



ABN 63 095 117 981 ASX:CAP

ANNUAL REPORT 2011

**CARPENTARIA
EXPLORATION
LIMITED**



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CORPORATE DIRECTORY

Board of Directors

Nick Sheard	Executive Chairman
Bob Hair	Non-Executive Director
Stan Macdonald	Non-Executive Director
Bin Cai	Non-Executive Director

Company Secretary

Chris Powell

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DIRECTORS' REPORT

Your directors present their report on Carpentaria Exploration Limited for the year ended 30 June 2011.

DIRECTORS

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

Name	Position	Period of directorship
Stuart Nicholas Sheard	Executive Chairman	Appointed March 2007
Stanley Alan Macdonald	Non-Executive Director	Appointed April 2007
Robert William Hair	Non-Executive Director	Appointed August 2007
Bin Cai	Non-Executive Director	Appointed May 2011
Michael Peter Chester	Non-Executive Director	Appointed January 2008, Resigned 8 August 2011

Nick Sheard

Executive Chairman

Nick has over 35 years of experience in the industry – most recently Vice President-Exploration for Inco Limited, formerly the world's second largest producer of nickel. Prior to that, he was the Global Exploration Manager for MIM Holdings Limited, after being initially employed by MIM as Chief Geophysicist.

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

Nick is also a Non-Executive Director of Mirabela Nickel Ltd. (MBN)

Stan Macdonald

Non-Executive Director

Stan has been associated with the mining and exploration industry for more than 25 years.

He is a Non-Executive Director of U3O8 Limited (UTO), Zenith Minerals Limited (ZNC) and Gascoyne Resources limited (GCY).

He is also a member of Carpentaria's Audit and Remuneration Committee.

Bob Hair

Non-Executive Director

Bob is by background a lawyer with over 22 years 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.

He is currently Managing Director of ASX and AIM-listed Ferrum Crescent Limited (ASX,AIM:FCR), which is also in the process of listing on the Johannesburg Stock Exchange.

Bin Cai

Non-Executive Director

Appointed a Non-Executive Director in May 2011, Bin is Managing Director of Conglin International Investment Group Pty Ltd, a major shareholder of Carpentaria Exploration. With 17 years experience in resources investment, Bin and Conglin Group have an outstanding record of successful strategic investments in emerging Australian resources companies.

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



DIRECTORS (continued)

Mike Chester

Non-Executive Director (resigned 8 August 2011)

Mike is currently a director of Axiom Advisory Pty Ltd, an independent boutique corporate advisory firm specialising in capital raisings, corporate advisory, IPOs, investor relations and seed capital transactions for small to medium sized companies in the industrial and natural resources sectors.

He is also an investment manager with the Lowell Resources Fund and has extensive past experience in investment banking and corporate finance at County NatWest/Salomon Smith Barney and as a mining analyst.

He is currently a Non-Executive Director of ASX listed Black Fire Minerals Ltd (ASX:BFE) and Guildford Coal Ltd. (ASX:GUF).

Interests in the shares and options of the Company

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

Director	Ordinary Shares	Non-Recourse Employee Shares	Options
Nick Sheard	400,000	1,500,000	2,000,000
Stanley Macdonald	500,000	1,500,000	-
Bob Hair	30,000	1,500,000	-
Bin Cai	10,479,000 ¹	-	-
Mike Chester	-	-	-

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

SENIOR MANAGEMENT

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

Doug Brewster

Exploration Manager

Doug is a career minerals exploration geologist with over 20 years Australian and international multi-commodity experience; he is an eastern Australia specialist and graduate of the University of Sydney.

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

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

Chris Powell

Company Secretary

Chris has over 35 years of experience across a number of industries in similar roles. He has a wealth of administration and financial knowledge gathered through employment in Senior Management roles in New Zealand and Australia. Chris holds a Diploma of Management and is a member of the Australian Institute of Management (FAIM).



CORPORATE INFORMATION

Corporate Structure

Carpentaria is a company limited by shares and incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). Carpentaria has prepared a consolidated financial report encompassing the entities that it controlled or had significant influence over during the financial year:

Carpentaria had the following investments in other companies during the financial year:

- Willyama Prospecting Pty Ltd
- FTB (QLD) Pty Ltd¹

¹ On 22 February 2010, Carpentaria Exploration Limited sold 80% the shares in FTB (QLD) Pty Ltd ("FTB") to The Chairman 1 Pty Ltd for \$300,000. Carpentaria has significant influence over FTB and the investment is treated as an investment in associate and equity accounted.

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 and New South Wales.

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

For the year ended 30 June 2011, the loss for the Consolidated Entity after providing for income tax was \$3,407,685 (2010: profit of \$1,565,849).

REVIEW OF FINANCIAL POSITION

Capital structure

During the financial period the Company raised \$6,512,492 from the issue of 21,700,000 shares. At 30 June 2011 the Company had 104,741,301 (including 10,400,000 non-recourse employee shares) shares and 6,450,000 options on issue.

Treasury policy

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

Liquidity and funding

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

Dividends

No dividends were paid during the financial year ended 30 June 2011 (2010: nil) and no dividend is recommended for the current year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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



REVIEW OF OPERATIONS

Exploration

Carpentaria's maiden Inferred Resource and successful pre-feasibility study result for the Hawsons Iron Project near Broken Hill were the Company's standout achievements for FY 2010/11. However, Carpentaria has also added to and advanced its quality project pipeline.

Hawsons Iron Project

Carpentaria announced in May 2011 a positive pre-feasibility study (PFS) for a large-scale magnetite mine producing up to 20 million tonnes per annum (mtpa) of high grade iron concentrate (69.9% Fe). The PFS estimated a positive net present value after tax of \$2.8 billion and a potential mine life of at least 20 years.

A maiden Inferred Resource of 1.4 billion tonnes at a Davis Tube Recovery (DTR) of 15.5%, as announced in December 2010, underpinned the PFS outcomes with potential for further significant tonnage identified as part of a 6 - 11 billion tonne exploration target¹.

During the year, work at Hawsons demonstrated that the project is very robust financially and has the potential to secure great value for shareholders.

The progress achieved at Hawsons this year was supported by joint venture (JV) partner, Bonython Metals Group Pty Ltd (BMG), which provided \$8 million to fund work up to the successful completion of the PFS and \$5 million in cash to Carpentaria (\$3 million FY:2010).

Under the JV agreement, BMG is now required to pay Carpentaria an additional \$25 million by 15 May 2012 in order to increase its stake in the project from 40% to 51%.

BMG then has the option of funding a detailed feasibility study (DFS) which, if positive and completed within two years, would allow BMG to increase its stake to 80% by paying a further \$23 million to Carpentaria. Importantly, under the JV agreement Carpentaria is not required to fund any expenditure but will obtain 20% of proposed mine output. On full production of 20 mtpa, this would give Carpentaria shareholders the profits from 4 mtpa of high-grade concentrate at zero cost.

Carpentaria continued to boost its quality project pipeline with the new Koonenberry Project and the expanded Broken Hill Tin-Tungsten and Temora Gold Projects. Exploration also continued at other projects and joint ventures in keeping with our policy of rapidly advancing or divesting projects.

Koonenberry

The Koonenberry Project consists of six exploration licences granted in May 2011 covering 1,800km², located 160km north of Broken Hill. It covers a 180km belt of Neoproterozoic geology containing ultramafic intrusive rocks prospective for nickel-copper mineralisation. The project will be a major focus of exploration this financial year and presents the opportunity for the discovery of a new nickel-copper province wholly owned by Carpentaria.

Broken Hill Tin, Tungsten Project

Following successful exploration and acquisition, the Broken Hill Tin-Tungsten Project has been established by combining the existing Euriovie and Apollyon licences with the new Yanco Glen acquisition. Carpentaria's strategic concept is to establish a cluster of tin and tungsten deposits with coarse grained mineralisation close to Broken Hill that can be easily mined by low cost methods and processed at a central operation.

Temora Gold Project

At the Temora Gold Project (formerly Combaning), the Illabo licence was granted expanding the project to 940km². The project is prospective for porphyry or related gold-copper mineralisation. Poor weather and extended approvals have delayed the work program this year.

McDougalls Iron Project

The McDougalls Iron Project north of Broken Hill was selected following exploration success at Hawsons. Applications were granted where potential existed for direct shipping ore (hematite) in a similar geological horizon to Hawsons. Fieldwork has downgraded the prospectivity of this project during the year.

Mt Agate

At the Mt Agate tenement near Cloncurry in Queensland, Carpentaria's JV partner ActivEX Ltd has undertaken soil sampling, mapping drilling and a geophysical survey.



REVIEW OF OPERATIONS (continued)

Glen Isla

A joint venture with Ramelius Resources Ltd (Ramelius) resulted in three drill holes targeting an induced polarisation geophysical anomaly. However, only low grade gold was intersected, and Ramelius has withdrawn from the JV.

Hughenden

In the northern Galilee Basin of Queensland, Carpentaria has maintained its interest in over 11,000 sq km of tenement through ownership of 20% of FTB (Qld) Pty Ltd. Guildford Coal Ltd. (Guildford) owns the remaining 80% equity and manages exploration. Subsequent to the end of year, Carpentaria has divested its interest in FTB.

¹ The term "Target" should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

It is anticipated that a DFS on the Hawsons Iron Project will start in the first half of 2012.

During FY 2011/2012 Carpentaria is actively looking for new advanced projects that could become profitable mining projects in the near future.

Competent Person Statement The information in this report that relates to Exploration Results is based on information compiled by Mr Nick Sheard, who is a Fellow of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist -Mineral Exploration and Geophysics. Mr Sheard is a full time employee of Carpentaria Exploration Limited and Mr Sheard 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sheard consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to environmental regulations in relation to its exploration activities. The directors are not aware of any significant breaches during the period covered by this report.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors and of the Audit and the Remuneration Committees held during the year ended 30 June 2011 and the number of meetings attended by each director.

	Directors' Meetings	Audit	Remuneration
Number of meetings held	4	1	1
Number attended			
Nick Sheard	4	1	1
Bob Hair	4	1	1
Mike Chester	3	-	1
Stan Macdonald	4	-	1
Bin Cai ¹	-	-	-

¹ No Director meetings were held during Mr Cai's appointment period.

INDEMNIFICATION OF OFFICERS OR AUDITOR

Each of the Directors and the Secretary of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company and certain indemnification to those Directors and Secretary.

The Company has insured all of the Directors of Carpentaria Exploration Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Company has not indemnified its auditor.



PROCEEDINGS ON BEHALF OF THE COMPANY

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

SHARE OPTIONS

At balance date there were a total of 6,450,000 shares under options:

Number of Options	Exercise Price	Vesting Date	Expiry Date
600,000	\$0.114	20 July 2009	31 July 2012
100,000	\$0.114	1 October 2009	31 July 2012
2,000,000	\$0.150	26 November 2009	26 November 2012
600,000	\$0.250	23 February 2010	16 February 2013
1,850,000	\$0.413	27 May 2011	27 May 2012
1,300,000	\$0.850	1 March 2011	2 March 2013

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

Expiry Date	Exercise Price	Movements				30 June 2011
		1 July 2010	Issued	Exercised	Expired	
30 June 2010	\$0.300	500,000	-	(500,000)	-	-
30 June 2010	\$0.300	20,680,000	-	(20,680,000)	-	-
30 June 2011	\$0.150	200,000	-	-	(200,000)	-
31 July 2012	\$0.114	850,000	-	(150,000)	-	700,000
26 November 2012	\$0.150	2,000,000	-	-	-	2,000,000
16 February 2013	\$0.250	600,000	-	-	-	600,000
27 May 2012	\$0.413	-	1,850,000	-	-	1,850,000
2 March 2013	\$0.850	-	1,300,000	-	-	1,300,000
		24,830,000	3,150,000	(21,330,000)	(200,000)	6,450,000

21,330,000 shares of Carpentaria Exploration Limited were issued during the year on exercise of options granted. No amounts remain unpaid on these shares.



REMUNERATION REPORT

This report outlines the remuneration arrangements in place for the directors and key management personnel of Carpentaria Exploration Limited (the Company).

Remuneration Policy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, equity and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of directors and executives are set out in this Remuneration Report.

The Company aims to reward the executive directors and key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

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

Non-Executive Director Remuneration

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

The Company's specific policy for determining the nature and amount of emoluments of board members of the Company is as follows:

In accordance with the Constitution, the existing Shareholders of the Company have determined in general meeting the maximum non-executive director remuneration to be \$220,000 per annum.

The Directors have resolved that each non-executive director is entitled to receive fees of \$40,000 per annum (plus superannuation) and the Chairman of Directors is entitled to receive \$60,000 per annum (plus superannuation). Payments of fees will be in addition to any payments to directors in any employment capacity. A Director will not be entitled to receive Directors' fees if he or she is employed by the Company in a full-time executive capacity.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

During this current financial period a performance Cash Bonus of \$20,000 for each of the non-executive directors, excluding newly appointed Director Bin Cai, was paid as recommended by the remuneration committee following achievement of the Company's Key Performance Indicator (KPI):

- *Announcement within 4 years from November 2007 of a discovery and resource outline.*

The remuneration of non-executive directors for the year ending 30 June 2011 is detailed in Table 1 of this Remuneration Report.



REMUNERATION REPORT (continued)

Executive Chairman and Key Management Personnel Remuneration

The Company aims to reward the executive directors and key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Chairman and key management personnel for the period ending 30 June 2011 is detailed in Tables 1 and 2 and details of options issued are set out in Table 3.

Employment Contracts

Agreement with Executive Chairman

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

The agreement:

- had a term of three years (update being considered by Remuneration Committee prior to AGM);
- involves the payment to Mr Sheard of an annual salary of \$220,000 (increased to \$250,000 as from 1 May 2010) plus superannuation payments as required by the Governments Superannuation Guarantee Levy, currently 9% (increasing by reference to the consumer price index each year) and reimbursement of all reasonable business expenses;
- has provision for three months' notice for termination. The Company may terminate this employment agreement by providing 12 months written notice or providing payment in lieu of the notice period (being \$230,000, based on the fixed component of Mr Sheard's remuneration); and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Agreement with Company Secretary

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

The agreement:

- had a term of three years (update being considered by Remuneration Committee prior to AGM);
- involves the payment to of Mr Powell an annual salary of \$141,750 (increased to \$151,750 as from 1 May 2010) plus superannuation payments as required by the Governments Superannuation Guarantee Levy, currently 9% (increasing by reference to the consumer price index each year) and reimbursement of all reasonable business expenses;
- has provision for two months' notice for termination; (being \$25,291, based on the fixed component of Mr Powell's remuneration) and
- otherwise contains standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.



REMUNERATION REPORT (continued)

Agreement with Exploration Manager

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

The agreement:

- had a term of three years (update being considered by Remuneration Committee prior to AGM);
- involves the payment to Mr Brewster of an annual salary of \$202,125 (increased to \$212,125 as from 1 May 2010) plus superannuation payments as required by the Governments Superannuation Guarantee Levy, currently 9% (increasing by reference to the consumer price index each year) and reimbursement of all reasonable business expenses;
- has provision for three months notice for termination. The Company may terminate this employment agreement by providing one month's written notice and providing payment in lieu of the notice period (being \$53,031, three months' salary based on the fixed component of Mr Brewster's remuneration); and
- Otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Details of Directors and Key Management Personnel

Directors

Name	Position	Detail
Stuart Nicholas Sheard	Executive Chairman	Appointed March 2007
Stanley Alan Macdonald	Non-Executive Director	Appointed April 2007
Robert William Hair	Non-Executive Director	Appointed August 2007
Bin Cai	Non-Executive Director	Appointed 15 May 2011
Michael Peter Chester	Non-Executive Director	Appointed January 2008, Resigned 8 August 2011

Key Management Personnel

Name	Position	Detail
Doug Brewster	Exploration Manager	Commenced 14 November 2007
Chris Powell	Company Secretary	Commenced 14 November 2007

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

Table 1: Director Remuneration

2011	Short Term		Post-Employment		Share-based Payments ⁽³⁾		Total	Performance Related %	% consisting of equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Superan-nuation	Retirement benefits	Options/ NRE shares			
Directors									
Nick Sheard	250,000	30,000	-	25,200	-	174,933	480,133	42.68%	36.43%
Stan Macdonald	40,000	20,000	-	5,400	-	174,933	240,333	81.11%	72.79%
Robert Hair	40,000	20,000	-	5,400	-	174,933	240,333	81.11%	72.79%
Bin Cai ⁽¹⁾	5,000	-	-	450	-	-	5,450	-	-
Mike Chester ⁽²⁾	40,000	20,000	-	5,400	-	174,933	240,333	81.11%	72.79%
	375,000	90,000	-	41,850	-	699,732	1,206,582		

(1) Bin Cai was appointed on 15 May 2011

(2) Mike Chester resigned on 8 August 2011

(3) The value of equity instruments granted in the year is the fair value of the options and employee share plan calculated at grant date using a Black-Scholes option-pricing model. The value of instruments granted and treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payments.



REMUNERATION REPORT (continued)

Table 1: Director Remuneration

2010	Short Term		Post-Employment		Share-based Payments ⁽¹⁾		Total	Performance Related %	% consisting of equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Superan-nuation	Retirement benefits	Options			
Directors									
Nick Sheard	199,667	20,000	-	21,600	-	152,400	393,667	43.79%	38.71%
Stan Macdonald	31,667	10,000	-	3,750	-	-	45,417	22.02%	-
Robert Hair	31,667	10,000	-	3,750	-	-	45,417	22.02%	-
Mike Chester	31,667	10,000	-	3,750	-	-	45,417	22.02%	-
	294,668	50,000	-	32,850	-	152,400	529,918		

(1) The value of equity instruments granted in the year is the fair value of the options calculated at grant date using a Black-Scholes option-pricing model. The value of instruments granted and treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payments.

Table 2: Remuneration of key management personnel

2011	Short Term			Post-Employment		Share-based Payments ⁽¹⁾	Total	Performance Related %	% consisting of equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Retirement benefits	Options/ NRE shares			
Key Management Personnel									
Doug Brewster	212,125	20,000	-	20,891	-	224,511	477,527	51.20%	47.02%
Chris Powell	151,750	20,000	-	15,458	-	224,511	411,719	59.39%	54.53%
	363,875	40,000	-	36,349	-	449,022	889,246		

(1) The value of equity instruments granted in the year is the fair value of the options and employee share plan calculated at grant date using a Black-Scholes option-pricing model. The value of instruments granted is treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payments.

2010	Short Term			Post-Employment		Share-based Payments ⁽¹⁾		Performance Related %	% consisting of equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Retirement benefits	Options	Total		
Key Management Personnel									
Doug Brewster	201,171	10,000	-	19,005	-	7,925	238,101	7.53%	3.33%
Chris Powell	141,963	10,000	-	13,677	-	7,925	173,565	10.33%	4.57%
	343,134	20,000	-	32,682	-	15,850	411,666		

(1) The value of equity instruments granted in the year is the fair value of the options calculated at grant date using a Black-Scholes option-pricing model. The value of instruments granted and treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payments.



REMUNERATION REPORT (continued)

Table 3: Equity Instruments issued as part of remuneration for the year ended 30 June 2011

Options

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

	Grant date	No. of Options	Option fair value at grant date \$	Exercise price per option \$	Total value of options \$	Expiry date	Vesting and First exercise date	% of options vested
Key Management Personnel								
Doug Brewster	12/7/2010	400,000	0.1129	0.413	45,172	27/5/2012	27/5/2011	100%
Chris Powell	12/7/2010	400,000	0.1129	0.413	45,172	27/5/2012	27/5/2011	100%

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

Inputs into pricing model	
Grant date	12 July 2010
Vesting date	27 May 2011
Exercise price	\$0.413
Share price at grant date	\$0.44
Life of the options	1.88 years
Underlying share price volatility	54%
Expected dividends	Nil
Risk free interest rate	4.42%

Shares with Non-Recourse Loans (NRE Shares)

During the period, the Company issued 8,000,000 ordinary shares to Directors and other Key Management Personnel pursuant to the CAP Employee Share Plan. The shares were issued as a result of the Consolidated Entity achieving Corporate KPI1, being a discovery and resource outline. This KPI was met on 17 December 2010. The employee shares issued were in March 2011 following board approval.

The director shares were issued following shareholder approval and have an issue price of \$0.48, being the VWAP over the 10 days prior to 31 May 2011. The Key Management Personnel shares have an issue price of \$0.60, being the VWAP over the 10 days prior to 1 March 2011. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been treated as an *option* grant in accordance with AASB2 "Share Based Payments". The shares are treated and disclosed in the financial statements as non-recourse employee shares (NRE Shares).



REMUNERATION REPORT (continued)

	Grant date	No. of NRE shares	NRE shares fair value at grant date \$	Exercise price per NRE share \$	Total value of NRE shares \$	Expiry date	Vesting and First exercise date	% of NRE shares vested
Directors								
Nick Sheard	31/5/2011	750,000	0.0982	0.48	73,671	31/5/2012	31/5/2011	100%
	31/5/2011	750,000	0.1350	0.48	101,262	31/5/2013	31/5/2011	100%
Stan Macdonald	31/5/2011	750,000	0.0982	0.48	73,671	31/5/2012	31/5/2011	100%
	31/5/2011	750,000	0.1350	0.48	101,262	31/5/2013	31/5/2011	100%
Robert Hair	31/5/2011	750,000	0.0982	0.48	73,671	31/5/2012	31/5/2011	100%
	31/5/2011	750,000	0.1350	0.48	101,262	31/5/2013	31/5/2011	100%
Mike Chester	31/5/2011	750,000	0.0982	0.48	73,671	31/5/2012	31/5/2011	100%
	31/5/2011	750,000	0.1350	0.48	101,262	31/5/2013	31/5/2011	100%
Key Management Personnel								
Doug Brewster	1/3/2011	1,000,000	0.1793	0.600	179,338	2/3/2013	1/3/2011	100%
Chris Powell	1/3/2011	1,000,000	0.1793	0.600	179,338	2/3/2013	1/3/2011	100%

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

Inputs into pricing model	Directors Tranche 1	Directors Tranche 2	Key Management Personnel
Grant date	31 May 2011	31 May 2011	1 March 2011
Vesting date	31 May 2011	31 May 2011	1 March 2011
Exercise price	\$0.48	\$0.48	\$0.60
Share price at grant date	\$0.51	\$0.51	\$0.66
Life of the NRE shares	1 year	2 years	2 years
Underlying share price volatility	54%	54%	54%
Expected dividends	Nil	Nil	Nil
Risk free interest rate	4.68%	4.68%	4.68%

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

	Value of equity instruments granted during the year \$	Value of equity instruments exercised during the year \$	Value of equity instruments lapsed during the year \$	Total value of equity instruments granted, exercised and lapsed during the year \$
2011				
Director				
Nick Sheard	174,933	-	-	174,933
Stan Macdonald	174,933	20,000	-	194,933
Robert Hair	174,933	-	-	174,933
Bin Cai	-	-	-	-
Mike Chester	174,933	-	-	174,933
Key Management Personnel				
Doug Brewster	224,511	-	38,000	262,511
Chris Powell	224,511	95,171	-	319,682



REMUNERATION REPORT (continued)

Shares issued on exercise of remuneration options

650,000 shares were issued on the exercise of compensation options in the 2011 financial year (2010: Nil).

Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return since the Consolidated Entity's listing on the ASX are summarised below:

Measures	2011 \$	2010 \$	2009 \$	2008 \$
Share price at end of financial year	0.31	0.34	0.08	0.09
Market capitalisation at end of financial year (\$M)	32.47	24.70	5.40	5.85
Profit/(loss) for the financial year	(3,407,685)	1,565,849	(1,477,436)	(309,845)
Cash spend on exploration programs	1,398,629	1,827,615	1,370,053	1,219,675
Director and Key Management Personnel remuneration	2,095,828	897,281	641,914	938,405

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.

Equity instruments issued as part of remuneration

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



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 (PKF East Coast Practice) for audit and 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 undermine 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	12,260
Other assurance services	7,500

AUDITOR'S INDEPENDENCE DECLARATION

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

CORPORATE GOVERNANCE

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

EVENTS AFTER BALANCE SHEET DATE

On 14 September 2011, The Consolidated Entity sold its remaining 20% share in FTB (QLD) Pty Ltd to Guildford Coal Limited for the following consideration:

- \$1.5 million cash
- 2,184,551 fully paid ordinary securities in Guildford Coal Limited with a market value at 14 September of \$2.5 million
- \$0.50 per tonne royalty on coal production from the Hughenden Coal Project, capped at 10 million tonnes per year for 20 years.

The above consideration includes repayment of \$726,496 owed to the Consolidated Entity by FTB (QLD) Pty Ltd.

There have been no other events since 30 June 2011 that impact upon the financial report.

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in dark ink, appearing to be "S N Sheard", is written over a light blue horizontal line.

S N Sheard
Executive Chairman
Dated this 26th day of September 2011



Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Carpentaria Exploration Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'PKF'.

PKF

A handwritten signature in black ink, appearing to be 'ALLOOTS'.

Albert Loots
Partner

Dated at Brisbane this 26th day of September 2011

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The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.



ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 21 SEPTEMBER 2011

Number of Securities Held	Ordinary shares fully paid No. of holders
1 to 1,000	819
1,001 to 5,000	839
5,001 to 10,000	462
10,001 to 100,000	996
100,001 and over	122
	3,238
Number of shareholders holding less than a marketable parcel of shares	1,233

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Security: CAP - ORDINARY SHARES

Rank	Name	BALANCE	% HELD
1	AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	10,479,000	11.11%
2	GIRALIA RESOURCES NL (now ATLAS IRON LIMITED ASX:AGO)	8,568,220	9.08%
3	MR CONGLIN YUE	3,100,000	3.29%
4	SYDNEY EQUITIES PTY LIMITED	2,250,000	2.38%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED	1,877,592	1.99%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,228,862	1.30%
7	SHINKO LOO & TECK MING LOO	1,010,000	1.07%
8	MR JOHN HUEY	950,000	1.01%
9	FORSYTH BARR CUSTODIANS LTD	733,619	0.78%
10	BATIHA PTY LIMITED	655,754	0.70%
11	MRS PAULINE CHAN & MR WESLEY CHAN	600,000	0.64%
12	MR MICHAEL JOHN WILLIAMS & MRS KATRINA ELFREDA WILLIAMS	570,486	0.60%
13	MR CONGLIN YUE	567,482	0.60%
14	MR KENNETH SHEARD	500,000	0.53%
15	MR STANLEY ALLAN MACDONALD	500,000	0.53%
16	GRANT SCOTT MITCHELL	495,000	0.52%
17	NATIONAL NOMINEES LIMITED	478,848	0.51%
18	BERKON PTY LTD	440,000	0.47%
19	BASILDENE PTY LTD	438,413	0.46%
20	JANHARP INVESTMENTS PTY LTD	435,000	0.46%
		36,290,610	38.47%

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 21 September 2011 are:

Name of Shareholder	Ordinary Shares
AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	10,479,000
GIRALIA RESOURCES NL (now ATLAS IRON LIMITED ASX:AGO)	8,568,220



INTERESTS IN MINING TENEMENTS

Exploration Permits for Minerals. All tenements are held by Carpentaria Exploration Limited as the principal and sole holder with 100% unencumbered share, apart from those marked accordingly in the table below:

Licence No.	Project	Original Grant Date	Expiry Date	Sub Blocks	Area Km ²
EL 14955 ³	Mt Agate	29/06/2006	28/06/2011	70	252.8
EL 6246	Glen Isla	24/05/2004	24/05/2012	12	33.9
EL 6901	Temora	8/10/2007	8/10/2011	184	520.6
EL 6936 ²	Euriowie	7/11/2007	7/11/2011	31	90.9
EL 6979 ^{1 & 4}	Redan	11/12/2007	11/12/2011	62	179.8
EL 7208 ¹	Burta	22/09/2008	22/09/2012	100	289.7
EL 7256	Kallara	2/12/2008	2/12/2012	4	11.3
EL 7375 ³	Dirnaseer	30/07/2009	30/07/2011	108	305.3
EL 7475	Apollyon	16/03/2010	16/03/2012	11	32.1
EL 7476	Hillston	16/03/2010	16/03/2012	38	110.4
EL 7504 ¹	Little Peak	8/04/2010	8/04/2012	14	40.6
EL 7574	Gundong	5/07/2010	5/07/2012	40	102.4
EL 7655	McDougalls	6/12/2010	6/12/2012	100	294.7
EL 7656	McDougalls	6/12/2010	6/12/2012	100	293.9
EL 7657	McDougalls	6/12/2010	6/12/2012	100	294.4
EL 7680	Ilabo	11/01/2011	11/01/2013	37	104.4
EL 7735	Koonenberry	16/05/2011	16/05/2013	100	297.5
EL 7736	Koonenberry	16/05/2011	16/05/2013	100	296.7
EL 7737	Koonenberry	16/05/2011	16/05/2013	100	296.1
EL 7738	Koonenberry	16/05/2011	16/05/2013	100	295.5
EL 7739	Mt Shannon	16/05/2011	16/05/2013	100	298.0
EL 7740	Wertago	16/05/2011	16/05/2013	100	294.8
EL 7741	McDougalls D	16/05/2011	16/05/2013	100	294.3

¹ JV to earn potential Interest of 20%

² 100 % Willyama Prospecting Pty Ltd (wholly owned subsidiary of Carpentaria)

³ Under Renewal Process

⁴ 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.



CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

While the Board recognizes the importance of the need for the division of responsibilities between the chairman and the managing director, it considers the existing structure provides unified leadership important to a small company with early stage exploration projects. Mr Sheard's dual role makes him responsible (along with the whole Board) for determining strategic direction of the Company, as well as having primary responsibility for day to day management. At present this dual role assists the Company to run in a cost effective and efficient manner. The Board intends to re-consider the duality of Mr Sheard's role and the merits of appointing a new managing director as the Company evolves and increases its operations.

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

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

The evaluation for this financial period was conducted at the Board meeting held 12 April 2011. The process of the review included:

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

It was concluded unanimously that the present Board would be maintained to cover the Company's current activities as it met all the principles required as set out in the Board Charter under "*Roles of the Board and Management*" (Board Charter available on Company's website.)

The Audit and Remuneration committees performance was also discussed and were re-constituted as set out in the Directors' Report.



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

Structure of the Board

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

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

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

Name	Position
Mr Bob Hair	Non-Executive Director
Mr Stan Macdonald	Non-Executive Director

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

- Mr Nick Sheard, Executive Chairman. Holds position of Chief Executive Officer (CEO).
- Mr Bin Cai, Non-Executive Director. Officer of a substantial shareholder.

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

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

Name	Term in Office
Mr Nick Sheard	51 Months
Mr Stan Macdonald	50 Months
Mr Bob Hair	46 Months
Mr Bin Cai	4 Months
Mr Mike Chester	52 Months

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

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

Policies for reporting unethical practices and legal obligations are contained in the Company's Corporate Governance Charter available on the website.

Functions of the Board and Senior Management are set out in the Board Charter under "*Roles of the Board and Management*" (Board Charter available on Company's website.)

Performance

The performance of the Board and executives is reviewed against both measurable and qualitative indicators. The 2011 review will be undertaken at the next Board Meeting to be held in November 2011. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be sanctioned.

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

During the period formal evaluation of all senior executives was carried out by the Executive Chairman on 1 May 2011.

Remuneration Committee

The Board has established a Remuneration committee to ensure that the Board continues to operate within the established guidelines. The committee during the year comprised three directors namely Mike Chester (Chairman), Bob Hair and Stan Macdonald.

Role

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

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

For details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year and for all directors, refer to the Remuneration Report in the Director's Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

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

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

Audit Committee

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

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The members of the audit committee during the year were Bob Hair (Chairman), Stan Macdonald and Mike Chester.

Audit Process

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

Auditor Independence

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

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

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



Continuous Disclosure

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

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

Communications with Shareholders

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

Risk Management

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

Oversight of the risk management system

The Board monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

Operational, financial reporting and regulatory compliance risks are continually assessed, monitored and managed at management level, and any specific areas of significant risk are dealt with at Board level.

Whilst the Board acknowledges that it is responsible for the overall internal control framework, it is also cognisant that no cost-effective internal control system will preclude all errors and irregularities.

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

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

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



Financial

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

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

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

Risk Factors

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

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

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

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

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

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

Chief Executive Officer and Company Secretary certification

In accordance with S295A of the Corporations Act, the Chief Executive Officer and Company Secretary have provided a written statement to the board that:

- The assurance provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board
- The Company's risk management and internal compliance and control system is operating effectively in all material respects in relation to financial risks.

For further information on corporate governance policies adopted by the Company, refer to our website: www.capex.net.au or contact the Company Secretary.



**Statement of Comprehensive Income
For the year ended 30 June 2011**

	Note	2011 \$	2010 \$
Revenue	2	1,111,708	168,457
Other income	2	614,233	2,824,707
Employment benefit expenses		(3,012,090)	(592,127)
Depreciation and amortisation expense		(45,178)	(24,939)
Finance costs		(13,754)	-
Impairment of exploration expenditure		(669,192)	(151,740)
Impairment of receivables		(275,000)	-
Rental and other lease expenses		(120,154)	(123,499)
Administration and project generation expenses		(933,252)	(535,010)
Share of net loss from equity accounted associates		(65,006)	-
Profit/(loss) before income tax		(3,407,685)	1,565,849
Income tax expense	3	-	-
Profit/(loss) after income tax expense		(3,407,685)	1,565,849
Other comprehensive income		-	-
Total comprehensive income		(3,407,685)	1,565,849
		Cents	Cents
Earnings per share			
Basic earnings/(loss) per share	5	(3.65)	2.30
Diluted earnings/(loss) per share	5	(3.65)	2.30

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



**Balance Sheet
As at 30 June 2011**

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	7	9,197,766	5,106,175
Trade and other receivables	8	2,111,243	779,316
Other current assets	9	231,558	158,242
TOTAL CURRENT ASSETS		11,540,567	6,043,733
NON-CURRENT ASSETS			
Plant and equipment	10	230,817	55,930
Exploration expenditure	12	4,087,228	4,573,758
Intangible assets	11	93,434	6,207
Equity accounted investments	13	9,994	75,000
TOTAL NON-CURRENT ASSETS		4,421,473	4,710,895
TOTAL ASSETS		15,962,040	10,754,628
CURRENT LIABILITIES			
Trade and other payables	14	722,384	772,421
Interest bearing liabilities	15	103,598	-
Provisions	16	131,260	89,627
TOTAL CURRENT LIABILITIES		957,242	862,048
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	190,703	-
TOTAL NON-CURRENT LIABILITIES		190,703	-
TOTAL LIABILITIES		1,147,945	862,048
NET ASSETS		14,814,095	9,892,580
EQUITY			
Share capital	17	16,938,223	10,408,009
Reserves	18	2,033,078	234,092
Accumulated losses		(4,157,206)	(749,521)
TOTAL EQUITY		14,814,095	9,892,580

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



**Statement of Changes in Equity
For the year ended 30 June 2011**

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2009	8,612,949	474,510	(2,315,370)	6,772,089
Transactions with owners in their capacity as owners				
Issue of share capital	1,361,802	-	-	1,361,802
Share issue costs	-	-	-	-
Share-based payment expense	-	192,840	-	192,840
Transfers	433,258	(433,258)	-	-
Comprehensive income				
Profit after income tax	-	-	1,565,849	1,565,849
Other comprehensive income	-	-	-	-
Balance at 30 June 2010	10,408,009	234,092	(749,521)	9,892,580
Balance at 1 July 2010	10,408,009	234,092	(749,521)	9,892,580
Transactions with owners in their capacity as owners				
Issue of share capital	6,512,492	-	-	6,512,492
Share issue costs	(36,210)	-	-	(36,210)
Share-based payment expense	-	1,852,918	-	1,852,918
Transfers	53,932	(53,932)	-	-
Comprehensive income				
Loss after income tax	-	-	(3,407,685)	(3,407,685)
Other comprehensive income	-	-	-	-
Balance at 30 June 2011	16,938,223	2,033,078	(4,157,206)	14,814,095

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



Cash Flow Statement
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	37,028
Payments to suppliers and employees		(2,521,329)	(1,042,788)
Interest received		487,841	90,911
Interest paid		(13,754)	-
Net cash used in operating activities	19	(2,047,242)	(914,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(19,267)	(26,161)
Payments for intangible assets		-	(7,758)
Proceeds from sale of 80% interest in subsidiary	27	-	300,000
Funding for exploration and evaluation		2,000,000	3,013,961
Payments for exploration and evaluation		(1,398,629)	(1,827,615)
Net cash (used in)/ provided by investing activities		582,104	1,452,427
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		6,342,692	1,271,802
Share issue costs		(36,211)	-
Funds advanced to equity accounted associate		(726,496)	-
Proceeds/(repayments) from borrowings		7,937	-
Repayment of finance leases		(31,193)	-
Net cash provided by financing activities		5,556,729	1,271,802
Net increase/(decrease) in cash and cash equivalents		4,091,591	1,809,380
Cash and cash equivalents at the beginning of the financial year		5,106,175	3,296,795
Cash and cash equivalents at the end of the financial year	7	9,197,766	5,106,175

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of Carpentaria Exploration Limited (the “Company”) and its controlled entities (together referred to as the “Consolidated Entity”). Carpentaria Exploration Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities

The principal activity of the Consolidated Entity is mineral exploration.

Currency

The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Consolidated Entity.

Authorisation of financial report

The financial report was authorised for issue on 26 September 2011.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the Carpentaria Exploration Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity’s accounting policies.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements.

Key estimates – impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Key judgements – exploration & evaluation expenditure

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Carpentaria Exploration Limited at the end of the reporting period. A controlled entity is any entity over which Carpentaria Exploration Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 26 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

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

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

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

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Investments in Associates

Associates are companies in which the Consolidated Entity has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Consolidated Entity's share of net assets of the associate company. In addition, the Consolidated Entity's share of the profit or loss of the associate company is included in the Consolidated Entity's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Consolidated Entity's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Consolidated Entity and the associate are eliminated to the extent of the Consolidated Entity's interest in the associate.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, the Consolidated Entity discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Consolidated Entity will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Consolidated Entity's investments in associates are provided in Note 13.

(c) Income Tax

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

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

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

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

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

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

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

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

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.

(d) Plant and Equipment

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Plant and Equipment (continued)

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

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

Depreciation

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

The depreciation rates used for each class of asset is:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	20%
Computers and Office Equipment	20 - 33%
Motor Vehicles	12.5%

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

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

(e) Exploration Evaluation and Development Expenditure

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases

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

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

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

(g) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Consolidated Entity of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

(iii) *Held-to-maturity investments*

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

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

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

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

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

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

(v) *Financial liabilities*

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

Impairment

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

Financial guarantees

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

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

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

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

Derecognition

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Employee Benefits

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

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

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and Other Income

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

Interest revenue is recognised using the effective interest rate method.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

The Company has issued shares to employees and directors under the Company's employee share plan. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been valued as an option grant in accordance with AASB2 "Share Based Payments". The shares are disclosed in the financial statements as non-recourse employee shares (NRE Shares).

(n) Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding NRE shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Comparative figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have also been changed where classifications of income and expenditure items have been altered from the prior year as a result of a review by directors. The new classifications have been made to reflect a more accurate view of the Consolidated Entity's operations.

(p) New Accounting Standards and Interpretations

The Consolidated Entity adopted the following new Accounting Standards and Interpretations during the period:

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.'
- AASB 2009-8 'Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions'.
- AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'.
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

There were no material impacts on the financial statements or performance of the Consolidated Entity.

(q) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New Standards and Interpretations Not Yet Adopted (continued)

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the Consolidated Entity when an asset is transferred but is not utilized and new disclosure required when assets are utilized but the Consolidated Entity continues to have a continuing exposure to the asset after the sale.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The Consolidated Entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New Standards and Interpretations Not Yet Adopted (continued)

AASB 10: 'Consolidated Financial Statements'

This standard replaces the part of IAS 27: 'Consolidated and Separated Financial Statements' and is applicable for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Entity resulting in more assets and liabilities on the books. The Consolidated Entity is currently assessing the impact of this standard.

AASB 11: 'Joints Arrangements'

This standard replaces IAS 31: 'Interest in Joint Ventures' and is applicable for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Consolidated Entity will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and therefore the potential impacts of a change on the presentation of the Financial Statements. The Consolidated Entity is currently assessing the impact of this standard.

AASB 12: 'Disclosure of interest in other Entities'

This standard is applicable for annual reporting periods beginning on or after 1 January 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Consolidated Entity is assessing the impact of this standard.

AASB 13: 'Fair Value Measurement'

This standard establishes a single course of guidance for determining the fair value of assets and liabilities. The Consolidated Entity is currently assessing the impact of this standard.



	2011 \$	2010 \$
NOTE 2 REVENUE & OTHER INCOME		
Revenue		
Consulting and management fee revenue	530,608	37,028
Bank interest received	581,100	131,429
	1,111,708	168,457
Other Income		
Gain on sale of 80% interest in subsidiary	-	136,800
Gain on sale of interest in exploration tenement	614,233	2,687,907
	614,233	2,824,707

NOTE 3 INCOME TAX EXPENSE

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate for the years ended 30 June 2011 and 2010 is as follows:

Accounting profit /(loss) before income tax	(3,407,685)	1,565,849
Tax at the Australian tax rate of 30%	(1,022,306)	469,755
Non-deductible expenses	565,286	1,532
Deductible amounts recognised in equity	(33,098)	(31,298)
Deferred tax assets not brought to account	490,118	-
Unrecognised tax losses utilised	-	(439,989)
Income tax expense	-	-
Unrecognised temporary differences and tax losses		
Net deferred tax assets not brought to account	364,551	261,209

The deductible temporary differences and 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 4 AUDITORS' REMUNERATION

Remuneration paid to PKF East Coast Practice - auditing and reviewing the financial report	41,250	39,000
Non audit services:		
- Taxation services	12,260	-
- Other assurance services	7,500	-
	61,010	39,000

NOTE 5 EARNINGS PER SHARE

Earnings used to calculate basic and dilutive EPS	(3,407,685)	1,565,849
	2011 #	2010 #
Weighted average number of ordinary shares outstanding during the year	93,348,625	68,119,209
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS	93,348,625	68,119,209
Weighted average number of anti-dilutive options outstanding excluded from dilutive EPS	8,603,388	28,375,603



NOTE 6 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year. There are no franking credits available to the shareholders of the Company.

	2011 \$	2010 \$
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NOTE 7 CASH & CASH EQUIVALENTS

Cash on hand and at bank	3,280,013	3,194,630
Cash on deposit	5,917,753	1,911,545
	9,197,766	5,106,175

NOTE 8 TRADE & OTHER RECEIVABLES

Other receivables	1,508,695	721,525
Interest receivables	151,052	57,791
Receivable from equity accounted associate ¹	726,496	-
Provision for impairment - other receivables	(275,000)	-
	2,111,243	779,316

¹ Subsequent to balance date the Consolidated Entity sold its interest in the equity accounted investment and recovered this amount owing through those sale proceeds. Refer to Note 28 for further details.

NOTE 9 OTHER CURRENT ASSETS

Prepayments	9,733	59,912
Bonds and deposits	221,825	98,330
	231,558	158,242

NOTE 10 PLANT & EQUIPMENT

Plant and equipment

At cost	100,481	88,371
Accumulated depreciation	(52,920)	(32,441)
	47,561	55,930

Plant and equipment under lease

At cost	200,560	-
Accumulated depreciation	(17,304)	-
	183,256	-

Total plant and equipment	230,817	55,930
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Movements in carrying amounts

	Plant and equipment \$	Plant and Equipment – Under Lease \$	Total \$
Balance at 1 July 2009	45,422	-	45,422
Additions	26,161	-	26,161
Depreciation expense	(15,653)	-	(15,653)
Balance at 30 June 2010	55,930	-	55,930
Balance at 1 July 2010	55,930	-	55,930
Additions	19,267	-	19,267
Additions – finance lease	-	200,560	200,560
Depreciation expense	(27,636)	(17,304)	(44,940)
Balance at 30 June 2011	47,561	183,256	230,817



	2011 \$	2010 \$
NOTE 11 INTANGIBLE ASSETS		
Software – at cost	7,759	46,426
Software – at cost (under lease)	87,465	-
Accumulated amortisation	(1,790)	(40,219)
Licence costs	-	-
	93,434	6,207
Movements		
Opening balance	6,207	204,426
Additions	-	7,758
Additions – finance lease	87,465	-
Disposals – business combinations	-	(196,692)
Amortisation	(238)	(9,285)
Closing balance	93,434	6,207

NOTE 12 EXPLORATION EXPENDITURE

Exploration expenditure capitalised		
Opening balance	4,573,758	3,133,937
Net current year expenditure	1,568,429	1,917,615
Disposals	(1,385,767)	(326,054)
Impairment of exploration expenditure	(669,192)	(151,740)
	4,087,228	4,573,758

Recoverability of the carrying amount of exploration 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 13 EQUITY ACCOUNTED INVESTMENTS

Investment in associates	9,994	75,000
Movements		
Opening balance	75,000	-
Additions – business combinations (refer Note 26)	-	47,672
Fair value adjustment recognised on deconsolidation	-	27,328
Share of loss	(65,006)	-
Closing balance	9,994	75,000

The Consolidated Entity has a 20% interest (2009: 100%) in FTB (Qld) Pty Ltd. On 22 February 2010, the Consolidated Entity sold an 80% stake in FTB (Qld) Pty Ltd to The Chairmen 1 Pty Ltd for \$300,000.

Subsequent to balance date the Consolidated Entity sold its remaining interest in FTB (Qld) Pty Ltd. Refer to Note 28 for further details.

Summarised Financial Information of FTB (Qld) Pty Ltd

	Assets \$	Liabilities \$	Revenue \$	Loss \$
2011	5,520,555	3,647,701	3,101	325,031
2010	207,832	9,497	-	-

There was no expenditure commitments contracted for at balance date payable but not provided for and payable by the associate. There are no known contingent liabilities.

	2011 \$	2010 \$
NOTE 14 TRADE & OTHER PAYABLES		
Other payables and accrued expenses	722,384	772,421



	2011 \$	2010 \$
NOTE 15 INTEREST BEARING LIABILITIES		
<i>Current</i>		
Finance leases	95,661	-
Insurance financing	7,937	-
	103,598	
<i>Non-Current</i>		
Finance leases	190,703	-

The above facilities represent the only finance facilities available to the Consolidated Entity. There are no unused facilities at balance date (2010: Nil).

NOTE 16 PROVISIONS

Employee benefits	131,260	89,627
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NOTE 17 SHARE CAPITAL

Fully paid ordinary shares	16,938,223	10,408,009
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Ordinary Shares

	2011 \$	2010 \$	2011 #	2010 #
At the beginning of the year	10,408,009	8,612,949	72,641,301	67,500,000
Share placement ¹	169,800	90,000	370,000	500,000
Share issue expenses	(36,210)	-	-	-
Exercise of options ²	6,342,692	1,271,802	21,330,000	4,641,301
Transfer from reserves ³	53,932	433,258	-	-
At reporting date	16,938,223	10,408,009	94,341,301	72,641,301

Non-recourse employee shares (NRE)

At the beginning of the year	-	-	-	-
Shares issued under non-recourse loan plan ⁴	-	-	10,400,000	-
At reporting date	-	-	10,400,000	-

Total Ordinary and NRE Shares	16,938,223	10,408,009	104,741,301	72,641,301
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¹ 2011: 370,000 ordinary fully paid shares issued in consideration for land access rights.

2010: 500,000 ordinary fully paid shares issued in consideration for tenement EL 6936.

² 2011: 21,330,000 options were exercised during the period for consideration of \$6,342,692. Exercise prices ranged between \$0.114 and \$0.30 per share.

2010: 4,641,301 options were exercised during the period for consideration of \$1,271,802. Exercise prices ranged between \$0.114 and \$0.30 per share.

³ During the year \$53,932 (2010: \$433,258) was transferred out of the options reserve into share capital. This transaction had no impact on cashflows or total equity.

⁴ During the year 10,400,000 shares were issued as a result of the employee share plan. The value of this transaction is reflected in reserves. Refer to Note 18 and 20 for further details.

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.

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 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 17 SHARE CAPITAL (continued)

Options

Expiry Date	Exercise Price	Movements				
		1 July 2010	Issued	Exercised	Expired	30 June 2011
30 June 2010	\$0.300	500,000	-	(500,000)	-	-
30 June 2010	\$0.300	20,680,000	-	(20,680,000)	-	-
30 June 2011	\$0.150	200,000	-	-	(200,000)	-
31 July 2012	\$0.114	850,000	-	(150,000)	-	700,000
26 November 2012	\$0.150	2,000,000	-	-	-	2,000,000
16 February 2013	\$0.250	600,000	-	-	-	600,000
27 May 2012	\$0.413	-	1,850,000	-	-	1,850,000
2 March 2013	\$0.850	-	1,300,000	-	-	1,300,000
		24,830,000	3,150,000	(21,330,000)	(200,000)	6,450,000

2011
\$

2010
\$

NOTE 18 RESERVES

Share based payment reserve	2,033,078	234,092
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Share based payment reserve movements during the year

Opening balance	234,092	474,510
Share based payments	1,852,918	192,840
Transfer to share capital	(53,932)	(433,258)
Closing balance	2,033,078	234,092

Share based payment reserve

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

NOTE 19 CASH FLOW INFORMATION

Reconciliation of cash flows used in operations with loss after income tax

Profit/(loss) after income tax	(3,407,685)	1,565,849
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Non-cash items in profit/(loss) after income tax

Depreciation and amortisation	45,178	24,939
Share based payments expense	1,852,918	192,840
Impairment of exploration expenditure	669,192	151,740
Impairment of receivables	275,000	-
Gain on sale of 80% interest in subsidiary	-	(136,800)
Gain on sale of interest in exploration tenement	(614,233)	(2,687,907)
Share of net loss from equity accounted associate	65,006	-

Movements in assets and liabilities

Receivables	(880,431)	(743,080)
Other assets	(73,316)	(8,333)
Trade payables and accruals	(20,504)	685,347
Provisions	41,633	40,556
Cash flow from operations	(2,047,242)	(914,849)

Non-cash transactions

2011: 370,000 ordinary shares at \$0.46 per share (\$169,800) were issued in consideration for tenement land access rights.

Vehicles, field equipment, computer equipment and software totaling \$288,025 were acquired via finance leases.

2010: 500,000 ordinary shares at \$0.18 per share (\$90,000) were issued in consideration for tenement EL 6936.



NOTE 20 SHARE BASED PAYMENTS

Equity based instruments - Options

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

The Company has granted options over ordinary shares to directors, employees and consultants as part of their remuneration packages. The options were granted for nil consideration and are not quoted on the ASX. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Information with respect to the number of options granted is as follows:

2011

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	Exercisable at end of year
1	27 Aug 2007	30 Jun 2010	\$0.300	500,000	-	(500,000)	-	-	-
7	1 July 2008	30 Jun 2011	\$0.150	200,000	-	-	(200,000)	-	-
8	20 July 2009	31 July 2012	\$0.114	750,000	-	(150,000)	-	650,000	650,000
9	1 Oct 2009	31 July 2012	\$0.114	100,000	-	-	-	100,000	100,000
10	26 Nov 2009	26 Nov 2012	\$0.150	2,000,000	-	-	-	2,000,000	2,000,000
11	16 Feb 2010	16 Feb 2013	\$0.250	600,000	-	-	-	600,000	600,000
12	12 July 2010	27 May 2012	\$0.413	-	1,850,000	-	-	1,850,000	1,850,000
13	1 March 2011	2 March 2013	\$0.850	-	1,300,000	-	-	1,300,000	1,300,000
				4,150,000	3,150,000	(650,000)	(200,000)	6,450,000	6,450,000
Weighted average exercise price				0.18	0.59	0.26	0.15	0.37	0.37
Weighted average share price at date of exercise				0.43					

2010

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	Exercisable at end of year
1	27 Aug 2007	30 Jun 2010	\$0.300	3,400,000	-	(2,400,000)	(500,000)	500,000	500,000
2	14 Nov 2007	30 Jun 2010	\$0.300	300,000	-	(300,000)	-	-	-
3	7 Jan 2008	30 Jun 2010	\$0.270	500,000	-	(500,000)	-	-	-
7	1 July 2008	30 Jun 2011	\$0.1500	800,000	-	(600,000)	-	200,000	200,000
8	20 July 2009	31 July 2012	\$0.114	-	1,000,000	(250,000)	-	750,000	750,000
9	1 Oct 2009	31 July 2012	\$0.114	-	100,000	-	-	100,000	100,000
10	26 Nov 2009	26 Nov 2012	\$0.150	-	2,000,000	-	-	2,000,000	2,000,000
11	16 Feb 2010	16 Feb 2013	\$0.250	-	600,000	-	-	600,000	600,000
				5,000,000	3,700,000	(4,050,000)	(500,000)	4,150,000	4,150,000
Weighted average exercise price				0.27	0.16	0.26	0.30	0.18	0.18
Weighted average share price at date of exercise				0.34					

Tranche 11 options were issued in relation to the acquisition of FTB (QLD) Pty Ltd and were deemed to have nil value at the date of acquisition.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.32 years. (2010: 1.79 years).

Fair value of options granted

The assessed fair value at the date of grant of options issued is determined using a Black-Scholes option pricing model that takes into account the exercise price, the underlying share price at the time of issue, the term of the option, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument.



NOTE 20 SHARE BASED PAYMENTS (continued)

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

Inputs into pricing model	Tranches issued in 2011		Tranches issued in 2010		
	12	13	8	9	10
Grant date	12 July 2010	1 March 2011	20 July 2009	1 Oct 2009	26 Nov 2009
Vesting date	27 May 2011	1 March 2013	20 July 2009	1 Oct 2009	26 Nov 2009
Exercise price	\$0.413	\$0.85	\$0.114	\$0.114	\$0.15
Share price at grant date	\$0.44	\$0.66	\$0.08	\$0.015	\$0.15
Life of the options	1.88 years	2 years	3 years	2.8years	3 years
Underlying share price volatility	54%	54%	77%	77%	77%
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	4.42%	4.68%	4.00%	4.00%	4.00%

Equity based instruments – Director and Employee Shares with Non-Recourse Loans

During the period, the Company issued 10,400,000 ordinary shares to Directors and employees pursuant to the CAP Employee Share Plan. The shares were issued as a result of the Consolidated Entity achieving Corporate KPI1, being a discovery and resource outline. This KPI was met on 17 December 2010. The shares issued in March 2011 following board approval.

The director shares have an issue price of \$0.48, being the VWAP over the 10 days prior to 31 May 2011. The employee shares have an issue price of \$0.60, being the VWAP over the 10 days prior to 3 March 2011. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been treated as an *option* grant in accordance with AASB2 "Share Based Payments". In line with AASB2 "Share Based Payments", the related expense for the shares is recorded from the date that agreement with the employee is met, being the date Corporate KPI 1 was met (in this case the announcement of a resource outline on 17 December 2010).

Information with respect to the number of director and employee shares with non-recourse loans granted is as follows:

2011

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	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	\$0.48	-	3,000,000	-	-	3,000,000	3,000,000
Director 2	31 May 2011	31 May 2013	\$0.48	-	3,000,000	-	-	3,000,000	3,000,000
Employee 1	1 March 2011	2 March 2013	\$0.60	-	4,400,000	-	-	4,400,000	4,400,000
				-	10,400,000	-	-	10,400,000	10,400,000
Weighted average exercise price				-	0.53	-	-	0.53	0.53

The weighted average remaining contractual life of director and employee shares with non-recourse loans outstanding at the end of the period was 1.53 years.

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
Grant date	31 May 2011	31 May 2011	1 March 2011
Vesting date	31 May 2012	31 May 2013	1 March 2013
Exercise price	\$0.48	\$0.48	\$0.60
Share price at grant date	\$0.51	\$0.51	\$0.66
Life of the options	1 year	2 years	2 years
Underlying share price volatility	54%	54%	54%
Expected dividends	Nil	Nil	Nil
Risk free interest rate	4.68%	4.68%	4.68%



NOTE 20 SHARE BASED PAYMENTS (continued)

Equity based instruments – Ordinary Shares

During the year the Company issued 370,000 ordinary fully paid shares at \$0.46 per share (\$169,800) in consideration for tenement land access. The fair value of the tenement land access was deemed to equal the value of the share issues. The value of the shares was determined by reference to the Company's trading price on the ASX at the date of acquisition.

During the prior year the Company issued 500,000 ordinary fully paid shares at \$0.18 per share (\$90,000) in consideration for tenement EL 6936. The fair value of the tenement was deemed to equal the value of the share issues. The value of the shares was determined by reference to the Company's trading price on the ASX at the date of acquisition.

Expenses arising from share-based payment transactions

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

	2011 \$	2010 \$
Options issued under employee option plan	364,095	192,840
Shares issued under employee share scheme	1,488,823	-
	1,852,918	192,840

NOTE 21 RELATED PARTY and KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel compensation

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

Summary

Short-term employee benefits	868,875	707,802
Post-employment benefits	78,199	65,532
Share-based payments	1,148,754	168,250
	2,095,828	941,584

Director/Key Management Personnel shareholdings (number of shares)

2011	Opening Balance	Granted as remuneration*	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Nick Sheard	300,000	1,500,000	-	100,000	1,900,000
Bob Hair	30,000	1,500,000	-	-	1,530,000
Mike Chester	86,401	1,500,000	-	-	1,586,401
Stan Macdonald	-	1,500,000	500,000	-	2,000,000
Bin Cai ¹	-	-	-	10,479,000	10,479,000
Key Management Personnel					
Doug Brewster	400,000	1,000,000	-	(135,000)	1,265,000
Chris Powell	31,500	1,000,000	150,000	(121,500)	1,060,000
Total	847,901	8,000,000	650,000	(156,500)	9,341,401

* During the period, the Company issued 8,000,000 NRE shares to Directors and Key Management Personnel pursuant to the CAP Employee Share Plan. Refer to Note 19 for further details.

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



NOTE 21 RELATED PARTY and KEY MANAGEMENT PERSONNEL (continued)

Director/Key Management Personnel shareholdings (number of shares)

2010	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Nick Sheard	230,000	-	1,000,000	(930,000)	300,000
Bob Hair	20,000	-	510,000	(500,000)	30,000
Mike Chester	86,401	-	-	-	86,401
Stan Macdonald	1,424,669	-	713,335	(2,138,004)	-
Key Management Personnel					
Doug Brewster	34,289	-	715,000	(349,289)	400,000
Chris Powell	21,000	-	460,500	(450,000)	31,500
Total	1,816,359	-	3,398,835	4,367,293	847,901

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

2011	Opening Balance	Granted as remuneration	Options Exercised	Options Lapsed/Sold	Closing Balance
Directors					
Nick Sheard	2,000,000	-	-	-	2,000,000
Bob Hair	-	-	-	-	-
Mike Chester	-	-	-	-	-
Stan Macdonald	500,000	-	(500,000)	-	-
Bin Cai	-	-	-	-	-
Key Management Personnel					
Doug Brewster	450,000	400,000	-	(200,000)	650,000
Chris Powell	250,000	400,000	(150,000)	-	500,000
Total	3,200,000	800,000	(650,000)	(200,000)	3,150,000
2010	Opening Balance	Granted as remuneration	Options Exercised	Options Lapsed/Sold	Closing Balance
Directors					
Nick Sheard	1,000,000	2,000,000	(1,000,000)	-	2,000,000
Bob Hair	510,000	-	(510,000)	-	-
Mike Chester	43,201	-	-	(43,201)	-
Stan Macdonald	1,212,335	-	(712,335)	-	500,000
Key Management Personnel					
Doug Brewster	915,000	250,000	(715,000)	-	450,000
Chris Powell	460,500	250,000	(460,500)	-	250,000
Total	4,141,036	2,500,000	(3,521,580)	(43,021)	3,200,000

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 2011 (2010: nil).

Transactions with Related Parties

There were no other transactions between the Consolidated Entity and its related parties during the year (2010: nil).



NOTE 22 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is cash flow interest rate risk.

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. For the period under review, it has been the entity's policy not to trade in financial instruments.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, credit risk and liquidity 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 2011.

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 has the following material credit risk exposure to the followings debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

	2011 \$
Receivable from equity accounted associate	726,496
Receivable from joint venture partner	1,182,724
	1,909,220

Of this balance, the Consolidated Entity had received \$1,509,220 at the date of this report.



NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk

	2011 \$	2010 \$
Non-trade receivables	2,386,243	779,316
Cash and cash equivalents	9,197,766	5,106,175
	11,584,009	5,885,491

Ageing of receivables

Not past due	1,986,243	779,316
Past due 0-90 days	-	-
Past due >90 days	400,000	-
Impaired	(275,000)	-
	2,111,243	779,316

Credit risk - Cash and cash equivalents

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

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board. The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2011 \$	2010 \$
<u>Less than one year</u>		
Trade and other payables	722,384	772,421
Insurance financing	8,129	-
Finance leases	116,143	-
<u>One to five years</u>		
Finance leases	206,672	-
	1,053,328	772,421

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.
- Insurance financing is unsecured and is subject to an interest rate of 14.4%.
- Finance lease are secured by way of fixed charge over the leased asset. The finance leases are a subject to interest rates ranging from of 7.73% to 10.06%.



NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

(c) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity's interest rate exposure is limited to its variable rate cash and cash equivalents assets.

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

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011	2010	2011	2010
	\$	\$	\$	\$
+1.00% (100 basis points)	32,800	51,062	32,800	51,062
-1.00% (100 basis points)	(32,800)	(51,062)	(32,800)	(51,062)

(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 the value share capital can be found in Note 17. There are no externally imposed capital requirements. Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management share issues.

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

(e) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTE 23 SEGMENT REPORTING

Reportable Segments

The Company operates in one segment, being the exploration, development, and production of minerals. All of the Company's areas of operation are currently located in Australia.

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.



	2011 \$	2010 \$
NOTE 24 COMMITMENTS		
Operating leases		
<i>Minimum lease payments:</i>		
Payable within one year	115,625	24,180
Payable within one year and five years	135,836	1,140
Total contracted at balance date	251,461	25,320
Finance leases		
<i>Future minimum lease payments:</i>		
Payable within one year	116,143	-
Payable between one year and five years	206,672	-
	322,815	-
Less future interest payments	(36,451)	-
	286,364	-
<i>Present value of minimum lease payments:</i>		
Current (Note 15)	95,661	-
Non-Current (Note 15)	190,703	-
	286,364	-

The lease relates to exploration equipment, computer equipment and vehicles with a written down value of \$270,721. Under the lease terms, the Consolidated Entity will acquire the leased assets at the end of the lease.

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.

<i>Exploration obligations to be undertaken:</i>		
Payable within one year	1,521,000	530,500
Payable between one year and five years	1,521,000	685,000
	3,042,000	1,215,500

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements or to meet expenditure requirements by joint venture or farm in agreements.

NOTE 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2011 that require disclosure in the financial report.



NOTE 26 PARENT ENTITY INFORMATION

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

	2011 \$	2010 \$
Parent Entity Financial Information		
Current assets	12,301,210	6,003,733
Non-current assets	3,875,742	4,762,108
Total assets	16,176,952	10,765,841
Current liabilities	957,246	862,052
Non-current liabilities	190,703	-
Total liabilities	1,147,949	862,052
Net assets	15,029,003	9,903,789
Issued capital	16,938,223	10,408,009
Share based payment reserve	2,033,078	234,092
Accumulated losses	(3,942,298)	(738,312)
Total equity	15,029,003	9,903,789
Loss after income tax	(3,203,986)	(1,409,640)
Other comprehensive income	-	-
Total comprehensive income	(3,203,986)	(1,409,640)

Controlled Entities of the Parent Entity

	Percentage Owned		Parent Entity Investment	
	2011	2010	2011	2010
	%	%	\$	\$
Willyama Prospecting Pty Ltd	100%	100%	1	1

Commitments, Contingencies and Guarantees of the Parent Entity

The minimum committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity. Refer to Note 24 for details.

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



NOTE 27 BUSINESS COMBINATIONS

2010:

On 22 February 2010, Carpentaria Exploration Limited sold 80% the shares in FTB (QLD) Pty Ltd ("FTB") to The Chairman 1 Pty Ltd for \$300,000. The Chairman 1 Pty Ltd will manage and fund exploration through to definition of an Inferred Resource, for a maximum expenditure of up to \$2,000,000.

The disposal had the following effect on the consolidated entities assets and liabilities on sale date:

	\$
Cash consideration received	300,000
<i>Assets and liabilities disposed</i>	
Other assets	(41,508)
Intangible assets	(196,692)
20% investment retained	75,000
Gain on disposal	136,800

In the 7 months to February 2010, FTB did not contribute any revenue or profit to the Consolidated Entity.

The Consolidated Entity's remaining 20% is accounted for as equity accounted investment.

NOTE 28 EVENTS AFTER BALANCE SHEET DATE

On 14 September 2011, The Consolidated Entity sold its remaining 20% share in FTB (QLD) Pty Ltd to Guildford Coal Limited for the following consideration:

- \$1.5 million cash
- 2,184,551 fully paid ordinary securities in Guildford Coal Limited with a market value at 14 September of \$2.5 million
- \$0.50 per tonne royalty on coal production from the Hughenden Coal Project, capped at 10 million tonnes per year for 20 years.

The above consideration includes repayment of \$726,496 owed to the Consolidated Entity by FTB (QLD) Pty Ltd.

There have been no other events since 30 June 2011 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, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 (a) to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be "S N Sheard", written over a light blue horizontal line.

S N Sheard
Executive Chairman

Brisbane
26 September 2011

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CARPENTARIA EXPLORATION LIMITED****Report on the Financial Report**

We have audited the accompanying financial report of Carpentaria Exploration Limited, which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Carpentaria Exploration Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Opinion

In our opinion:

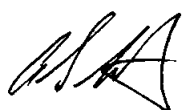
- (a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Carpentaria Exploration Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

**PKF**

Albert Loots
Partner

Dated at Brisbane this 26th day of September 2011