	\$	\$	#	#
At the beginning of the year	20,121,700	20,007,093	115,739,837	112,687,777
Transfer from treasury shares ¹	115,414	114,607	2,355,288	3,052,060
Shares issued ²	1,994,999	-	40,709,115	-
Share issue costs	(206,347)	-	-	-
At reporting date	22,025,766	20,121,700	158,804,240	115,739,837
Non-recourse employee shares (NRE)				
At the beginning of the year	-	-	5,500,000	9,100,000
NRE shares issued	-	-	-	-
Transfer to treasury shares	-	-	-	(3,600,000)
At reporting date	-	-	5,500,000	5,500,000
Treasury shares				
At the beginning of the year	-	-	2,647,940	2,100,000
Transfer to ordinary shares ³	-	-	(2,355,288)	(3,052,060)
Transfer from NRE shares	-	-	-	3,600,000
At reporting date	-	-	292,652	2,647,940
Total Ordinary, NRE and Treasury Shares	22,025,766	20,121,700	164,596,892	123,887,777

¹ Dec 2016: 2,355,288 former employee share scheme shares were sold at \$0.049 each.

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

² Dec 2016: 40,709,115 ordinary shares issued at \$0.049.

³ On 16 June 2016 the remaining 2,647,090 treasury shares were transferred by the Company to Mr Robert Hair as trustee pursuant to the Carpentaria Exploration Limited Employee Share Plan Rules. Mr Robert Hair, in his capacity as trustee of the Shares pursuant to the Carpentaria Exploration Limited Employee Share Option Plan Rules:

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

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

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



NOTE 2 SHARE CAPITAL (continued)

Options

Tranche	Expiry Date	Exercise Price	Movements				31 December 2016
			1 July 2016	Issued	Exercised	Expired	
Tranche 1	24 November 2019	0.10	-	1,260,000	-	-	1,260,000
Tranche 2	24 November 2021	0.20	-	2,400,000	-	-	2,400,000
			-	3,660,000	-	-	3,660,000

During the period the Company issued options to employees, Directors and consultants in recognition for services provided.

Tranche 1 options have an exercise price \$0.10 and vest upon the Company making an ASX release of information that qualifies as PFS standard in relation to an approved production rate at the Hawsons Iron Project.

Tranche 2 options have an exercise price \$0.20 and vest upon one of the following conditions being met:

- ASX release of information that qualifies as DFS standard in relation to the Hawsons Iron Project;
- Carpentaria having a market capitalisation of AUD\$30 million or more;
- Carpentaria having a 20 day VWAP of not less than 30 cents;
- Carpentaria having secured binding offtake arrangements with one or more end users of the Hawsons Iron Project product or reputable trading houses, in respect of not less than 5 Mtpa.

\$64,860 was recognised in the Statement of Comprehensive Income in relation to these options during the period.

NOTE 3 SEGMENT REPORTING

Reportable Segments

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

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

All assets are located in Australia.

NOTE 4 ITEMS INCLUDED IN PROFIT OR LOSS

	Half-Year Ended December	
	2016	2015
	\$	\$
Included in profit/(loss) are the following specific expenses:		
<i>Included in 'Employment benefit expenses':</i>		
Share based payment expense	64,860	85,094
Redundancy/restructure costs	-	160,871



NOTE 5 EXPLORATION AND EVALUATION ASSETS

	Dec 2016 \$	Jun 2016 \$
Opening balance	1,863,288	1,273,489
Capitalised expenditure	772,593	1,118,994
Government grants relating to exploration	-	(411,003)
Impairment of exploration expenditure	-	(118,192)
	2,635,881	1,863,288

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

NOTE 6 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 31 December 2016 that require disclosure in the financial report.

NOTE 7 EVENTS AFTER REPORTING DATE

There have been no events since 31 December 2016 that impact upon the financial report.



DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read "Q S Hill", written over a light grey circular background.

Q S Hill
Director

Brisbane
24th day of February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carpentaria Exploration Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carpentaria Exploration Limited, which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Carpentaria Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

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

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'T R Mann', with a horizontal line extending to the right.

T R Mann
Director

Brisbane, 24 February 2017