

ABN: 63 095 117 981

ASX: CAP

ANNUAL REPORT 2012

**CARPENTARIA
EXPLORATION
LIMITED**

First listed in 2007 in a \$7.5 million IPO, the aim of Carpentaria Exploration Limited (ASX:CAP) is to:

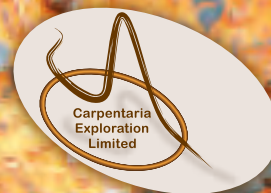
BUILD THROUGH DISCOVERY OR ACQUISITION PROFITABLE MINING OPERATIONS TO GROW SHAREHOLDER VALUE.

After two discoveries in three years, Brisbane-based Carpentaria has earned the status of one of the top 100 Australian resource stocks to watch*.

Carpentaria's flagship project is the \$3.2 billion Hawsons Iron Project near Broken Hill, the biggest magnetite discovery in New South Wales.

The Company is focused on discovering and developing bulk commodities, base metals and precious metals in eastern Australia. Carpentaria has interests in iron ore, gold, tungsten, tin, copper and nickel projects.

* Dr Allan Trench, *Resourcestocks* magazine, September 2011.



WE FIND IT

2 discoveries in 3 years (Hawsons, Euriowie)

WE PROVE IT

\$3.2 billion project value, Hawsons Prefeasibility Study

WE MAKE IT POSSIBLE

Market value doubled since IPO
(at 23 August, 2012)

Annual General Meeting

Date: Thursday, 18 October 2012

Time: 3.30 p.m. (EST)

Venue: Queensland Irish Association
175 Elizabeth Street
Brisbane QLD 4000

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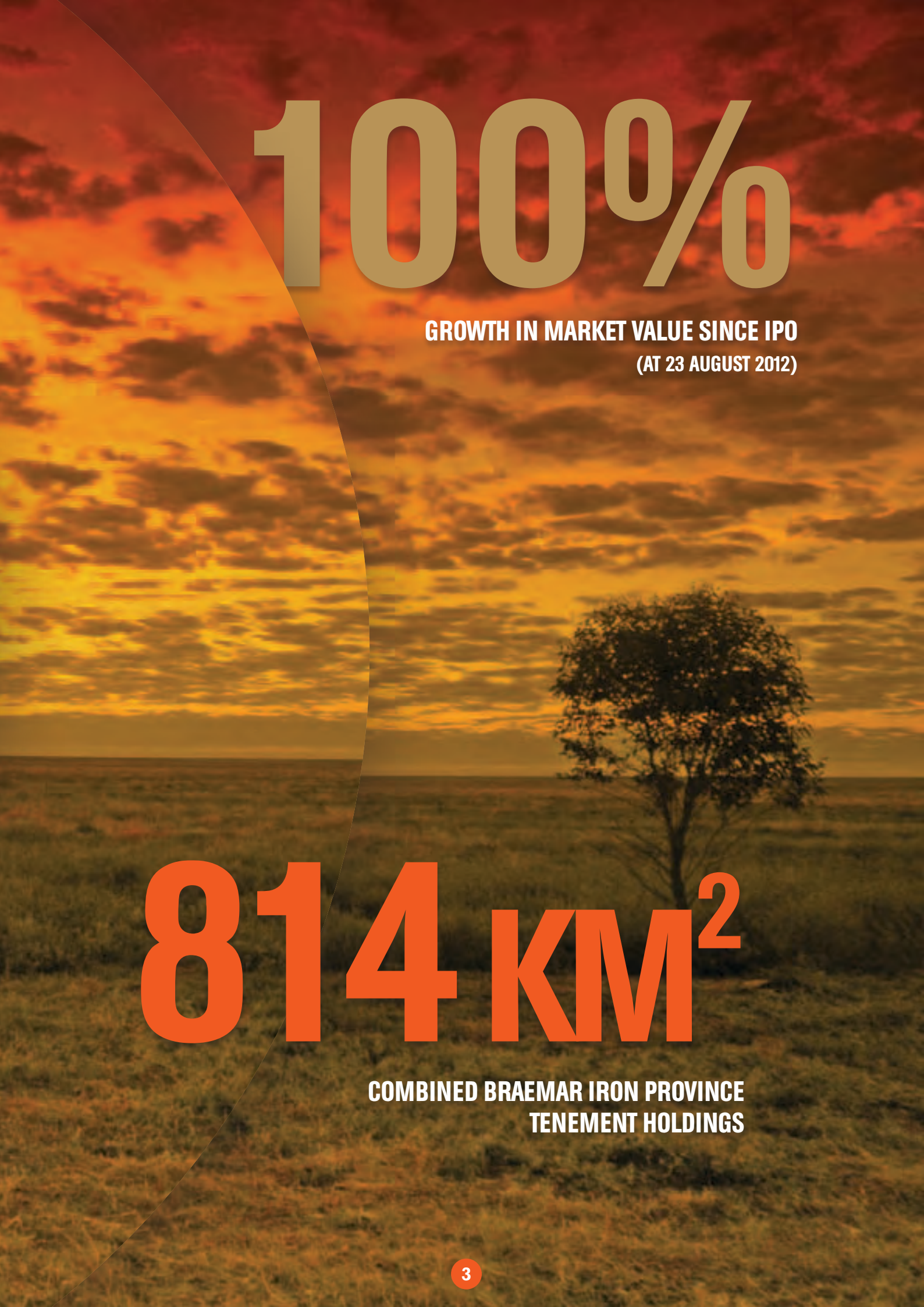
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PROJECT OVERVIEW: CARPENTARIA BY THE NUMBERS

**HAWSONS IS THE LARGEST MAGNETITE RESOURCE IN NSW,
WITH A POTENTIAL MINE LIFE OF MORE THAN 50 YEARS**

**\$3.2
BILLION**

**ESTIMATED HAWSONS PROJECT NPV
(NOVEMBER 2011 PFS UPDATE)**



100%

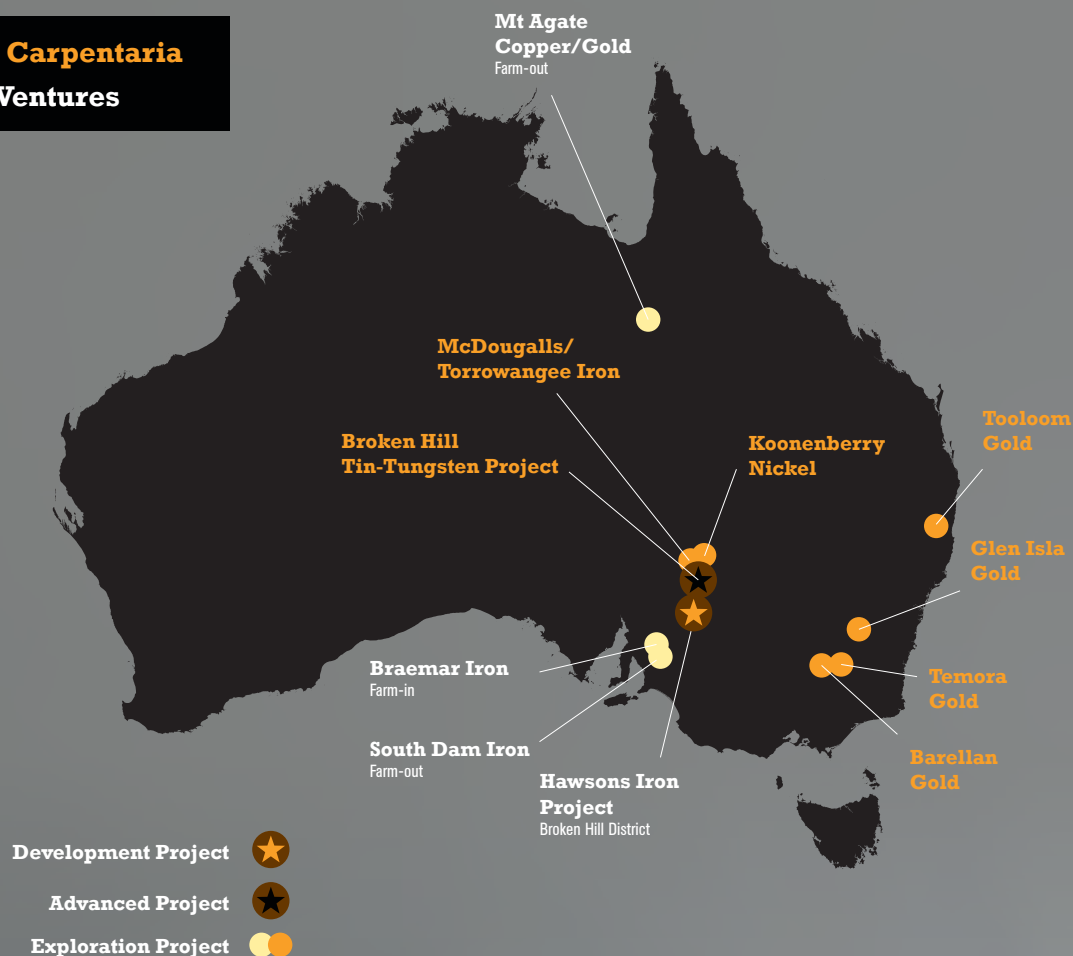
GROWTH IN MARKET VALUE SINCE IPO
(AT 23 AUGUST 2012)

814 km²

**COMBINED BRAEMAR IRON PROVINCE
TENEMENT HOLDINGS**

PROJECT OVERVIEW

100% Carpentaria
Joint Ventures



Pictured: Drilling at Hawsons Iron Project, Broken Hill

100% CAP

Broken Hill Tin-Tungsten Project NSW	Tin/Tungsten	100% CAP
Barellan NSW	Gold	100% CAP
Temora NSW	Gold	100% CAP
Koonenberry NSW	Nickel/Copper/ Platinum Group Elements	100% CAP
Tooloom NSW	Gold	100% CAP
Glen Isla NSW	Gold	100% CAP
McDougalls/ Torrawangee NSW	Iron	100% CAP

Discoveries

Hawsons Iron Project NSW	Magnetite Iron	60% CAP
Euriowie NSW	Tin	100% CAP

Acquisitions

Yanco Glen NSW	Tin/Tungsten	100% CAP
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Joint Ventures

Braemar SA	Iron	CAP earning in
South Dam SA	Iron	BMG (in liquidation)
Mt Agate QLD	Copper/Gold	ActivEx (25% CAP)

KEY ACHIEVEMENTS FY2012

- **Lower costs increase Hawsons Iron Project value to estimated \$3.2 billion**
- **Successful sale of Hughenden Coal Project**
- **New directors strengthen geoscientific and project development expertise**
- **Braemar JV consolidates pre-eminent position in Braemar Iron Province**
- **Broken Hill tin/tungsten holdings consolidated and advanced**
- **Project pipeline boosted with 6 new tenements**





FY2013 GOALS

- **Secure development partner for Hawsons and launch Bankable Feasibility Study**
- **Continue aggressive exploration program across eastern Australia**
- **Strategic portfolio acquisitions/divestments to generate shareholder value**
- **Continue transition from explorer to mid-tier mining house**

CHAIRMAN'S MESSAGE

The past year has been a formative one for Carpentaria Exploration.

Despite global economic and market volatility, Carpentaria has continued laying the foundations for growth. This has been achieved by funding the development of the flagship Hawsons Iron Project, maintaining an aggressive exploration program and securing high quality but low cost additions to the project portfolio.

The Company's opportunistic and strategic project acquisition has kept delivering results for shareholders.

This is shown by the modest profit achieved for fiscal 2012 – a rarity among explorers – due to the successful sale of the Hughenden Coal Project.

Carpentaria has also demonstrated its vision and capacity to attract talent, with the appointment of new non-executive directors Dr Neil Williams and Paul Cholakos. Their appointments followed the resignation for personal reasons during the year of two of the Company's founding directors, Stan Macdonald and Mike Chester.

Dr Williams is the former longstanding chief executive of Geoscience Australia and also served as president of the recent 34th International Geological Congress in Brisbane, an event described as the "Olympics for geology". His geoscientific expertise adds to Carpentaria's exploration effort and builds on an already successful team.

Mr Cholakos is also a key appointment, bringing experience in the delivery of multibillion-dollar resource development projects, and is well suited to assist with the development of Hawsons.

Carpentaria has funded nearly \$2m of development at Hawsons this past year. The project has become more attractive at every step and is undoubtedly the key growth driver for the Company.

In November 2011, Carpentaria announced a significant increase in Hawson's estimated net present value to \$3.2 billion. This was due to lower projected operating costs through optimisation of the mining method.

In conjunction with the CSIRO, Carpentaria has also been working to improve the processing stream and maximise the benefits of Hawsons' soft mineralisation. Due to these efforts and the benefit of a revised process flow sheet, power needs are likely to be cut by up to 20 per cent.



In March, Carpentaria established a large scale port option for Hawsons by signing a Memorandum of Understanding with Flinders Ports concerning the long-term handling, storage and loading of iron ore exports via Port Pirie in South Australia. The initiative puts Hawsons ahead of the pack by allowing for the potential export of 20 to 30 million tonnes per annum of iron ore, while also minimising the impact on city infrastructure.

These developments have strengthened what was already a very attractive project due to its estimated low cost and availability of transport, water and power infrastructure. The Company is well placed to continue the development of Hawsons into a profitable mining operation.

In addition, the liquidation of the Hawsons joint venture partner, Boynton Metals Group (BMG) has left Carpentaria in a strong position with first right of refusal over BMG's 40 per cent stake and other rights. This has given the Company the opportunity to bring more certainty and a new partner to the project next year.

Elsewhere, Carpentaria's foothold on the Braemar Iron Province increased in January, with the signing of the Braemar joint venture with Maosen Australia covering over 20 line kilometres of the highly prospective Braemar Iron Formation.

Together with Hawsons and South Dam, Carpentaria now has interests in more than 81km of collective strike of magnetite siltstone in the Braemar Iron Formation.

Exploiting the potential value of these holdings for the benefit of shareholders is a key goal of Carpentaria, which has gained the important position of "first mover" in the Braemar Iron Province.

However, Carpentaria is by no means confined to this resource or region, having a number of attractive projects in eastern Australia covering a diverse range of base, precious metals and bulk commodities.

The Broken Hill Tin-Tungsten Project represents the consolidation of all known tin occurrences around the region, spanning 932 sq km. Carpentaria aims to establish a cluster of tin and tungsten deposits that can be easily mined at low cost, having acquired this year a tungsten resource with the grant of the Yanco Glen licence.

Carpentaria also added the highly prospective Barellan gold project to its portfolio this year at no cost. High gold grades have been identified in this prospect, adding to the Company's other gold projects at Glen Isla, Temora and Tooloom in NSW.

With other iron projects at McDougalls/Torrowangee and South Dam, together with nickel at Koonenberry, Carpentaria has developed a strong pipeline of projects for future value generation.

From a community viewpoint, Carpentaria is determined to properly engage with all stakeholders and it has been pleasing to receive positive feedback from landholders and others working with the Company.

Carpentaria is also committed to ongoing communication with shareholders and investors, as shown by this year's launch of the "CAPunearthed" investor newsletters along with regular use of email and social media, as well as the Company's participation in a range of industry conferences.

The Company's winning of the top national investor relations awards for 2011 from the Public Relations Institute of Australia testifies to such efforts, and we are determined to build further upon this success.

Looking ahead, Carpentaria with a development partner intends to launch the Bankable Feasibility Study (BFS) for Hawsons this year and complete it within an estimated two years, with the potential launch of mining operations by 2015. Due to the project's potential long life, premium product and existing transport solution, it has attracted interest from a number of prospective partners, notwithstanding current tight capital markets.

While commodity prices have fluctuated in recent times, forecasts by major resource companies that 100 million tonnes a year of new seaborne iron ore supply is required for the next eight straight years suggest the long-term prospects for Hawsons are extremely favourable.

With a track record of successful discovery and value creation, Carpentaria has been listed among the top 100 resource stocks to watch on the Australian stock exchange and we have no intention of resting on our laurels.

The Company will continue to actively seek advanced projects capable of becoming near term profitable mining operations, leveraging its solid financial position and technical skills.

Of course, none of our achievements would be possible without the efforts of our dedicated, technically expert team of employees and contractors, and I would like to thank them again for their contribution.

Geoscientific and global expertise is what makes Carpentaria stand out from other mining companies, and we will continue to strengthen our team for the challenges ahead.

With the support of our Board and around 2,200 shareholders, Carpentaria is in an excellent position to make the transition to a mid-tier mining house. I expect great progress towards this goal in the year ahead.



Nick Sheard
Executive Chairman

*Pictured left: Carpentaria's Executive Chairman, Nick Sheard (left)
and Principal Geologist - New Business, Quentin Hill at the Hawsons
Iron Project*

DIRECTORS & MANAGEMENT

DIRECTORS

Nick Sheard

Executive Chairman



Nick is the founding Executive Chairman of the Company and has over 38 years experience in the industry – recently as 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 has been involved with a number of discoveries worldwide during his career as an explorationist working in North and South America, Europe, Asia and Australia.

He is a member and past president of the Australian Society of Exploration Geophysicists (ASEG), a Fellow of the Australian Institute of Geoscientists (AIG) and a Registered Professional Geoscientist – Mineral Exploration and Geophysics.

Nick is also a Non-Executive Director of Mirabela Nickel Ltd (ASX:MBN) and Chairman of ShelterManagement, a voluntary role developing and distributing animal welfare industry software.

Bob Hair

Non-Executive Director



Bob is a founding Director of the Company and is by background a lawyer with over 23 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 the ASX, JSE and AIM-listed Ferrum Crescent Limited (ASX, JSE, AIM:FCR).

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

Bin Cai

Non-Executive Director



Appointed a Non-Executive Director in May 2011, Bin is Managing Director of Conglin International Investment Group Pty Ltd, a major shareholder of Carpentaria Exploration.

With 18 years experience in resources investment, Bin and the 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.

Dr Neil Williams

Non-Executive Director



Recently retired as Chief Executive Officer of the Australian Government's geoscience agency, Geoscience Australia, Dr Williams has had a distinguished career

spanning all aspects of minerals exploration, both in Australia and internationally, including serving as Chief Geologist for MIM.

Dr Williams has won numerous Australian and international awards in his field. He has also had a distinguished academic career, currently serving as an Honorary Professorial Fellow at the University of Wollongong, as well as a number of other industry and management bodies, including the Queensland Exploration Council and President of the 34th International Geological Congress.

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

Paul Cholakos

Non-Executive Director



Paul has 25 years of resources industry experience, successfully managing complex development projects for leading oil and gas and diversified mining companies.

He holds Master of Business Administration and Bachelor of Engineering degrees.

Paul currently serves as Executive General Manager, Project Development at major Australian oil and gas company Oil Search Limited (ASX:OSH).

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

MANAGEMENT

Doug Brewster

Exploration Manager



Doug is a career minerals exploration geologist with over 25 years Australian and international multi-commodity experience. He has been the Exploration Manager at Carpentaria since its initial

public offering and is a graduate of the University of Sydney.

Doug was recruited by CRA (now Rio Tinto) where he worked for nearly a decade prior to joining Delta Gold (now Barrick) in a senior role, where he rebuilt their East Australian exploration effort in the late 1990s. He subsequently operated as a successful mineral exploration consultant, providing services to a number of major and junior mining companies, including Troy Resources, Inco (now Vale) and Toro Energy.

He is experienced in gold, base-metal massive sulphide, porphyry copper, iron-oxide copper-gold, iron ore, coal, uranium, diamond, clay and mineral sand exploration.

Doug is a member of the Geological Society of Australia (GSA), Society of Economic Geologists (SEG), Society of Mining, Metallurgy and Exploration (SME) and the Australian Institute of Geoscientists (AIG).

Quentin Hill

Principal Geologist – New Business



Quentin is a geologist with over 15 years experience in exploration and development in Australia.

He has wide-ranging commodity experience, including gold, iron ore, coal and base metals.

Quentin was Carpentaria's Senior Geologist when the Company listed and was integral in the discovery of the 1.4Bt Hawsons Iron Project, where he also managed the successful resource drilling.

Prior to his four years with Carpentaria, Quentin held technical positions with major miners, including seven years with Delta Gold.

He also held a senior role in the Queensland Government where he implemented several exploration funding initiatives.

Quentin is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists.

Chris Powell

Company Secretary/CFO



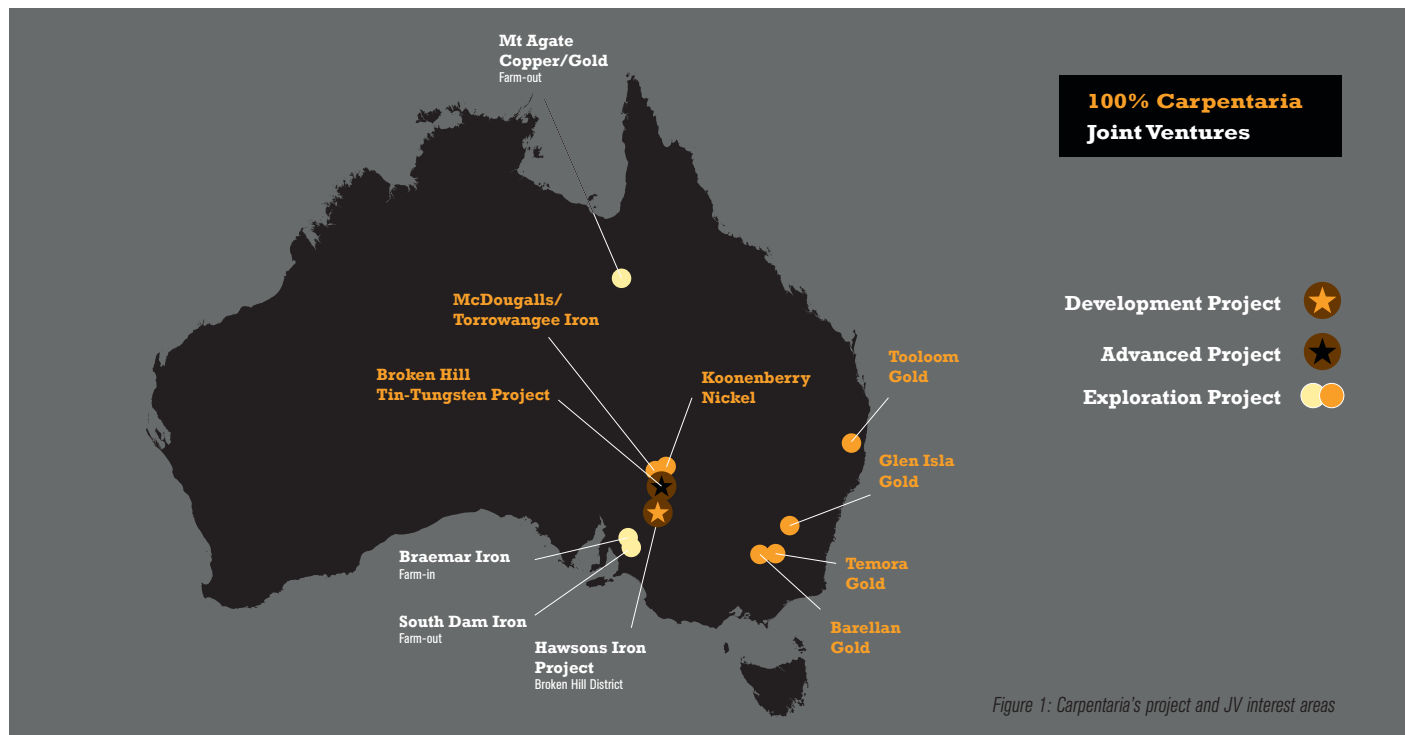
Chris has more than 35 years of experience across a number of industries in similar roles.

He has a wealth of administration and financial knowledge, gathered through employment in senior management roles in New Zealand and Australia.

Chris has been with Carpentaria since its inception in 2007.

He holds a Diploma of Management and is a member of the Australian Institute of Management (FAIM).

REVIEW OF OPERATIONS



Summary

Fiscal 2012 was punctuated with outstanding results from the Hawsons Iron Project which have increased its value and highlighted areas where further improvements are likely, such as the use of power and availability of transport infrastructure.

In addition, some key acquisitions at low or zero cost have added to Carpentaria's strategic land holdings in the Braemar Iron Province, the Broken Hill area and its growing gold portfolio in eastern Australia. This highlights Carpentaria's willingness to act quickly where opportunity presents within its strategic view.

At Hawsons, Carpentaria announced in November 2011 an update to the Prefeasibility Study (PFS) based on a mining option study that increased the value of the project through a revised mining method.

The result, based on a large-scale magnetite mine producing up to 20 million tonnes per annum (mtpa) of high grade iron concentrate (69.9% Fe), returned a net present value after tax of \$3.2 billion, an internal rate of return of 23% and a potential mine life of at least 20 years.

Carpentaria began a similar revision of Hawsons' processing flow and has designed a new flow sheet which has the potential to improve the project's economics further.

A Memorandum of Understanding was signed with Flinders Ports to determine a long-term handling, storage and loading solution at Port Pirie. It is anticipated that 20-30 mtpa will be able to be exported, utilising transshipment after a low cost port upgrade at Port Pirie.

The Hawsons joint venture partner, BMG was placed into liquidation on 3rd May 2012. BMG (in liquidation) elected not to continue the JV and its interest was frozen at 40%.

At the Broken Hill Tin-Tungsten Project a 21 hole, 2320m reverse circulation (RC) drilling program was completed at the Yanco Glen tungsten prospect. The drilling was designed to confirm and extend the existing resource.

While the results are yet to be fully analysed, it is anticipated that the existing resource will be confirmed, and a new zone of mineralisation was identified 1.5km to the south of the resource.

The Kantappa (granted) and Corona licenses (offered) were added to the project this year, consolidating all known tin occurrences in the Broken Hill area.

The Barellan licence was granted this year and initial reconnaissance was very encouraging. This work confirmed the presence of mineralised rocks containing high gold grades, with a maximum rock chip value of 5.6 g/t (grams per tonne) gold.

The results were from an area where historical work generated a surface trench rock traverse result of 60m at 1.5g/t gold. Observations confirm the mineralisation is extensive throughout the trench and drilling will be carried out next year.

The Braemar JV was signed in January 2012 with Maosen Australia Pty Ltd, giving Carpentaria an opportunity to earn up to 100% of EL3998. It is located along the Braemar Iron Formation, contiguous to the South Dam JV.

Carpentaria has completed a ground magnetic survey with positive results and must complete over 500m of drilling within 12 months to continue in the JV.

At the South Dam JV, partner BMG has until January 2013 to meet expenditure commitments (\$1m) or the licence will fully revert to Carpentaria.

Toooloom is a new application located in northern NSW, 60km north-east of Tenterfield. The application is located within the southern New England Fold Belt, covers 75 mineral occurrences and is prospective for intrusion-related gold and gold-silver-base metal mineralisation.

At the Koonenberry nickel project, Carpentaria completed a 1322m RC drilling program. It targeted sulfide or residual nickel mineralisation in three main prospect areas identified from historical weathered bedrock drilling and surface geochemistry. The drilling program intersected low level nickel sulfides.

The Temora gold project covers three licences and was subject to surface reconnaissance this year, with no significant results to date. Ongoing delays granting access to drill on crown land via agreement with the NSW Department of Lands frustrated Carpentaria's plans to drill its most prospective area, the Mother Shipton Prospect.

The Torrawangee licence was added to the McDougalls project area this year and one, 39m, RC drill hole has been completed with results awaited. While drilling was aborted due to technical difficulties, the rocks intersected belonged to the much older and harder Paleo-Proterozoic Wilyama Block and not the younger and softer Neo-Proterozoic rocks that were targeted.

At the Mt Agate JV near Cloncurry, Qld, Carpentaria's JV partner ActivEX Ltd undertook Sub-Audio Magnetic surveys, surface geochemical surveys and a 7 hole, 1231m RC drilling program. Results from the drilling are awaited.

During the year Carpentaria also withdrew from the Panama Hat Joint Venture and divested the Hughenden Coal Project (reported as a subsequent event last year).

During FY2013, Carpentaria will continue seeking new and advanced projects capable of becoming profitable mining operations in the near future.

Hawsons Iron Project (JV Carpentaria 60%)

ELs 6979, 7208 and 7504

The Hawsons Iron Project is located 60km SW of Broken Hill (Figure 2) and includes an **Inferred magnetite Resource of 1.4Bt at a Davis Tube Recovery (DTR) of 15.5% (12% cut off) for 220 million tonnes of high grade (69.9% Fe) iron concentrate and an exploration target¹ of 6-11Bt at 14-17% DTR.**

This geological base has the potential to support a mine life of 50-70 years.



Figure 2: Location of Hawsons Project

Carpentaria has funded the development at Hawsons this year and the results have been very positive, adding value and lowering risk with each step.

In November 2011, an update to the PFS based on a Mining Option Study showed a significant rise in the estimated net present value (NPV with a 9% discount rate) of the project to \$3.2 billion. The increase was based on modelling of revised production schedules, reduced stockpiles and in-pit crushing and conveying which together significantly reduced mining cost estimates compared to previous studies.

The financial improvements estimated in the Mining Option Study to the PFS base case are shown in Table 1. The PFS evaluated a large-scale magnetite mine producing up to 20 mtpa of high grade iron concentrate (69.9% Fe), with a three year, 5 mtpa start-up period. This and all other assumptions were unchanged.

November 2011 PFS update	NPV 9%	IRR	Development Capital Costs	Average Annual Gross Profit	Payback
	\$3.2 bn	23%	\$2.9 bn	\$735 m	6.3 yrs

Table 1: Hawsons November 2011 PFS update.

The revised operating cost estimates to the mine gate are \$34/t concentrate. When transport estimates are included, the costs on the ship (Free On Board) are \$53/t for start-up and \$47/t for long-term operations.

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.

The study was based on a life of mine iron ore fines price of (62% Fe) US\$78/t.

Following on from this very positive result, Carpentaria has also worked to maximise the benefits of the very soft mineralisation. This work has included crushing test work by the CSIRO which demonstrated that impact crushing will be the most efficient method for the primary crushing circuit.

This and other work has led to a revised flow sheet, where capital estimates were reduced and power consumption cut by 15-20% from the PFS base case. Other test work carried out this year included very positive results in pelletising and abrasion work.

The processing test work is ongoing and improvements will be included in future financial modelling.

Transport options and capacity have increased over the year. Key to this was the MOU signed with Flinders Ports Pty Ltd to determine a long-term handling, storage and loading solution at Port Pirie to load Cape Size vessels in the Spencer Gulf. Flinders Ports is targeting 20-30 mtpa capacity at Port Pirie.

This means Carpentaria now has numerous transport solutions from mine to port, including initially a slurry pipeline to Broken Hill, then utilising 10 mtpa spare rail capacity to Port Pirie gradually followed by a 20 mtpa slurry pipeline conceptually following the existing rail easement, as outlined in the SA Government's RESIC Consultation Paper, February 2012.

The completion of the processing test work and incorporation of the extra transport capacity identified this year could significantly increase the internal rate of return of the project because of lower costs and the potential to bring production forward compared to the existing November 2011 base case. That published model relies on a step-up whereby production is set at 5 mtpa over the first three years and then 20 mtpa. It may be possible to reach 20 mtpa more quickly.

On 3rd May 2012, the Hawsons JV partner, BMG was placed into liquidation by the Federal Court.

Under the joint venture agreement (JVA) terms, for BMG to continue in the JV and move to a 51% interest, BMG was required by 15th May 2012 to have paid \$25m cash to Carpentaria and committed to a Bankable Feasibility Study (BFS). This did not occur and thus BMG has elected not to continue with the JV and its percentage share remains at 40%.

Notwithstanding the liquidation, under the terms of the JV, the election not to continue by BMG (in liquidation) has meant that many rights reverted to Carpentaria, placing the Company in a strong position. Included in these rights is first refusal over the assignment of BMG's interest.

In addition, if Carpentaria is approached by a third party with a bona fide offer to acquire all of BMG's percentage share, then BMG must sell its percentage share in the JV to that party for consideration at least equal to the amount of the total cash contributions made by BMG to the Hawsons Project at that time, totalling \$13m.

Carpentaria is exploring all avenues to bring greater clarity to the project ownership.

In fiscal 2013, Carpentaria plans to bring in a development partner and launch the BFS. Carpentaria is currently doing small scale metallurgical test work that will allow the design of pilot scale test work and continuing the approval process with the NSW Government, as well as further securing the transport chain.

REVIEW OF OPERATIONS

Broken Hill Tin-Tungsten Project (100% CAP)

ELs 7475, 6936 and 7829, 7921 (Kantappa) and ELA 4422 (Corona)

The Broken Hill Tin-Tungsten Project covers 932 sq km and is located between 25km and 70km north of Broken Hill, near the Silver City Highway. The project includes the Yanco Glen Inferred tungsten Resource (**0.83Mt at 0.21% WO₃**), and two historical tin fields at Euriowie and Waukeroo.

With the addition of the Kantappa licence this year, Carpentaria has secured all the known significant tin mineral occurrences in the Broken Hill area (Figure 3).

Carpentaria's strategic objective is to establish a cluster of tin and/or tungsten deposits with coarse grained surface mineralisation close to Broken Hill which can be easily mined by low cost methods and processed with a single, centrally located plant.

During the year the Yanco Glen licence was granted and a 21 hole, 2320m RC drilling program designed to increase confidence in and extend the existing resource was completed at the Yanco Glen tungsten prospect (Figure 4).

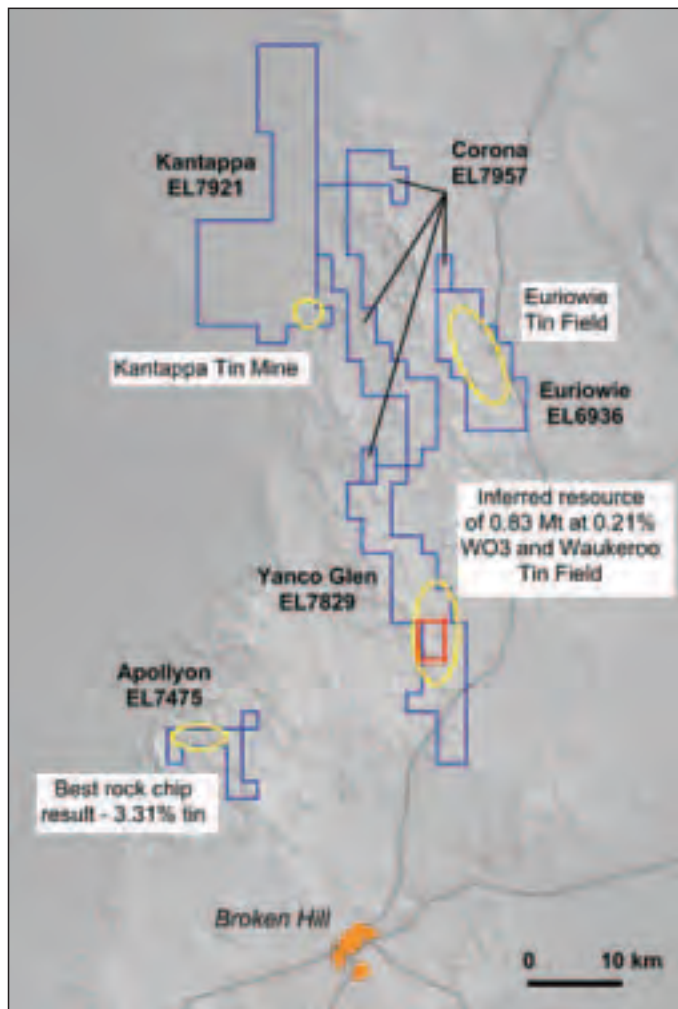


Figure 3: Broken Hill Tin-Tungsten project area

Results were received from 19 holes to date and Carpentaria believes these holes have confirmed the size and grade of the existing resource.

Twelve of the 15 holes returned significant values above 0.10% WO₃, with best results of:

- 3m at 0.76% WO₃ from 83m in RC12YGW003
- 5m at 0.86% WO₃ from 99m in RC12YGW004
- 2m at 1.13% WO₃ from 141m in RC12TGW007
- 1m at 1.34% WO₃ from 38m in RC12YGW009
- 11m at 0.47% WO₃ from 106m in RC12YGW009, incl. 4m at 0.95% WO₃ from 108m
- 3m at 0.15% WO₃ from 54m in RC12YGW019

The grades intersected are high when compared to major tungsten deposits around the world shown in Figure 5.

Drilling to extend the resource intersected a new zone of mineralisation 1.5km to the south, where 3m at 0.15% WO₃ was returned. The project area is also prospective for high grade Broken Hill style silver-lead-zinc deposits.

In fiscal 2013, Carpentaria will follow up these very encouraging results and further investigate the potential along strike of the Yanco Glen resource and the main tin occurrences. It is anticipated further resource investigation and metallurgical test work will be completed.

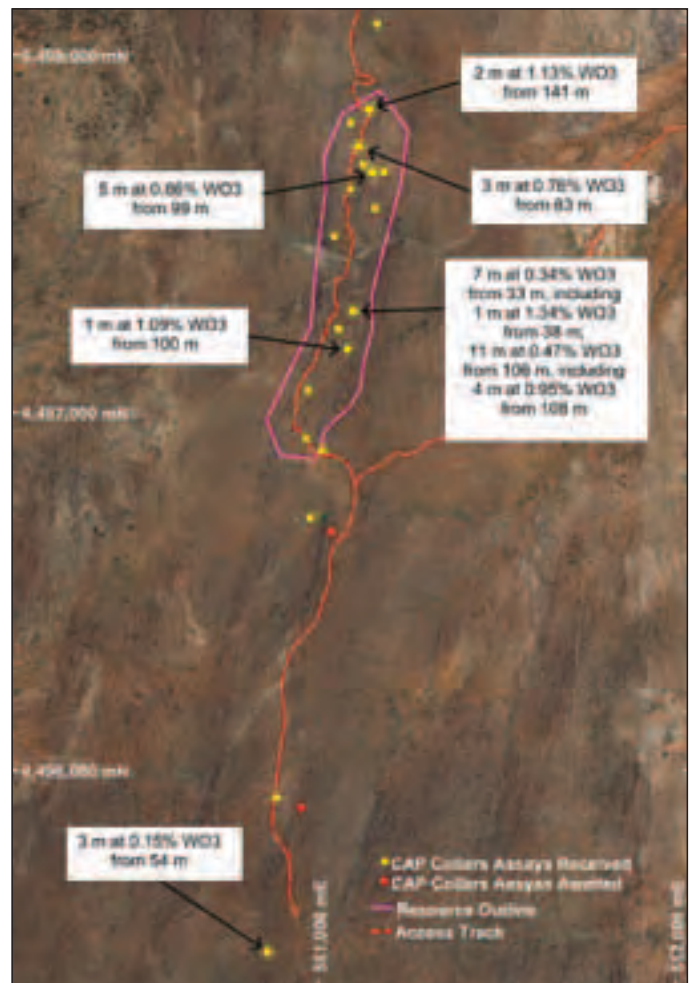


Figure 4: Yanco Glen best drilling results

Tungsten Mine and Project Grades

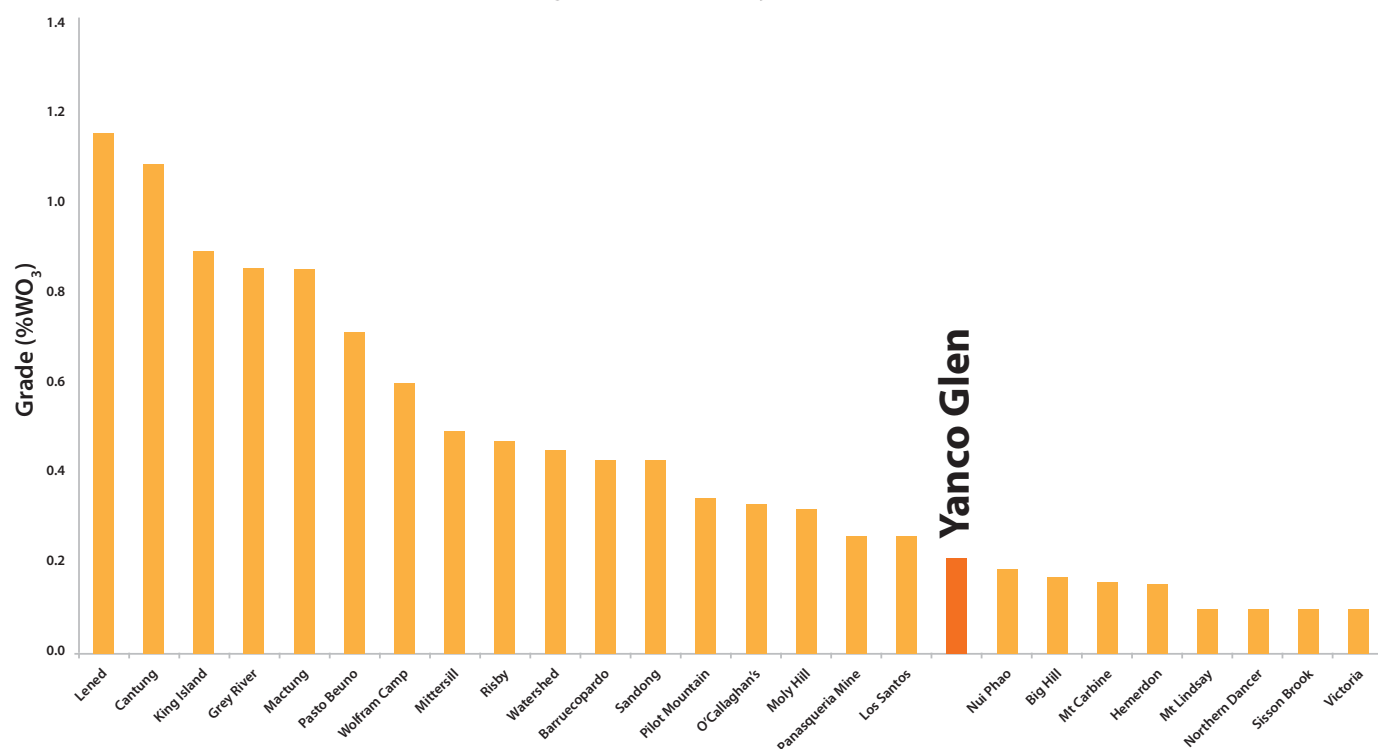


Figure 5: World tungsten deposit grades

Braemar JV (CAP earning in)

EL 3998

EL3998 is located along the highly prospective Braemar Iron Formation which hosts Carpentaria's flagship \$3.2 billion Hawsons Iron Project to the east in NSW. The tenement, which is contiguous to Carpentaria's South Dam JV, covers over 20 line kms of Braemar Iron Formation (Figures 6 and 7).

Carpentaria can earn 60% of the JV if it defines 200Mt of magnetite resource within three years and has an opportunity to achieve a 100% interest through additional work.



Figure 6: Braemar JV location

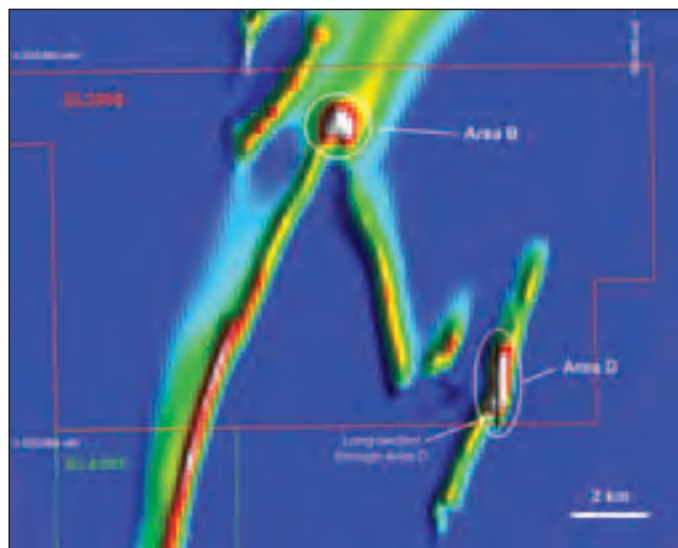


Figure 7: EL3998 over regional airborne magnetic image.

Exploration on the Braemar licence this year commenced with a 174 line km ground magnetic survey over the interpreted most prospective areas (Figure 7).

Interpretation of the ground magnetic data has confirmed the potential for large bodies of magnetite mineralisation within the tenement, with the modelled target zone in Area D alone interpreted to be over 1400m long and up to 160m thick, with maximum magnetic susceptibilities up to 0.20SI indicating good magnetite content.

Based on these results, Carpentaria has planned a 600m, 3-hole drilling program to test anomalies B and D. The Exploration Work Approval for drilling has been submitted to the South Australian Government.

The tenement is close to key existing transport infrastructure, being 45km south-west of the national rail line and highway, 150km east of Port Pirie and 200km north-east of Port Adelaide. Importantly, both the South Dam and Braemar licences are over perpetual leasehold land titles that have extinguished Native Title.

REVIEW OF OPERATIONS

South Dam - Iron (Carpentaria 100% - BMG in liquidation)

EL 4395

At the South Dam JV, partner BMG (in liquidation) has until January 2013 to meet expenditure commitments (\$1m) or the licence will revert 100% to Carpentaria. BMG did not undertake any substantial work on this tenement this year.

Barellan (100% CAP)

EL 7896

Located 240km north-west of Canberra in the western Lachlan Fold Belt, the licence was secured this year based on known surface gold occurrences on open ground.

The main mineralised occurrence is hosted by stock work quartz veining in an interpreted granite roof zone. This highly prospective geological setting is similar to that of the major tin occurrences at Ardlethan, 20km to the east (Figure 8). The licence was granted in the third quarter this year.

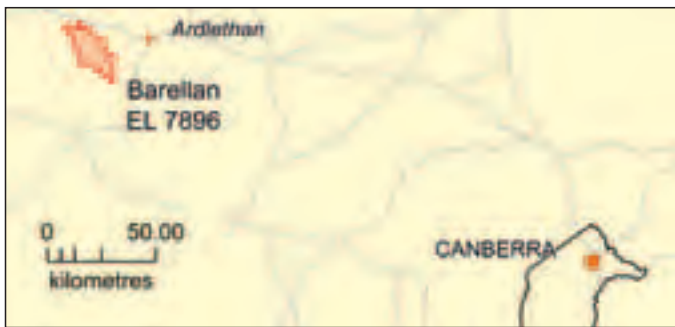


Figure 8: Barellan location plan

Carpentaria has confirmed the presence of an iron stained, hairline quartz stock work zone that contains high gold grades with a maximum **rock chip value of 5.6 ppm gold** and associated arsenic and antimony anomalism (0.2% As and 0.7% Sb, Figure 9).

This material is located in an area where, in the 1980s, Aberfoyle generated a surface trench rock traverse result of **60m at 1.5g/t Au (incl. 10m at 4.5 g/t Au)** within a plus 50ppb weathered bedrock anomaly measuring 400m x 100m (Figure 10).



Figure 9: Hairline quartz stock work in siltstone (5.6ppm gold)

Reconnaissance geological mapping revealed that this stock work zone was extensive within the drainage channel trench and that it is untested by drilling. Elsewhere within the tenement, other prospective mineralised settings were identified and will be followed up.

Detailed follow up in fiscal 2013 on this very encouraging preliminary result will include mapping and drilling.

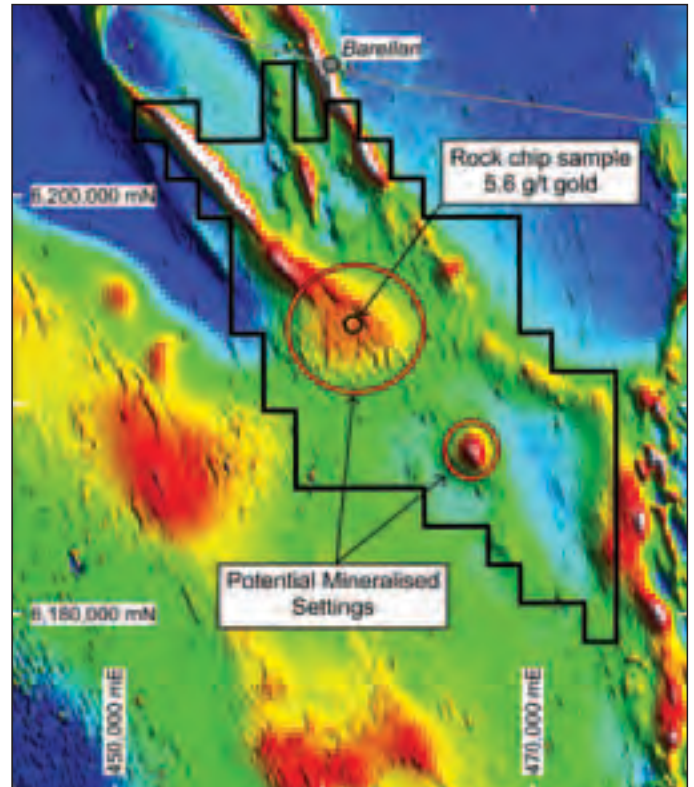


Figure 10: Barellan licence application over regional aeromagnetic image

Tooloom (100% CAP)

ELA 4512

A new application was made in northern NSW, 60km north-east of Tenterfield (Figure 11). The application is located within the southern New England Fold Belt (NEFB) and covers 75 mineral occurrences, of which over 60 are gold.

The NEFB is host to porphyry Cu-Mo, Cu skarn and Cu-Au breccia pipe mineralisation associated with Permo-Triassic age intrusions. The most significant mineralisation in the area is the active Mt Rawdon breccia hosted gold mine which has produced 1Moz (million ounces) of gold from a resource base of approximately 2Moz.

The major focus of exploration will be discovery of Permo-Triassic intrusion related zones of stock work and/or breccia hosted gold mineralisation or bulk alteration zone gold-silver-base metal mineralisation. A number of magnetic anomalies interpreted as possible Permo-Triassic intrusions have been identified in the licence.

Carpentaria will continue to review historical data while the grant of the licence is pending. Following an initial review of historical data, Carpentaria will then commence exploration.

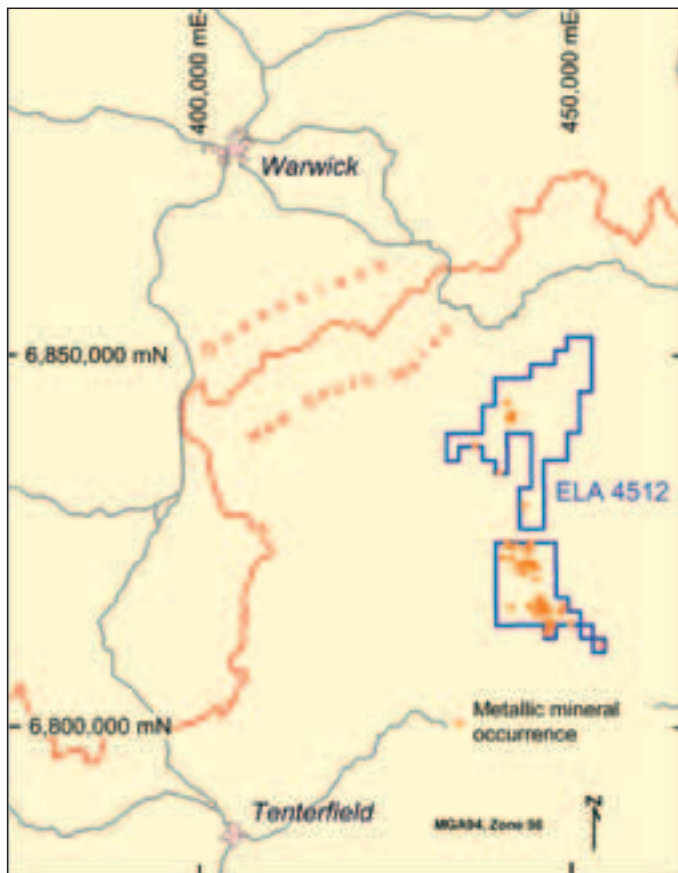


Figure 11: New application location plan

Temora Project (100% CAP) Gold – Copper

ELs 6901, 7256, 7375 & 7680

This 940 km² project is located within the Lachlan Fold Belt, approximately 80km north of Wagga Wagga in NSW.

Delays granting access to drill on crown land via agreement with the NSW Department of Lands have frustrated Carpentaria's plans at the highly prospective Mother Shipton gold prospect. Upon receipt of approvals, detailed work will commence with drill testing of porphyry or related Au-Cu mineralisation beneath an historic gold field and anomalous weathered bedrock geochemistry defined by previous explorers.

Elsewhere in the project area, surface reconnaissance and geochemical sampling was carried out over four prospect areas with no significant results to date.

Koonenberry - Nickel/Copper/PGE (Carpentaria 100%)

ELs 7735, 7736, 7737, 7738, 7739 and 7740

The Koonenberry Nickel/PGE Project consists of six exploration licences spanning 1,800km² and is located 160km north of Broken Hill. The ELs cover a 180km belt of Neoproterozoic to Cambrian geology prospective for the occurrence Ni-Cu mineralised ultramafic rocks (Figure 12).

The Koonenberry Belt was subject to a recent decade-long study by the NSW Geological Survey and previous explorers, including Inco Ltd and Vale, spent over \$5 million within CAP's existing project area in the same period. This work highlighted the potential for ultramafic intrusion related nickel-copper sulfide and ultramafic intrusion hosted platinoid deposits in the belt.

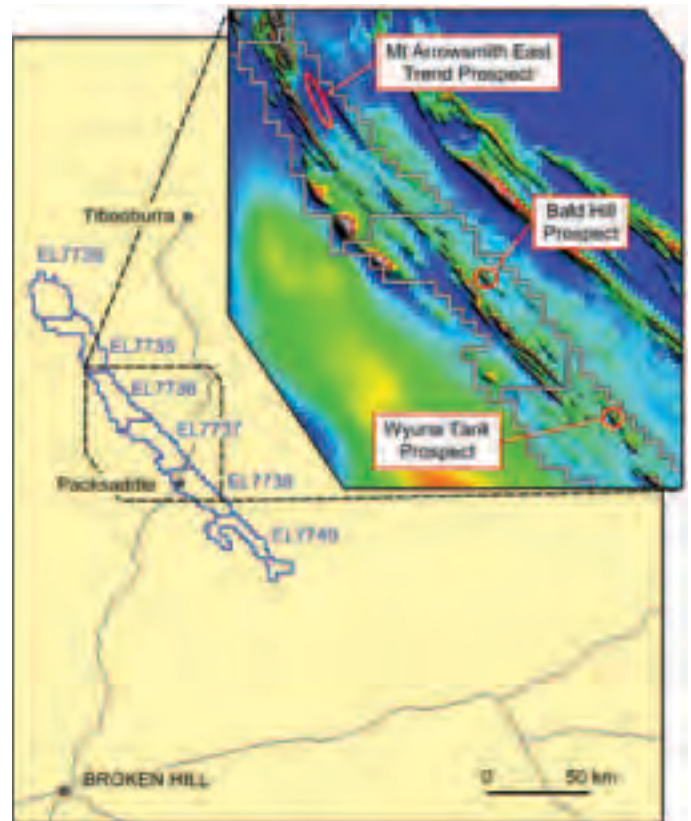


Figure 12: Koonenberry location plan inset over TMI airborne magnetics

At Mt Arrowsmith East, a past sulfide bearing drill intersection of **16m at 0.24% Ni** and **0.20% Cu from 19m** was recorded in a deformed ultramafic intrusion, and is part of a 7km geological belt containing similar intrusions. Other drill targets include Wyuna Tank and Bald Hill, where historical drilling returned **10m at 0.35% Ni from 2m** and **12m at 0.34% Ni from 37m** respectively.

During the year a 10-hole, 1322m RC drilling program was completed targeting sulfide or residual nickel mineralisation in three main prospect areas identified from historical weathered bedrock drilling and surface geochemistry.

The most significant results of **30m at 0.11% Ni** and **10m at 0.18% Ni** were returned from the Wyuna Tank prospect, where anomalous nickel and copper values were coincident with observable sulfide mineralisation in the targeted ultramafic host rocks.

This association is an encouraging result with the targeted magnetic anomaly open along strike and down dip.

Drilling at Mt Arrowsmith East and Bald Hill anomalies did not return any significant intersections, and these prospects have been downgraded.

REVIEW OF OPERATIONS

McDougalls /Torrowangee - Iron (Carpentaria 100%)

ELs 7655, 7656, 7657, 7741 & ELA 4148

The Torrowangee licence covers similar Neo-Proterozoic sediments to the rest of the McDougalls project which correlate to the strata hosting the Hawsons project. A high amplitude magnetic anomaly and historic drill hole PD81YA2 have indicated the potential for magnetite mineralisation in this EL.

In the June quarter an RC drill hole (RC12TW001) was drilled adjacent to PD81YA2. This hole was abandoned at 39m due to excessive water. However, highly magnetic quartz magnetite gneiss was intersected from 32m to the bottom of hole.

While assays are awaited, it is noted that the rock belongs to the much older (and harder) Paleo-Proterozoic Willyama Block and not the younger and softer Neo-Proterozoic rocks that Carpentaria was targeting. This result will be assessed when the Davis Tube Recovery results are available.

The McDougalls area is currently under review and it is likely large parts of the project will be recommended for relinquishment.

Glen Isla – Gold (Carpentaria 100%)

EL 6246, EL 7574

This epithermal gold project is located in the Lachlan Fold Belt, approximately 40km south-west of the regional centre of Dubbo, NSW. The licences span 136km² and cover mineralised Devonian volcanic rocks.

During the year, Ramelius Resources Ltd formally withdrew from the JV after assessing its drilling results. The licence has now reverted to 100% Carpentaria and divestment is being actively pursued.

Mt Agate – Copper/Gold (ActivEX Ltd earning in to 75%)

EPM 14955

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

During the year, ActivEX undertook Sub-Audio Magnetic surveys, surface geochemical surveys and a 7-hole, 1231m RC drilling program. Results are awaited.

Panama Hat JV – Gold

EL 6556

Carpentaria has withdrawn from the Panama Hat JV and now retains no interest in the project.

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.



Above: Drilling at Hawsons Iron Project

Right: Hawsons Knob

FINANCIAL REPORT

For the year ended 30 June 2012



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DIRECTORS' REPORT

For the year ended 30 June 2012

Your Directors present their report on Carpentaria Exploration Limited for the year ended 30 June 2012.

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
Robert William Hair	Non-Executive Director	Appointed August 2007
Bin Cai	Non-Executive Director	Appointed May 2011
Dr Neil Williams	Non-Executive Director	Appointed 1 January 2012
Paul Cholakos	Non-Executive Director	Appointed 2 April 2012
Michael Peter Chester	Non-Executive Director	Appointed January 2008; Resigned 8 August 2011
Stanley Alan Macdonald	Non-Executive Director	Appointed April 2007; Resigned 3 February 2012

Nick Sheard

Executive Chairman

Nick is the founding Executive Chairman of the Company and has over 38 years experience in the industry – recently as 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 has been involved with a number of discoveries worldwide during his career as an explorationist working in North and South America, Europe, Asia and Australia. He is a member and past president of the Australian Society of Exploration Geophysicists (ASEG), a Fellow of the Australian Institute of Geoscientists (AIG) and a Registered Professional Geoscientist – Mineral Exploration and Geophysics.

Nick is also a Non-Executive Director of Mirabela Nickel Ltd (MBN) and Chairman of ShelterManagement, a voluntary role developing and distributing animal welfare industry software.

Bob Hair

Non-Executive Director

Bob is a founding Director of the Company and is by background a lawyer with over 23 years of experience in the resources sector. He was previously an in-house lawyer, director of subsidiary companies and Commercial Manager and General Manager in the MIM group in Australia, Asia, Europe, North America, South America, and GM Commercial for the ASX-listed Highlands Pacific Limited.

He is currently Managing Director of the ASX, JSE and AIM-listed Ferrum Crescent Limited (ASX,JSE,AIM:FCR). He is also the Chairman of Carpentaria's Audit Committee and a member of the Company's Remuneration Committee.

Bin Cai

Non-Executive Director

Appointed a Non-Executive Director in May 2011, Bin is Managing Director of Conglin International Investment Group Pty Ltd, a major shareholder of Carpentaria Exploration. With 18 years experience in resources investment, Bin and the 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.

Dr Neil Williams

Non-Executive Director (Appointed 1 January 2012)

Recently retired as Chief Executive Officer of the Australian Government's geoscience agency, Geoscience Australia, Dr Williams has had a distinguished career spanning all aspects of mineral exploration, both in Australia and internationally, including serving as Chief Geologist for MIM. Dr Williams has won numerous Australian and international awards in his field. He has also had a distinguished academic career, currently serving as an Honorary Professorial Fellow at the University of Wollongong, as well as a number of other industry and management bodies, including the Queensland Exploration Council and President of the 34th International Geological Congress.

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

DIRECTORS' REPORT

For the year ended 30 June 2012

Paul Cholakos

Non-Executive Director (Appointed 2 April 2012)

Paul has 25 years of resources industry experience, successfully managing complex development projects for leading oil and gas and diversified mining companies. He holds Master of Business Administration and Bachelor of Engineering degrees. Paul currently serves as Executive General Manager, Project Development at major Australian oil and gas company Oil Search Limited (ASX:OSH).

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

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).

Stan Macdonald

Non-Executive Director (resigned 3 February 2012)

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

He is a Non-Executive Director of U308 Limited (UTO), Zenith Minerals Limited (ZNC) and Gascoyne Resources limited (GCY).

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
Bob Hair	30,000	1,500,000	-
Bin Cai	10,479,000 ¹	-	-
Neil Williams	-	-	-
Paul Cholakos	-	-	-

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

SENIOR MANAGEMENT

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

Doug Brewster

Exploration Manager

Doug is a career minerals exploration geologist with over 25 years Australian and international multi-commodity experience. He has been the Exploration Manager at Carpentaria since its initial public offering and is a graduate of the University of Sydney.

Doug was recruited by CRA (now Rio Tinto) where he worked for nearly a decade prior to joining Delta Gold (now Barrick) in a senior role, where he rebuilt their East Australian 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).

Quentin Hill

Principal Geologist – New Business

Quentin is a geologist with over 15 years experience in exploration and development in Australia. He has wide-ranging commodity experience, including gold, iron ore, coal and base metals. Quentin was Carpentaria's Senior Geologist when the Company listed and integral in the discovery of the 1.4Bt Hawsons Iron Project, where he also managed the successful resource drilling.

Prior to his four years with Carpentaria, Quentin held technical positions with major miners, including seven years with Delta Gold. He also held a senior role in the Queensland Government where he implemented several exploration funding initiatives.

Quentin is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists.

Chris Powell

Company Secretary/CFO

Chris has more than 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 has been with Carpentaria since its inception in 2007. He holds a Diploma of Management and is a member of the Australian Institute of Management (FAIM).

CORPORATE INFORMATION

Corporate Structure

Carpentaria is a company limited by shares and incorporated and domiciled in Australia. Its shares are publicly traded on the Australian 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 14 September 2011, Carpentaria sold its remaining 20% share in FTB (QLD) Pty Ltd to Guildford Coal Limited.

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 2012, the profit for the Consolidated Entity after providing for income tax was \$197,017 (2011: loss of \$3,407,685).

REVIEW OF FINANCIAL POSITION

Capital structure

At 30 June 2012 the Company had 105,191,301 (including 8,700,000 non-recourse employee shares) shares and 7,300,000 options on issue.

Treasury policy

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

DIRECTORS' REPORT

For the year ended 30 June 2012

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 2012 (2011: nil) and no dividend is recommended for the current year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

REVIEW OF OPERATIONS

Exploration

During FY2012 Carpentaria progressed the Hawsons Iron Project with detailed metallurgical work and definition of transport options. Carpentaria's land holding over the Braemar Iron formation was also increased with the farm-in agreement of the Braemar JV. In addition, drilling progressed the Broken Hill Tin-Tungsten Project and two highly prospective gold projects were acquired at no cost.

Hawsons Iron Project

Carpentaria announced in November 2011 an update to the Prefeasibility Study based on a mining option study that increased the value of the project through a revised mining method. The result, based on a large-scale magnetite mine producing up to 20 million tonnes per annum (mtpa) of high grade iron concentrate (69.9% Fe), returned a net present value after tax of \$3.2 billion, an internal rate of return of 23% and a potential mine life of at least 20 years.

Carpentaria began a similar revision of its processing flow and has designed a new flow sheet that has the potential to improve the project economics further.

A Memorandum of Understanding was signed with Flinders Ports to determine a long term handling, storage and loading solution at Port Pirie and it is likely that Flinders Ports will be able to export up to 30 mtpa utilising transshipment after a low cost port upgrade.

Carpentaria's Joint Venture partner BMG was placed into liquidation on 3rd May 2012. BMG (in liquidation) elected not to continue the Joint Venture and its interest was frozen at 40%.

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

Broken Hill Tin-Tungsten Project

A 21 hole, 2,320m reverse circulation (RC) drilling program was completed at the Yanco Glen Tungsten prospect. The drilling was designed to confirm and extend the existing resource. While not all results have been returned it is likely the existing resource will be confirmed, and a new zone of mineralisation was identified 1.5km to the south of the resource.

The Kantappa (granted) and Corona Licenses (offered) were added to the project this year, consolidating the project and securing all the known tin mineral occurrences in the Broken Hill area.

Barellan

The Barellan licence was granted this year and initial reconnaissance was very encouraging. This work confirmed the presence of mineralised rocks that contain high gold grades with a maximum rock chip value of 5.6 g/t gold. The results were from an area where historical work generated a surface trench rock traverse result of 60m at 1.5g/t gold. Observations confirm the mineralisation is extensive throughout the trench and drilling will be carried out next year.

Braemar Joint Venture

In January 2012 Carpentaria signed a JV with Maosen Australia Pty Ltd giving it the opportunity to earn up to 100% of EL3998, located along the Braemar Iron Formation, contiguous to its South Dam JV. Carpentaria has completed a ground magnetic survey with positive results and must complete over 500m of drilling within 12 months to continue in the JV.

South Dam JV

Joint venture partner BMG (in liquidation) has until January 2013 to meet expenditure commitments or the licence will revert 100% to Carpentaria.

Tooloom

Tooloom is a new application located in northern NSW, 60km north-east of Tenterfield. The application is located within the southern New England Fold Belt, covers 75 mineral occurrences and is prospective for intrusion related gold and gold-silver-base metal mineralization.

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.

Koonenberry Nickel Project

During the year Carpentaria completed a 1,322m reverse circulation (RC) drilling program targeting sulfide or residual nickel mineralisation in three main prospect areas identified from historical weathered bedrock drilling and surface geochemistry. The drilling program intersected low level nickel sulfides.

Temora Gold Project

This project covers three licences and was subject to surface reconnaissance this year with no significant results to date. Ongoing delays granting access to drilling on crown land via agreement with the NSW Department of Lands frustrated Carpentaria's plans to drill its most prospective area, the Mother Shipton Prospect. Carpentaria will continue to explore avenues to obtain access to this prospect.

McDougalls/Torrowangee Iron Project

The Torrowangee licence was added to the project area this year and one, 39m, RC drill hole has been completed. Results are awaited. However, the rocks intersected belonged to the much older and harder Paleo-Proterozoic Willyama Block and not the younger and softer Neo-Proterozoic rocks that were targeted.

Mt Agate JV

At the Mt Agate project near Cloncurry in Queensland, Carpentaria's JV partner ActivEX Ltd has undertaken Sub-Audio Magnetic surveys, surface geochemical surveys and a 7-hole, 1,231m RC drilling program. Results from the drilling are awaited.

Glen Isla

Activity was limited to surface reconnaissance and desk top reviews at Glen Isla this year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Carpentaria is actively seeking a new partner for the Hawsons Iron Project.

During FY2013 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.

DIRECTORS' REPORT

For the year ended 30 June 2012

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 2012 and the number of meetings attended by each Director.

	Directors' Meetings		Audit		Remuneration	
	<i>Attended</i>	<i>Eligible to Attend</i>	<i>Attended</i>	<i>Eligible to Attend</i>	<i>Attended</i>	<i>Eligible to Attend</i>
Nick Sheard	4	4	-	-	-	-
Bob Hair	4	4	1	1	1	1
Bin Cai	3	4	-	-	-	-
Neil Williams	2	2	-	-	-	-
Paul Cholakos	1	1	-	-	-	-
Mike Chester	1	1	-	-	-	-
Stan Macdonald	2	2	-	-	1	1

INDEMNIFICATION OF OFFICERS OR AUDITOR

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

The Company has insured all of the Directors of Carpentaria Exploration Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 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 7,300,000 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
1,300,000	\$0.850	1 March 2011	2 March 2013
2,700,000	\$0.290	16 December 2011	15 December 2014

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

Expiry Date	Exercise Price	Movements				30 June 2012
		1 July 2011	Issued	Exercised	Expired	
31 July 2012	\$0.114	700,000	-	-	-	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
15 December 2014	\$0.290	-	2,700,000	-	-	2,700,000
		6,450,000	2,700,000	-	(1,850,000)	7,300,000

No 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.

The remuneration of Non-Executive Directors for the year ended 30 June 2012 is detailed in Table 1 of this Remuneration Report.

DIRECTORS' REPORT

For the year ended 30 June 2012

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 ended 30 June 2012 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:

- is currently extended to 30 September 2012;
- involves the payment to Mr Sheard of an annual salary of \$230,000 plus 9% superannuation (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:

- is currently extended to 30 September 2012;
- involves the payment to Mr Powell of an annual salary of \$151,750 plus 9% superannuation payments (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.

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:

- is currently extended to 30 September 2012;
- involves the payment to Mr Brewster of an annual salary of \$212,125 plus 9% superannuation (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.

Agreement with Principal Geologist - New Business

On 7 January 2008, the Company and Mr Quentin Hill entered into an agreement containing the terms and conditions under which the services of Principal Geologist - New Business are provided to the Company.

The agreement:

- is currently extended to 30 September 2012;
- involves the payment to Mr Hill of an annual salary of \$195,000 plus 9% superannuation payments (increasing by reference to the consumer price index each year) and reimbursement of all reasonable business expenses;
- has provision for one 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 \$16,250, one months salary based on the fixed component of Mr Hill'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
Robert William Hair	Non-Executive Director	Appointed August 2007
Bin Cai	Non-Executive Director	Appointed May 2011
Dr Neil Williams	Non-Executive Director	Appointed 1 January 2012
Paul Cholakos	Non-Executive Director	Appointed 2 April 2012
Michael Peter Chester	Non-Executive Director	Appointed January 2008; Resigned 8 August 2011
Stanley Alan Macdonald	Non-Executive Director	Appointed April 2007; Resigned 3 February 2012

Key Management Personnel

Name	Position	Detail
Doug Brewster	Exploration Manager	Commenced 14 November 2007
Quentin Hill	Principal Geologist - New Business/ Project Development Manager	Classified as key management from 1 July 2011 following promotion to Project Development Manager
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.

DIRECTORS' REPORT

For the year ended 30 June 2011

Table 1: Director Remuneration

2012	Short Term			Post-Employment		Share-based Payments ⁽⁵⁾	Total	Performance Related %	% consisting of equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Retirement benefits	Options/ NRE shares			
Directors									
Nick Sheard	230,000	-	-	18,000	-	-	248,000	-	-
Robert Hair	40,000	-	-	3,600	-	-	43,600	-	-
Bin Cai	40,000	-	-	3,600	-	-	43,600	-	-
Neil Williams ⁽¹⁾	20,000	-	-	1,800	-	-	21,800	-	-
Paul Cholakos ⁽²⁾	10,000	-	-	900	-	-	10,900	-	-
Mike Chester ⁽³⁾	6,667	-	-	600	-	-	7,267	-	-
Stan Macdonald ⁽⁴⁾	23,333	-	-	2,100	-	-	25,433	-	-
	370,000	-	-	30,600	-	-	400,600		

(1) Neil Williams was appointed on 1 January 2012

(2) Paul Cholakos was appointed on 2 April 2012

(3) Mike Chester resigned on 8 August 2011

(4) Stan Macdonald resigned on 3 February 2012

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

2011	Short Term			Post-Employment		Share-based Payments ⁽²⁾	Total	Performance Related %	% consisting of equity
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Retirement benefits	Options			
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	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) The value of equity instruments granted in the year is the fair value of the options and employee share plan calculated at grant date using a Black-Scholes option-pricing model. The value of instruments granted and treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payment.

Table 2: Remuneration of key management personnel

2012	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	-	-	19,091	-	21,480	252,696	8.50%	8.50%
Quentin Hill	195,000	-	-	17,550	-	21,480	234,030	9.18%	9.18%
Chris Powell	151,750	-	-	13,658	-	21,480	186,888	11.49%	11.49%
	558,875	-	-	50,299	-	64,440	673,614		

⁽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.

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			
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 Payment.

Table 3: Equity Instruments issued as part of remuneration for the year ended 30 June 2012

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	16/12/2011	300,000	0.0716	0.290	21,480	15/12/2014	16/12/2011	100%
Quentin Hill	16/12/2011	300,000	0.0716	0.290	21,480	15/12/2014	16/12/2011	100%
Chris Powell	16/12/2011	300,000	0.0716	0.290	21,480	15/12/2014	16/12/2011	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							16 December 2011	
Vesting date							16 December 2011	
Exercise price								\$0.290
Share price at grant date								\$0.20
Life of the options								3 years
Underlying share price volatility								82%
Expected dividends								Nil
Risk free interest rate								4.25%

DIRECTORS' REPORT

For the year ended 30 June 2012

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

2012	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 \$
Director				
Nick Sheard	-	-	-	-
Robert Hair	-	-	-	-
Bin Cai	-	-	-	-
Neil Williams	-	-	-	-
Paul Cholakos	-	-	-	-
Mike Chester	-	-	174,933 ⁽¹⁾	174,933
Stan Macdonald	-	-	174,933 ⁽¹⁾	174,933
Key Management Personnel				
Doug Brewster	21,480	-	45,172	66,652
Quentin Hill	21,480	-	45,172	66,652
Chris Powell	21,480	-	45,172	66,652

(1) In accordance with the CAP share plan, former Directors Mike Chester and Stan McDonald's NRE shares became due and payable within 7 days of them resigning from the Board. The former Directors elected to not repay the loan and consequently their 3,000,000 NRE shares were transferred, in trust, to the Company for sale and recorded as Treasury shares.

Shares issued on exercise of remuneration options

No shares were issued on the exercise of compensation options in the 2012 financial year (2011: 650,000).

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	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
Share price at end of financial year	0.35	0.31	0.34	0.08	0.09
Market capitalisation at end of financial year (\$M)	36.81	32.47	24.70	5.40	5.85
Profit/(loss) for the financial year	197,017	(3,407,685)	1,565,849	(1,477,436)	(309,845)
Cash spend on exploration programs	3,768,081	1,398,629	1,827,615	1,370,053	1,219,675
Director and Key Management Personnel remuneration	1,074,214	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.

End of Remuneration Report

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important. Details of the amounts paid or payable to the auditor (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	35,450
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

Fair Value of Guildford Coal Limited Investment ("GUF")

At 30 June 2012 Carpentaria Exploration Limited's shareholding in GUF of 2,184,551 shares equated to an investment of \$1,190,580 at a closing share price of \$0.545 per share on that date. Also refer to Note 9 of the financial statements.

Subsequent to year-end the share price of GUF has decreased and at the date of this report is trading at approximately \$0.300. As a result Carpentaria Exploration Limited's investment has decreased by \$535,215 to a total value of approximately \$655,365.

There have been no other events since 30 June 2012 that impact upon the financial report.

Signed in accordance with a resolution of the Board of Directors



S N Sheard

Executive Chairman

Dated this 26th day of July 2012

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 2012 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.

PKF

Albert Loots

Partner

Dated at Brisbane this 26th day of July 2012

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Liability limited by a scheme approved under Professional Standards Legislation.

ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 24 JULY 2012

Number of Securities Held	Ordinary shares fully paid No. of holders
1 to 1,000	188
1,001 to 5,000	589
5,001 to 10,000	417
10,001 to 100,000	891
100,001 and over	112
	2,197
Number of shareholders holding less than a marketable parcel of shares	242

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	10.72%
2	SILVERGATE CAPITAL PTY LTD	8,568,220	8.76%
3	SILVERGATE CAPITAL PTY LTD	7,775,084	7.95%
4	MR CONGLIN YUE	3,100,000	3.17%
5	SYDNEY EQUITIES PTY LTD	2,250,000	2.30%
6	JP MORGAN NOMINEES AUSTRALIA LIMITED	1,812,292	1.85%
7	BEST EXPAND INVESTMENTS LIMITED	1,550,735	1.59%
8	CARPENTARIA EXPLORATION LTD	1,300,000	1.33%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,157,833	1.18%
10	MR TECK MING LOO & MRS SHINKO LOO	910,000	0.93%
11	MR JOHN HUEY	900,000	0.92%
12	MR WILLIAM MCCORMACK & MRS SUSAN MCCORMACK	761,588	0.78%
13	FORSYTH BARR CUSTODIANS LTD	708,619	0.72%
14	JANHARP INVESTMENTS PTY LTD	705,000	0.72%
15	CITICORP NOMINEES PTY LIMITED	598,169	0.61%
16	MR MICHAEL JOHN WILLIAMS & MRS KATRINA ELFREDA WILLIAMS	570,486	0.58%
17	MR CONGLIN YUE	567,482	0.58%
18	BATIHA PTY LIMITED	550,000	0.56%
19	VCM INVESTMENTS PTY LTD	525,419	0.54%
20	MR KENNETH SHEARD	500,000	0.51%
		46,289,927	47.34%

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

ADDITIONAL STOCK EXCHANGE INFORMATION

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company at 24 July 2012 are:

Name of Shareholder	Ordinary Shares
AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	10,479,000
SILVERGATE CAPITAL PTY LTD	8,568,220
SILVERGATE CAPITAL PTY LTD	7,775,084

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.	Name	Original Grant Date	Expiry Date	Sub Blocks	Area Km ²	%
EL 6246 ³	Glen Isla	24/05/2004	24/05/2012	12	33.9	100%
EL 6901	Combaning	8/10/2007	8/10/2013	154	435.8	100%
EL 6936 ^{1 & 3}	Euriowie	7/11/2007	7/11/2011	31	90.9	100%
EL 6979 ^{2 & 6}	Redan	11/12/2007	11/12/2013	62	179.8	100%
EL 7208 ⁶	Burta	22/09/2008	22/09/2012	100	289.7	100%
EL 7256	Kallara	2/12/2008	2/12/2012	4	11.3	100%
EL 7375	Dirnaseer	30/07/2009	30/07/2013	82	231.8	100%
EL 7475 ³	Apollyon	16/03/2010	16/03/2012	11	32.1	100%
EL 7476 ³	Hillston	16/03/2010	16/03/2012	38	110.4	100%
EL 7504 ^{3 & 6}	Little Peak	8/04/2010	8/04/2012	14	40.6	100%
EL 7574	Gundong	5/07/2010	5/07/2012	40	102.4	100%
EL 7655	McDougalls C	6/12/2010	6/12/2012	100	294.7	100%
EL 7656	McDougalls A	6/12/2010	6/12/2012	100	293.9	100%
EL 7657	McDougalls B	6/12/2010	6/12/2012	100	294.4	100%
EL 7680	Ilabo	11/01/2011	11/01/2013	37	104.4	100%
EL 7735	Koonenberry 1	16/05/2011	16/05/2013	100	297.5	100%
EL 7736	Koonenberry 2	16/05/2011	16/05/2013	100	296.7	100%
EL 7737	Koonenberry 3	16/05/2011	16/05/2013	100	296.1	100%
EL 7738	Koonenberry 4	16/05/2011	16/05/2013	100	295.5	100%
EL 7739	Mt Shannon	16/05/2011	16/05/2013	100	298.0	100%
EL 7740	Wertago	16/05/2011	16/05/2013	100	294.8	100%
EL 7741	McDougalls D	16/05/2011	16/05/2013	100	294.3	100%
EL 7823	Torrowangee	24/08/2011	24/08/2013	102	298.6	100%
EL 7829	Yanco Glen	2/09/2011	2/09/2013	50	146.2	100%
EL 7841	Hawsons Knob	20/09/2011	20/09/2013	176	510.1	100%
EL 7896	Barellan	6/02/2012	6/02/2014	100	283.4	100%
EL 7921	Kantappa	19/04/2012	19/04/2014	86	252.5	100%
EL 3998 ⁴	Braemar	10/12/2007	10/12/2012	76	218.0	0%
EL 4395 ⁵	South Dam	6/12/2009	9/12/2012	30	86.0	100%
EPM 14955 ^{3 & 5}	Mount Agate	29/06/2006	28/06/2011	60	192.0	100%
Licence total	30			2,265	6,606	

¹ 100% Willyama Prospecting Pty Ltd (wholly owned subsidiary of Carpentaria)

⁴ 0%; farm-in Maosen Australia Pty Ltd

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

⁵ JV farm-out

³ Under Renewal Process

⁶ JV to earn potential interest of 20%

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 maximise shareholder wealth in a proper and ethical manner. This statement has been placed on the Company's website www.capex.net.au. The references in this statement to "the Recommendations" are references to the "Corporate Governance Principles and Recommendations", Second Edition, published by ASX, and a reference to an "ASX Principle" is a reference to a principle contained in the Recommendations.

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

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

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

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

While the Board recognises 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 reconsider 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 6 July 2012. 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 reconstituted 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.

CORPORATE GOVERNANCE STATEMENT

STRUCTURE OF THE BOARD

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

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

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

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

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

- Mr 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	63 Months
Mr Bob Hair	46 Months
Mr Bin Cai	16 Months
Dr Neil Williams	6 Months
Mr Paul Cholakos	3 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 2012 review will be undertaken at the next Board Meeting to be held in July 2012. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be sanctioned.

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

REMUNERATION COMMITTEE

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

ROLE

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

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

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

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

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

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

AUDIT COMMITTEE

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

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

AUDIT PROCESS

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

AUDITOR INDEPENDENCE

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

Details of the amounts paid for both work and non-audit services are set out in each annual report.

The Board requires that adequate handovers occur in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

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

CORPORATE GOVERNANCE STATEMENT

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.

DIVERSITY

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

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

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 Board's Policy;
 - in that the interest rate risk is exposed to the Australian market and given the current policy of Government backed guarantees on funds held at Australian banks the risk is acceptable and in accordance with the Policy. The Risk Management Committee comprising all Board members which meets regularly to determine, with the assistance of external treasury advisers where appropriate 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 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 2012

	Note	2012 \$	2011 \$
Revenue	2	445,951	1,111,708
Other income	2	2,943,098	614,233
Fair value loss on financial assets at fair value through profit or loss	9	(1,309,420)	-
Employment benefit expenses		(1,138,885)	(3,012,090)
Depreciation and amortisation expense		(96,043)	(45,178)
Finance costs		(19,748)	(13,754)
Impairment of exploration expenditure		(4,746)	(669,192)
Impairment of receivables		(132,662)	(275,000)
Rental and other lease expenses		(151,593)	(120,154)
Administration and project generation expenses		(1,063,935)	(933,252)
Share of net loss from equity accounted associates		-	(65,006)
Profit/(loss) before income tax		(527,983)	(3,407,685)
Research and development income tax refund	3	725,000	-
Profit/(loss) after income tax expense		197,017	(3,407,685)
Other comprehensive income		-	-
Total comprehensive income		197,017	(3,407,685)
		Cents	Cents
Earnings per share			
Basic earnings/(loss) per share	5	0.21	(3.65)
Diluted earnings/(loss) per share	5	0.21	(3.65)

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

BALANCE SHEET

As at 30 June 2012

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	7	6,338,447	9,197,766
Trade and other receivables	8	208,664	2,111,243
Financial assets at fair value through profit or loss	9	1,190,580	-
Other current assets	10	340,645	231,558
TOTAL CURRENT ASSETS		8,078,336	11,540,567
NON-CURRENT ASSETS			
Plant and equipment	11	190,869	230,817
Exploration expenditure	13	8,248,488	4,087,228
Intangible assets	12	62,643	93,434
Equity accounted investments	14	-	9,994
TOTAL NON-CURRENT ASSETS		8,502,000	4,421,473
TOTAL ASSETS		16,580,336	15,962,040
CURRENT LIABILITIES			
Trade and other payables	15	378,263	722,384
Interest bearing liabilities	16	91,633	103,598
Provisions	17	115,688	131,260
TOTAL CURRENT LIABILITIES		585,584	957,242
NON-CURRENT LIABILITIES			
Interest bearing liabilities	16	99,070	190,703
TOTAL NON-CURRENT LIABILITIES		99,070	190,703
TOTAL LIABILITIES		684,654	1,147,945
NET ASSETS		15,895,682	14,814,095
EQUITY			
Share capital	18	17,629,473	16,938,223
Reserves	19	2,017,477	2,033,078
Accumulated losses		(3,751,268)	(4,157,206)
TOTAL EQUITY		15,895,682	14,814,095

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 2012

Consolidated Entity	Share Capital \$	Reserves \$	Accumulated Losses \$	Total \$
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
Balance at 1 July 2011	16,938,223	2,033,078	(4,157,206)	14,814,095
Transactions with owners in their capacity as owners				
Issue of share capital	691,250	-	-	691,250
Share issue costs	-	-	-	-
Share-based payment expense	-	193,320	-	193,320
Transfers	-	(208,921)	208,921	-
Comprehensive income				
Profit after income tax	-	-	197,017	197,017
Other comprehensive income	-	-	-	-
Balance at 30 June 2012	17,629,473	2,017,477	(3,751,268)	15,895,682

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 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,969,785)	(2,521,329)
Interest received		548,651	487,841
Interest paid		(19,748)	(13,754)
Research and development income tax refund received		725,000	-
Net cash used in operating activities	20	(1,715,882)	(2,047,242)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(25,304)	(19,267)
Proceeds from sale of interest in exploration tenement		-	2,000,000
Proceeds from sale of equity accounted associate		502,877	-
Proceeds received for exploration and evaluation		959,172	-
Payments for exploration and evaluation		(3,768,081)	(1,398,629)
Net cash (used in)/ provided by investing activities		(2,331,336)	582,104
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		565,000	6,342,692
Share issue costs		-	(36,211)
Funds received from/(advanced to) equity accounted associate		726,496	(726,496)
Proceeds/(repayments) from borrowings		(7,937)	7,937
Repayment of finance leases		(95,660)	(31,193)
Net cash provided by financing activities		1,187,899	5,556,729
Net increase/(decrease) in cash and cash equivalents		(2,859,319)	4,091,591
Cash and cash equivalents at the beginning of the financial year		9,197,766	5,106,175
Cash and cash equivalents at the end of the financial year	7	6,338,447	9,197,766

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

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 July 2012.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Historical cost convention

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

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. During the year, on 3 May 2012, Carpentaria's joint venture partner BMG was placed into liquidation. BMG (in liquidation) elected not to continue the joint venture and its interest is frozen at 40%.

At the reporting date, the group had a net current asset position of \$7,492,752 (2011: \$10,583,325). The Directors consider that this is sufficient for the consolidated entity to continue its currently planned exploration activities.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

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

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

Key judgements – exploration & evaluation 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 28 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 14.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Class of Fixed Asset	Depreciation Rate
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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 124 Related Party Disclosures (December 2009);
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets; and
- AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project.

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 2012 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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: 'Joint 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.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the Directors' Report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The consolidated entity has yet to determine the potential effect of this standard.

(r) Parent Entity Financial Information

The financial information for the parent entity, Carpentaria Exploration Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 2 REVENUE & OTHER INCOME

	2012 \$	2011 \$
Revenue		
Consulting and management fee revenue	-	530,608
Bank interest received	445,951	581,100
	445,951	1,111,708
Other Income		
Gain on sale of interest in exploration tenement	-	614,233
Gain on sale of 20% investment in FTB (QLD) Pty Ltd (refer to note 14)	2,943,098	-
	2,943,098	614,233

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 2012 and 2011 is as follows:

Accounting profit /(loss) before income tax	(527,983)	(3,407,685)
Tax at the Australian tax rate of 30%	(158,395)	(1,022,306)
Non-deductible expenses	68,587	565,286
Deductible amounts recognised in equity	(35,271)	(33,098)
Deferred tax assets not brought to account	125,079	490,118
Research and development income tax refund	725,000	-
Income tax refund/(expense)	725,000	-
Unrecognised temporary differences and tax losses		
Net deferred tax assets not brought to account	489,630	364,551

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	42,542	41,250
Non audit services:		
- Taxation services	35,450	12,260
- Other assurance services	7,500	7,500
	85,492	61,010

NOTE 5 EARNINGS PER SHARE

	2012 \$	2011 \$
Earnings used to calculate basic and dilutive EPS	197,017	(3,407,685)
	2012 #	2011 #
Weighted average number of ordinary shares outstanding during the year	94,723,951	93,348,625
Adjustments for calculation of diluted earnings per share - options	1,397,542	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	96,121,493	93,348,625
Weighted average number of anti-dilutive options (and NRE shares) outstanding excluded from dilutive EPS	12,177,260	8,603,388

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.

NOTE 7 CASH & CASH EQUIVALENTS

	2012 \$	2011 \$
Cash on hand and at bank	192,603	3,280,013
Cash on deposit	6,145,844	5,917,753
	6,338,447	9,197,766

NOTE 8 TRADE & OTHER RECEIVABLES

Other receivables	160,315	1,508,695
Interest receivables	48,349	151,052
Receivable from equity accounted associate	-	726,496
Provision for impairment - other receivables	-	(275,000)
	208,664	2,111,243

NOTE 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Shares in Guildford Coal Limited	1,190,580	-
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The Consolidated Entity received 2,184,551 fully paid ordinary securities in Guildford Coal Limited (GUF) with a market value at 14 September 2011 of \$2.5 million as part consideration for the sale of its 20% share in FTB (QLD) Pty Ltd. The market value of GUF shares declined from \$1.144 per share at the sale date to \$0.545 per share at 30 June 2012, resulting in an unrealised loss on the GUF shares of \$1,309,420 for the period.

NOTE 10 OTHER CURRENT ASSETS

	2012 \$	2011 \$
Prepayments	18,820	9,733
Bonds and deposits	321,825	221,825
	340,645	231,558

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 11 PLANT & EQUIPMENT

	2012 \$	2011 \$
Plant and equipment		
At cost	112,570	100,481
Accumulated depreciation	(65,260)	(52,920)
	47,310	47,561
Plant and equipment under lease		
At cost	200,560	200,560
Accumulated depreciation	(57,001)	(17,304)
	143,559	183,256
Total plant and equipment	190,869	230,817

	Plant and equipment \$	Plant and Equipment – Under Lease \$	Total \$
Movements in carrying amounts			
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
Balance at 1 July 2011	47,561	183,256	230,817
Additions	25,304	-	25,304
Depreciation expense	(25,555)	(39,697)	(65,252)
Balance at 30 June 2012	47,310	143,559	190,869

NOTE 12 INTANGIBLE ASSETS

Software – at cost	7,759	7,759
Software – at cost (under lease)	87,465	87,465
Accumulated amortisation	(32,581)	(1,790)
	62,643	93,434
Movements		
Opening balance	93,434	6,207
Additions	-	-
Additions – finance lease	-	87,465
Amortisation	(30,791)	(238)
Closing balance	62,643	93,434

NOTE 13 EXPLORATION EXPENDITURE

	2012 \$	2011 \$
Exploration expenditure capitalised		
Opening balance	4,087,228	4,573,758
Net current year expenditure	4,212,795	1,568,429
Disposals	(46,789)	(1,385,767)
Impairment of exploration expenditure	(4,746)	(669,192)
	8,248,488	4,087,228

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 14 EQUITY ACCOUNTED INVESTMENTS

Investment in associates	-	9,994
Movements		
Opening balance	9,994	75,000
Additions	49,785	-
Disposals	(59,779)	-
Share of loss	-	(65,006)
Closing balance	-	9,994

Sale of FTB (Qld) Pty Ltd

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 (GUF) 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.

At the date of disposal the Consolidated Entity owed Guildford Coal Limited, joint venture contributions of \$270,627 that were netted off the \$1.5 million payment. The Consolidated Entity also had a receivable from FTB (QLD) Pty Ltd of \$726,496 that was also settled through the cash payment of \$1.5 million. As a result the net cash received on disposal of FTB (QLD) Pty Ltd was \$502,877.

The disposal had the following effect on the financial statements:

	\$
Cash consideration received	1,500,000
Market value of GUF shares at sale date	2,500,000
Total consideration received	4,000,000
Less amounts owed by FTB (QLD) Pty Ltd	(726,496)
Less carrying value of investment in FTB (QLD) Pty Ltd	(59,779)
Less joint venture contributions owed to Guildford Coal Limited	(270,627)
Gain on disposal	2,943,098

	Assets \$	Liabilities \$	Revenue \$	Loss \$
Summarised Financial Information of FTB (Qld) Pty Ltd				
2011	5,520,555	3,647,701	3,101	325,031

2011: There were no expenditure commitments contracted for at balance date payable but not provided for and payable by the associate. There are no known contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 15 TRADE & OTHER PAYABLES

	2012 \$	2011 \$
Other payables and accrued expenses	378,263	722,384

NOTE 16 INTEREST BEARING LIABILITIES

Current		
Finance leases	91,633	95,661
Insurance financing	-	7,937
	91,663	103,598
Non-Current		
Finance leases	99,070	190,703

The above facilities represent the only finance facilities available to the Consolidated Entity. There are no unused facilities at balance date (2011: Nil).

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

NOTE 17 PROVISIONS

	2012 \$	2011 \$
Employee benefits	115,688	131,260

NOTE 18 SHARE CAPITAL

Fully paid ordinary shares	17,629,473	16,938,223
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	2012 \$	2011 \$	2012 #	2011 #
Ordinary Shares				
At the beginning of the year	16,938,223	10,408,009	94,341,301	72,641,301
Share placement ¹	126,250	169,800	450,000	370,000
Share issue expenses	-	(36,210)	-	-
Exercise of options ²	-	6,342,692	-	21,330,000
Transfer from reserves ³	-	53,932	-	-
Transfers from treasury shares ⁵	565,000	-	1,700,000	-
At reporting date	17,629,473	16,938,223	96,491,301	94,341,301
Non-recourse employee shares (NRE)				
At the beginning of the year	-	-	10,400,000	-
Shares issued under non-recourse loan plan ⁴	-	-	-	10,400,000
NRE shares transferred to treasury shares ⁵	-	-	(3,000,000)	-
At reporting date	-	-	7,400,000	10,400,000
Treasury shares				
At the beginning of the year	-	-	-	-
Transfers from NRE shares ⁵	-	-	3,000,000	-
Transfers to ordinary shares ⁵	-	-	(1,700,000)	-
At reporting date	-	-	1,300,000	-
Total Ordinary, NRE and Treasury Shares	17,629,473	16,938,223	105,191,301	104,741,301

NOTE 18 SHARE CAPITAL (continued)

¹ 2012: 250,000 ordinary fully paid shares issued at \$0.225 each in consideration for land access rights. 200,000 ordinary fully paid shares issued at \$0.350 each in consideration for acquiring an interest in exploration licence on EL 3998.

2011: 370,000 ordinary fully paid shares issued in consideration for land access rights.

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.

³ 2011: \$53,932 was transferred out of the options reserve into share capital. This transaction had no impact on cashflows or total equity.

⁴ 2011: 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 21 for further details.

⁵ 2012: In accordance with the CAP share plan, former Directors Mike Chester and Stan McDonald's NRE shares became due and payable within 7 days of them resigning from the board. The former Directors elected to not repay the loan and consequently their 3,000,000 NRE shares were transferred, in trust, to the Company for sale and recorded as Treasury shares. At 30 June 2012, the Company had sold 1,700,000 shares at an average of \$0.332 per share (transferred to ordinary shares) and continues to hold in trust 1,300,000 Treasury shares.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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.

Options

Expiry Date	Exercise Price	Movements				30 June 2012
		1 July 2011	Issued	Exercised	Expired	
31 July 2012	\$0.114	700,000	-	-	-	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
15 December 2014	\$0.290	-	2,700,000	-	-	2,700,000
		6,450,000	2,700,000	-	(1,850,000)	7,300,000

NOTE 19 RESERVES

	2012 \$	2011 \$
Share based payment reserve	2,017,477	2,033,078

Share based payment reserve movements during the year

Opening balance	2,033,078	234,092
Share based payments	193,320	1,852,918
Transfer to share capital	-	(53,932)
Transfer to accumulated losses (expired options)	(208,921)	-
Closing balance	2,017,477	2,033,078

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 20 CASH FLOW INFORMATION

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

	2012 \$	2011 \$
Profit/(loss) after income tax	197,017	(3,407,685)
Non-cash items in profit/(loss) after income tax		
Depreciation and amortisation	96,043	45,178
Share based payments expense	193,320	1,852,918
Impairment of exploration expenditure	4,746	669,192
Impairment of receivables	132,662	275,000
Gain on sale of equity accounted associate	(2,943,098)	-
Fair value loss on financial assets at fair value through profit or loss	1,309,420	-
Gain on sale of interest in exploration tenement	-	(614,233)
Share of net loss from equity accounted associate	-	65,006
Movements in assets and liabilities		
Receivables	84,248	(880,431)
Other assets	(109,087)	(73,316)
Trade payables and accruals	(665,581)	(20,504)
Provisions	(15,572)	41,633
Cash flow from operations	(1,715,882)	(2,047,242)

Non-cash transactions

- 2012: 250,000 ordinary fully paid shares issued at \$0.225 each in consideration for land access rights.
 200,000 ordinary fully paid shares issued at \$0.350 each in consideration for the renewal of the exploration licence on EL 3998.
 2,184,551 shares in Guildford Coal Limited ("GUF") as part consideration for the disposal of its 20% interest in FTB (QLD) Pty Ltd. Refer Note 14 for further details.
- 2011: 370,000 ordinary shares at \$0.46 per share were issued in consideration for tenement land access rights.
 Vehicles, field equipment, computer equipment and software totaling \$288,025 were acquired via finance leases.

NOTE 21 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:

2012									
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
8	20 July 2009	31 July 2012	\$0.114	600,000	-	-	-	600,000	600,000
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)	-	-
13	1 March 2011	2 March 2013	\$0.850	1,300,000	-	-	-	1,300,000	1,300,000
14	16 Dec 2011	15 Dec 2014	\$0.290	-	2,700,000	-	-	2,700,000	2,700,000
				6,450,000	2,700,000	-	-	7,300,000	7,300,000
Weighted average exercise price				0.37	0.29	-	0.413	0.33	0.33
Weighted average share price at date of exercise						-			

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)	-	600,000	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			

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.22 years (2011: 1.32 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 21 SHARE BASED PAYMENTS (continued)

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

	Tranches issued in 2012	Tranches issued in 2011	
Inputs into pricing model	14	12	13
Grant date	16 December 2011	12 July 2010	1 March 2011
Vesting date	16 December 2011	27 May 2011	1 March 2013
Exercise price	\$0.290	\$0.413	\$0.85
Share price at grant date	\$0.20	\$0.44	\$0.66
Life of the options	2 years	1.88 years	2 years
Underlying share price volatility	82%	54%	54%
Expected dividends	Nil	Nil	Nil
Risk free interest rate	4.25%	4.42%	4.68%

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

In the prior year, 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:

2012									
Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed/ transferred during year ⁽¹⁾	Balance at end of year	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	\$0.48	3,000,000	-	-	(1,500,000)	1,500,000	1,500,000
Director 2	31 May 2011	31 May 2013	\$0.48	3,000,000	-	-	(1,500,000)	1,500,000	1,500,000
Employee 1	1 March 2011	2 March 2013	\$0.60	4,400,000	-	-	-	4,400,000	4,400,000
				10,400,000	-	-	(3,000,000)	7,400,000	7,400,000
Weighted average exercise				0.53	-	-	0.48	0.58	0.58

(1) In accordance with the CAP share plan, former Directors Mike Chester and Stan McDonald's NRE shares became due and payable within 7 days of them resigning from the board. The former Directors elected to not repay the loan and consequently their 3,000,000 NRE shares were transferred, in trust, to the Company for sale and recorded as Treasury shares. At 30 June 2012, the Company had sold 1,700,000 shares at an average of \$0.332 per share (transferred to ordinary shares) and continues to hold in trust 1,300,000 Treasury shares.

2011									
Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed/ transferred during year	Balance at end of year	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	\$0.48	-	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

NOTE 21 SHARE BASED PAYMENTS (continued)

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

Inputs into pricing model	Director 1	Director 2	Employee 1
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%

Equity based instruments – Ordinary Shares

During the year the Company issued 200,000 ordinary fully paid shares at \$0.35 per share (\$70,000) consideration for acquiring an interest in exploration licence on EL 3998. The fair value of the interest in 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 the transaction.

During the year the Company issued 250,000 ordinary fully paid shares at \$0.225 per share (\$56,250) 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 the transaction.

During the prior 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 the transaction.

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:

	2012 \$	2011 \$
Options issued under employee option plan	193,320	364,095
Shares issued under employee share scheme	-	1,488,823
	193,320	1,852,918

NOTE 22 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	2012 \$	2011 \$
Short-term employee benefits	928,875	868,875
Post-employment benefits	80,899	78,199
Share-based payments	64,440	1,148,754
	1,074,214	2,095,828

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 22 RELATED PARTY AND KEY MANAGEMENT PERSONNEL (continued)

Director/Key Management Personnel shareholdings (number of shares)

2012	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Nick Sheard	1,900,000	-	-	-	1,900,000
Bob Hair	1,530,000	-	-	-	1,530,000
Bin Cai ¹	10,479,000	-	-	-	10,479,000
Neil Williams	-	-	-	-	-
Paul Cholakos	-	-	-	-	-
Mike Chester ²	1,586,401	-	-	(1,586,401)	-
Stan Macdonald ²	2,000,000	-	-	(2,000,000)	-
Key Management Personnel					
Doug Brewster	1,265,000	-	-	-	1,265,000
Quentin Hill	410,000	-	-	-	410,000
Chris Powell	1,060,000	-	-	(20,000)	1,040,000
Total	20,230,401	-	-	(3,606,401)	16,624,000

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

² Net Change Other represents movement on retirement as director.

2011	Opening Balance	Granted as remuneration ¹	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 ²	-	-	-	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	10,322,500	19,820,401

¹ 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 18 for further details.

² Held by Australian Conglin International Investment Group Pty Ltd of which Mr Bin Cai is managing director

NOTE 22 RELATED PARTY AND KEY MANAGEMENT PERSONNEL (continued)

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

2012	Opening Balance	Granted as remuneration	Options Exercised	Options Lapsed/Sold	Closing Balance
Directors					
Nick Sheard	2,000,000	-	-	-	2,000,000
Bob Hair	-	-	-	-	-
Bin Cai	-	-	-	-	-
Neil Williams	-	-	-	-	-
Paul Cholakos	-	-	-	-	-
Mike Chester	-	-	-	-	-
Stan Macdonald	-	-	-	-	-
Key Management Personnel					
Doug Brewster	650,000	300,000	-	(400,000)	550,000
Quentin Hill	400,000	300,000	-	(400,000)	300,000
Chris Powell	500,000	300,000	-	(400,000)	400,000
Total	3,550,000	600,000		(1,200,000)	3,250,000
2011					
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

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 2012 (2011: nil).

Transactions with Related Parties

There were no other transactions between the Consolidated Entity and its related parties during the year (2011: nil).

NOTE 23 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable and investments in listed securities.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board is responsible for managing the Consolidated Entity's identification and control of financial risks and for evaluating treasury management strategies in the context of the most recent economic conditions and forecasts

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, credit risk, liquidity risk and price risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 23 FINANCIAL RISK MANAGEMENT (continued)

(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 2012.

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.

	2012 \$	2011 \$
Receivable from equity accounted associate	-	726,496
Receivable from joint venture partner	-	1,182,724
	-	1,909,220

Maximum exposure to credit risk

	2012 \$	2011 \$
Non-trade receivables	208,664	2,386,243
Cash and cash equivalents	6,338,447	9,197,766
	6,547,111	11,584,009

Ageing of receivables

Not past due	208,664	1,986,243
Past due 0-90 days	-	-
Past due >90 days	-	400,000
Impaired	-	(275,000)
	208,664	2,111,243

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.

NOTE 23 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

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

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

The table below reflects the contractual maturity 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:

	2012 \$	2011 \$
Less than one year		
Trade and other payables	378,263	722,384
Insurance financing	-	8,129
Finance leases	111,467	116,143
One to five years		
Finance leases	95,206	206,672
	584,936	1,053,328

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 leases are secured by way of fixed charge over the leased asset. The finance leases are a subject to interest rates ranging from 7.73% to 10.06%.

(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:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2012 \$	2011 \$	2012 \$	2011 \$
Judgements of reasonably possible movements:				
+1.00% (100 basis points)	1,926	32,800	1,926	32,800
-1.00% (100 basis points)	(1,926)	(32,800)	(1,926)	(32,800)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 23 FINANCIAL RISK MANAGEMENT (continued)

Price risk

The Consolidated Entity's exposure to securities in the current period arose from an investment in one listed company, Guilford Coal Ltd.

The Consolidated Entity actively monitors the underlying investment in the context of its overall strategic and financial objectives.

At 30 June 2012, the Consolidated Entity had the following exposure to price risk:

	2012 \$	2011 \$
Shares in Guilford Coal Limited	1,190,580	-

At 30 June 2012, if the market prices had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2012 \$	2011 \$	2012 \$	2011 \$
Judgements of reasonably possible movements:				
+ 25%	297,645	-	297,645	-
- 25%	(297,645)	-	(297,645)	-

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

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

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

For the year ended 30 June 2012 the value of the listed shares was based on the closing price of Guilford Coal Ltd's securities as quoted on the ASX on 30 June 2012.

Total gains or losses for the period included in profit and loss that relate to financial assets held at fair value through profit or loss at the end of the reporting period were \$1,309,420 (2011: \$0).

(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 of share capital can be found in Note 18. 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 24 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.

NOTE 25 COMMITMENTS

Operating leases

	2012 \$	2011 \$
Minimum lease payments:		
Payable within one year	146,827	115,625
Payable within one year and five years	32,327	135,836
Total contracted at balance date	179,154	251,461

Finance leases

Future minimum lease payments:		
Payable within one year	111,467	116,143
Payable between one year and five years	95,206	206,672
	206,673	322,815
Less future interest payments	(15,970)	(36,451)
	190,703	286,364
Present value of minimum lease payments:		
Current (Note 16)	91,633	95,661
Non-Current (Note 16)	99,070	190,703
	190,703	286,364

Finance leases relate to exploration equipment, computer equipment and vehicles with a written down value of \$201,789. 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.

	2012 \$	2011 \$
Exploration obligations to be undertaken:		
Payable within one year	1,943,250	1,521,000
Payable between one year and five years	698,722	1,521,000
	2,641,972	3,042,000

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 26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2012 that require disclosure in the financial report.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 27 JOINT VENTURE ARRANGEMENTS

Braemar Joint Venture

During the period, Carpentaria entered into a joint venture arrangement with Maosen Australia Pty Ltd (Maosen) that gives Carpentaria the opportunity to earn a 100% interest in the Braemar Iron Formation Project in South Australia (EL 3998). The key terms of the arrangement are:

- Carpentaria is required to pay Maosen \$25,000 upon execution of the agreement (which was completed);
- On renewal of the tenement, Carpentaria is required to complete a 500m drilling program and issue 200,000 fully paid shares to Maosen;
- To earn a 60% interest in the joint venture, Carpentaria must define a 200 million tonne magnetite resource within 3 years of initial access and pay Maosen \$100,000;
- Carpentaria may earn an 80% interest by completing a prefeasibility study and making a further cash payment to Maosen of \$200,000, at which point Maosen has the right to contribute on a pro-rata basis;
- Should Maosen elect not to contribute to further development, Carpentaria may earn a 100% interest in the project for a further \$1,000,000 cash payment to Maosen, whereby Maosen would revert to a 1.5% Net Profit Royalty. At the completion of a detailed feasibility study, Maosen could elect to regain a 10% interest.

NOTE 28 PARENT ENTITY INFORMATION

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

	2012 \$	2011 \$
Parent Entity Financial Information		
Current assets	8,038,335	12,301,210
Non-current assets	8,727,407	3,875,742
Total assets	16,765,742	16,176,952
Current liabilities	585,584	957,246
Non-current liabilities	99,070	190,703
Total liabilities	684,654	1,147,949
Net assets	16,081,088	15,029,003
Issued capital	17,629,473	16,938,223
Share based payment reserve	2,017,477	2,033,078
Accumulated losses	(3,565,862)	(3,942,298)
Total equity	16,081,088	15,029,003
Profit/(loss) after income tax	167,515	(3,203,986)
Other comprehensive income	-	-
Total comprehensive income	167,515	(3,203,986)

NOTE 28 PARENT ENTITY INFORMATION (continued)

	Percentage Owned		Parent Entity Investment	
	2012 %	2011 %	2012 \$	2011 \$
Controlled Entities of the Parent Entity				
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 25 for details.

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

NOTE 29 EVENTS AFTER BALANCE SHEET DATE

Fair Value of Guildford Coal Limited Investment (“GUF”)

At 30 June 2012 Carpentaria Exploration Limited's shareholding in GUF of 2,184,551 shares equated to an investment of \$1,190,580 at a closing share price of \$0.545 per share on that date. Also refer to Note 9 of the financial statements.

Subsequent to year-end the share price of GUF has decreased and at the date of this report is trading at approximately \$0.300. As a result Carpentaria Exploration Limited's investment has decreased by \$535,215 to a total value of approximately \$655,365.

There have been no other events since 30 June 2012 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 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 2012 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



S N Sheard

Executive Chairman

Brisbane

26 July 2012

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 2012, 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*.

Opinion

In our opinion:

- (a) the financial report of Carpentaria Exploration Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

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INDEPENDENT AUDITOR'S REPORT

To the members of Carpentaria Exploration Limited



REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in 10 to 15 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

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

PKF

A handwritten signature in black ink that appears to read 'ALLOOTS'.

Albert Loots

Partner

Dated at Brisbane this 26th day of July 2012

BOARD OF DIRECTORS

Nick Sheard	Executive Chairman
Bob Hair	Non-Executive Director
Bin Cai	Non-Executive Director
Dr Neil Williams	Non-Executive Director
Paul Cholakos	Non-Executive Director

COMPANY SECRETARY

Chris Powell

Registered Office

Level 6
345 Ann Street
Brisbane Qld 4000

PO Box 10919 Adelaide Street
Brisbane QLD 4000

Telephone: +61 7 3220 2022
Facsimile: +61 7 3220 1291
Email: info@capex.net.au
Website: www.carpentariaex.com.au

Solicitors

HWL Ebsworth
Level 23, Riverside Centre
123 Eagle Street
Brisbane Qld 4000

Auditors

PKF (now BDO)
Level 18, 300 Queen Street
Brisbane Qld 4000

Telephone: +61 7 3237 5999
Facsimile: +61 7 3221 9227
Website: www.bdo.com.au

Share Registry

Link Market Services Limited
Level 19
324 Queen Street
Brisbane QLD 4000

Telephone: 1300 554 474
Facsimile: +61 2 9287 0303
Website: www.linkmarketservices.com.au







www.capex.net.au



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NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Date of Meeting: Thursday, 18 October 2012

Time of Meeting: 3:30pm EST

Place of Meeting: The Queensland Irish Association Club, 175 Elizabeth Street Brisbane, Queensland, 4000

This Notice of Annual General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting (**General Meeting**) of Shareholders of Carpentaria Exploration Limited (Company) will be held at:

Place: The Queensland Irish Association Club, 175 Elizabeth Street Brisbane Queensland, 4000

Date: 3:30pm EST on Thursday, 18 October 2012.

AGENDA

BUSINESS

The business of the Meeting will consist of:

ORDINARY BUSINESS

Agenda Item 1 - Financial statements and reports

To receive and consider the Annual Report, which includes the Directors' Report, Auditor's Reports and Financial Report for the year ending 30 June 2012.

Agenda Item 2 - Resolutions

Resolution 1 : Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, for all purposes, Shareholders adopt the Remuneration Report for the financial year ended 30 June 2012 as disclosed in the Directors' Report for the year ending 30 June 2012."

Please note that the vote on this resolution is advisory only, and does not bind the Directors or the Company.

In accordance with section 250R of the Corporations Act, a vote on this resolution must not be cast by, or on behalf of, a member of the Key Management Personnel whose remuneration details are included in the remuneration report, or a Closely Related Party of such member. However, a vote may be cast by such person if:

- the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.



Resolution 2 : Election of Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Dr Neil Williams having been appointed as a Director of Carpentaria Exploration Limited under the Company's Constitution by resolution of the Board of Directors, being eligible, offers himself for election, be elected as a Director of the Company."

Resolution 3 : Election of Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Paul Cholakos having been appointed as a Director of Carpentaria Exploration Limited under the Company's Constitution by resolution of the Board of Directors, being eligible, offers himself for election, be elected as a Director of the Company."

Resolution 4 : Re-election of Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr Bin Cai, who retires as a Director of Carpentaria Exploration Limited by rotation, pursuant to the Constitution and being eligible, offers himself for re-election, is re-elected as a Director of the Company."

Resolution 5 : Approval of grant of options under the Employee Option Plan (EOP) to Mr Bin Cai

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, pursuant to ASX Listing Rule 10.14, section 208 of the Corporations Act 2001 (Cth), and for all other purposes, the Directors be authorised to grant up to 500,000 options pursuant to the Company's Employee Option Plan (EOP) to Mr Bin Cai and, upon exercise of those options, the acquisition of the ordinary shares underlying those options, in accordance with the terms of the EOP and on the terms specified in the accompanying Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by the Directors and their associates. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

Resolution 6 : Approval of grant of options under the Employee Option Plan (EOP) to Dr Neil Williams

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, pursuant to ASX Listing Rule 10.14, section 208 of the Corporations Act 2001 (Cth), and for all other purposes, the Directors be authorised to grant up to 500,000 options pursuant to the Company's Employee Option Plan (EOP) to Dr Neil Williams and, upon exercise of those options, the acquisition of the ordinary



shares underlying those options, in accordance with the terms of the EOP and on the terms specified in the accompanying Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by the Directors and their associates. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 : Approval of grant of options under the Employee Option Plan (EOP) to Mr Paul Cholakos

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, pursuant to ASX Listing Rule 10.14, section 208 of the Corporations Act 2001 (Cth), and for all other purposes, the Directors be authorised to grant up to 500,000 options pursuant to the Company's Employee Option Plan (EOP) to Mr Paul Cholakos and, upon exercise of those options, the acquisition of the ordinary shares underlying those options, in accordance with the terms of the EOP and on the terms specified in the accompanying Explanatory Memorandum. "

The Company will disregard any votes cast on this resolution by the Directors and their associates. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 : Ratification of prior issue of ordinary shares to Maosen Australia Pty Ltd

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue and allotment of 200,000 fully paid ordinary shares to Maosen Australia Pty Ltd, paid as consideration for the renewal of exploration licence under Farm-in Joint Venture Agreement on EL 3998 by the Company as specified in, on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a person who participated in the issue, Maosen Australia Pty Ltd and associate or associates of that person. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



Resolution 9 : Approval to increase total amount limit payable to non-executive Director's

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**

"That, for the purposes of Listing Rule 10.17, the Company Constitution and for all other purposes, Shareholders approve an increase of the aggregate non-executive remuneration limit from \$220,000 to \$450,000 which may be divided among those non-executive in the manner determined by the Board of the Company from time to time on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by Directors and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution10 : Approval of 10% placement facility

To consider and, if thought fit, pass the following resolution as a **special resolution**

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2) over a 12 month period on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the issue of the Shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

Resolution 11: Appointment of Auditor

To consider and, if thought fit, pass the following resolution as a **special resolution**

"That, for the purposes of section 327D of the Corporations Act and for all other purposes, approval is given for the Directors to appoint BDO Audit Pty Ltd as auditor of the Company, having been nominated by a Shareholder and consented in writing to act in the capacity of auditor."



Resolution 12 : Section 195 approval

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That for the purposes of section 195(4) of the Corporations Act 2001 (Cth), and for all other purposes, Shareholders approve and authorise the Directors to complete the transactions contemplated in this Notice of General Meeting and the Explanatory Memorandum."

OTHER BUSINESS

To transact any other business which may be brought forward in accordance with the Company's Constitution.

Voting entitlements

For the purpose of determining an entitlement to vote at the General Meeting, a person will be recognised as a member if that person is registered as a holder of Company shares at 7:00 pm on (48 hours before the General Meeting) Tuesday, 16 October 2012

Explanatory Memorandum

Further information in relation to these resolutions is set out in the Explanatory Memorandum attached to this Notice of General Meeting.

The Explanatory Memorandum accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice of General Meeting.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

BY ORDER OF THE BOARD

Chris Bynon-Powell
Company Secretary
13 September 2012



EXPLANATORY MEMORANDUM

ORDINARY BUSINESS

Agenda Item 1 – Financial statements and reports

The Annual Report for the year ending 30 June 2012 which includes the Directors' Reports, the Auditor's Report and the Financial Report (which includes the financial statements and directors' declaration) is tabled for information of Shareholders but does not require any formal resolution.

Agenda Item 2 – Resolutions

Resolution 1 – Adoption of Remuneration Report

The Remuneration Report of the Company for the financial year ending 30 June 2012 is set out in the Directors' Report on pages 30 to 35 of the Company's Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

The Corporations Act at section 250R(2) requires that a resolution that the Remuneration Report of the Company be adopted must be put to the vote (**Remuneration Report Resolution**). The vote on the Remuneration Report Resolution is advisory only and does not bind the Company.

However, as a consequence of changes to the Corporations Act (effective July 2011) contained in Part 2G.2, division 9, if at least 25% of the votes cast on the resolution are voted against the adoption of the Remuneration Report at the meeting, then:

- (a) if comments are made on the Remuneration Report at the AGM, the Company's Remuneration Report for the next financial year will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reason for this; and
- (b) if at the next AGM, at least 25% of the votes cast on the resolution for adoption of the Remuneration Report are against such adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting be called to consider the election of directors of the Company (**Spill Resolution**). If a Spill Resolution is passed, all of the directors, other than the managing director, will cease to hold office at the subsequent general meeting, unless re-elected at that meeting.

A reasonable opportunity will be given for the discussion of the Remuneration Report at the meeting.

Resolution 2 – Election of Director

The Constitution and the Corporations Act require that any Director appointed by the Directors holds office only until the next Annual General Meeting and is then eligible for re-election.

Dr Neil Williams was appointed as a Director of the Company on 1 January 2012 by resolution of the Board of Directors and being eligible, has offered himself for re-election as a Director.



The resume of Dr Neil Williams is as follows:

Recently retired as Chief Executive Officer of the Australian government's geoscience agency, Geoscience Australia, Dr Williams has had a distinguished career spanning all aspects of minerals exploration, both in Australia and internationally, including serving as Chief Geologist for MIM.

Dr Williams has won numerous Australian and international awards in his field. He has also had a distinguished academic career, currently serving as an Honorary Professorial Fellow at the University of Wollongong, as well as a number of other industry and management bodies, including the Queensland Exploration Council and President of the 34th International Geological Congress.

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

The Board (excluding Dr Neil Williams) recommends that shareholders vote in favour of Resolution 2. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 2.

Resolution 3 – Election of Director

The Constitution and the Corporations Act require that any Director appointed by the Directors holds office only until the next Annual General Meeting and is then eligible for re-election.

Mr Paul Cholakos was appointed as a Director of the Company on 2 April 2012 by resolution of the Board of Directors and being eligible, has offered himself for re-election as a Director.

The resume of Mr Paul Cholakos is as follows:

Paul has 25 years of resources industry experience, successfully managing complex development projects for leading oil and gas and diversified mining companies. He holds Master of Business Administration and Bachelor of Engineering degrees.

Paul currently serves as Executive General Manager, Project Development of major Australian oil and gas company Oil Search Limited (ASX:OSH).

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

The Board (excluding Mr Paul Cholakos) recommends that shareholders vote in favour of Resolution 3. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 3.

Resolution 4 – Re-election of Director

Pursuant to both the Listing Rules and the Constitution, Directors must retire by rotation at least once every three years. Mr Bin Cai retires as a director of the Company and offers himself for re-election.

Details of Bin Cai's background and experience are contained in the Company's Annual Report which accompanies this Explanatory Memorandum.

The Board (excluding Mr Bin Cai) recommends that shareholders vote in favour of Resolution 4. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 4.



Resolutions 5, 6 and 7– Approval of grant of options to each of Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos

(a) Purpose of Resolutions

Resolutions 5, 6 and 7 are sought to approve the grant of options to certain Directors.

(a) Overview

The Company proposes to grant 1,500,000 options to acquire ordinary shares to certain directors of the Company (**Employee Options**) under the Company Employee Option Plan (**EOP**). The principal terms of the EOP are summarised in Schedule 1.

On 22 November 2010 approval was provided by Shareholders for the purposes of Exception 9 of Listing Rule 7.2 of the ASX Listing Rules, section 260C(4) of the Corporations Act and for all other purposes for the Company to administer and issue securities under the EOP on the terms and conditions set out in the explanatory memorandum issued to the Shareholders.

In essence, the approval allowed the Company to issue options under the EOP without prior Shareholder approval for the next three years.

It should be noted that the resolutions passed on 22 November 2010 did not approve the issue of any options under the EOP to any director of the Company as options cannot be issued to directors of the Company or their associates unless prior approval of shareholders is obtained in accordance with the ASX Listing Rules.

By way of Resolutions 5, 6 and 7, it is proposed that the Employee Options be issued under the ESP as follows:

Name	Position	Number of Employee Options under EOP
Mr Mr Bin Cai	Non-Executive Director	500,000
Dr Neil Williams	Non-Executive Director	500,000
Mr Paul Cholakos	Non-Executive Director	500,000

The proposed grant of Employee Options to the Directors is intended to:

- (i) provide an appropriate and adequate incentive;
- (ii) ensure that the Company may retain their services; and
- (iii) reinforce the commitment of those Directors to the Company.

The number of Employee Options proposed to be granted to the Directors reflects:

- (i) the level of commitment provided or to be provided by those Directors to the Company, taking into account the responsibilities and time commitments required of them; and
- (ii) the value the Board feels those Directors bring to the enhancement of the Company and the level of commitment required by the Company from them.



The Board acknowledges the issue of Employee Options under the EOP to Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos and is contrary to Recommendation 8.2 of the ASX Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of Employee Options to Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos is reasonable in the circumstances. The Board considers that the issue of Employee Options pursuant to the EOP aligns the interests of Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos with the interests of Shareholders.

(b) Overview of the regulatory approval requirements

Shareholder approval under Resolutions 5, 6 and 7 is sought for the proposed issue and funding of Employee Options to the named Directors of the Company (or their nominees), for the purposes of:

- (i) Chapter 2E of the Corporations Act, which governs the giving of financial benefits to related parties (such as directors of a company); and
- (ii) ASX Listing Rule 10.14, which requires the issue of securities to a director of a company under an employee incentive scheme to be approved by the shareholders of the company by way of an ordinary resolution.

ASX Listing Rule requirements

ASX Listing Rule 10.14 provides that an entity must not permit a director to acquire securities under an employee incentive scheme without the approval of the holders of ordinary shares.

ASX Listing Rule 10.15 sets out the information that must be included in the notice of meeting provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 10.14.

Corporation Act requirements

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit (which includes the issue of Employee Options) to a related party (which includes a director and former director) of the Company unless either:

- (i) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (ii) prior Shareholder approval is obtained for the giving of the financial benefit.

For the purposes of Chapter 2E, the Directors are related parties of the Company and the proposed issue of Employee Options to the Directors constitutes the giving of a financial benefit. As the nominated exceptions do not apply, Shareholder approval is required.

Section 219 of the Corporations Act sets out the information that must be included in the notice of meeting provided to shareholders for the purpose of obtaining shareholder approval pursuant to Chapter 2E of the Corporations Act.

(c) Specific information required under Listing Rule 10.15 and section 219 of the Corporations Act

Shareholder approval is required under Chapter 2E of the Corporations Act and ASX Listing Rule 10.14 for the issue of Employee Options to the named Directors because each of them is a Director and each of them is therefore a related party of the Company.



Principal terms

The principal terms of the options to be granted to each of Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos are as follows:

- (i) There is no issue price for the Employee Options.
- (ii) The exercise price of the Employee Options will be the amount equivalent with a 43% premium to the Volume-Weighted Average Price (**VWAP**) over the 20 Business days preceding the date of this Notice of Meeting, being [\$0.444] per Employee Option. (Calculated using ASX closing price 12 September 2012)
The Employee Options will expire after three years

The Employee Options will not be quoted on ASX.

Subject to approval of shareholders of the Company, the Employee Options proposed to be granted to each of Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos are anticipated to be issued within 1 month of the date of the Annual General Meeting, but in any event, no later than 12 months after the date of the Meeting.

Listing Rule 10.15 and section 219 of the Corporations Act

For the purposes of Listing Rule 10.15 and section 219 of the Corporations Act the following information is provided to Shareholders to allow Shareholders to assess the proposed issue of Employee Options.

No.	Listing Rule 10.15 and section 219 Corporations Act	Information	
(i)	Identity of the related parties and nature of the financial benefit	Directors are related parties of the Company and the proposed issue of Employee Options to the Directors (Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos) constitutes the giving of a financial benefit.	
(ii)	Maximum number of Employee Options that may be granted to the Directors:	Name	Number of Employee Options
		Mr Bin Cai	500,000
		Dr Neil Williams	500,000
		Mr Paul Cholakos	500,000
		Total:	1,500,000
(iii)	Status of Employee Options:	The Employee Options proposed to be granted to the Directors shall rank pari passu with other options to be issued under the EOP with the exception of vesting conditions and the exercise price. If exercised, the shares to be issued will be fully paid ordinary shares in the Company and shall rank pari passu with existing Shares.	
(iv)	The issue price of the Employee Options:	There is no issue price for the Employee Options. The exercise price for the Employee Options is the amount that is equivalent with a 43% premium to the VWAP over the 20 Business days preceding the date of this Notice of Meeting, being \$[0.444] per Employee Option. (Calculated using ASX closing price 12 September 2012)	



(v)	Valuation of the Employee Options	The Directors attribute a value to the Employee Options as at the date of this notice of \$0.0454 per Employee Option, based upon the following considerations: (a) Valuation methodology is based on using a binomial option pricing model. (b) On the basis of the Employee Options being valued at \$0.0454c per Employee Option, the implied “value” to be received by each Directors is \$22,700.	
(vi)	Date of grant, expiry and exercise period of Employee Options:	Details of the grant date, expiry date and exercise periods of the Employee Options to be granted to the Directors are set out below. Grant Date and Expiry Date <i>Grant:</i> The Employee Options will be granted on the date on which the Board upon the recommendation of the Committee resolves to grant the Employee Option (Grant Date), being the date resolutions 5, 6 and 7 are approved by Shareholders. <i>Expiry:</i> The Employee Options will expire at the end of the Exercise Period (detailed below). Exercise Period The Exercise Period is the period commencing on the Grant Date but ending on the day prior to the third anniversary of its Grant Date.	
(vii)	The terms of any loan in relation to the acquisition:	N/A	
(viii)	Names of all directors or associates of directors who received options under the EOP since the last approval including the number of options received and the acquisition price for each option:	Nil	
(ix)	The names of all persons entitled to participate in the EOP:	Under the EOP only ‘Eligible Employees’ (as defined in Schedule 1 of this Notice) are entitled to participate in the EOP. Each of Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos have been determined to be ‘Eligible Employees’ for the purposes of the EOP.	
(x)	The date the Company will issue the Employee Options:	The Company will issue the Employee Options no later than 12 months after the date of the Meeting.	
(xi)	Current capital structure:	As at the date of this Notice, the capital structure of the Company is as follows:	
		Capital	Number
		Ordinary shares	105,191,301



		Options	6,500,000		
(xii)	Capital structure after Resolutions 5, 6 and 7 are approved:	If Shareholders approve Resolutions 5, 6 and 7 contained in this Notice and all Employee Options are granted as contemplated by this Notice, the issued capital of the Company would be as follows:			
		Capital		Number	
		Ordinary shares		105,191,301	
		Options		8,000,000	
(xiii)	Dilutionary effect:	If Shareholders approve the grant of the 1,500,000 Employee Options to the Directors the effect will be to dilute the shareholding of existing members by approximately 0% based on issued shares as at the date of this Explanatory Memorandum and 1.32]% on a fully diluted basis.			
(xiv)	Directors interest in the issued capital of the Company on a fully diluted basis as at the date of this Notice:	As at the date of this Notice, the Directors holdings in securities in the Company are as set out below. This represents 9.25%of the issued share capital of the Company on a fully diluted basis:			
		Director	Number of Shares held directly and indirectly	Number of Options held directly and indirectly	
		Mr Bin Cai	10,479,000	NIL	
		Dr Neil Williams	NIL	NIL	
		Mr Paul Cholakos	NIL	NIL	
(xv)	Directors interest in the issued capital of the Company on a fully diluted basis if Resolutions 5, 6 and 7 are approved and the Employee Options are granted:	If Shareholders approve Resolutions 5, 6 and 7 contained in this Notice and all Employee Options are issued as contemplated by this Notice, The Directors will hold securities in the Company as set out below. This represents 10.44% of the issued share capital of the Company on a fully diluted basis:			
		Director	Number of Shares held directly and indirectly	Number of Employee Options held directly and indirectly	
		Mr Bin Cai	10,479,000	500,000	
		Dr Neil Williams	NIL	500,000	
		Mr Paul Cholakos	NIL	500,000	
(xvi)	Current Director remuneration:	Details of the Director's remuneration for the year ended 30 June 2012 (based on information extracted from the Company's 2012 Annual Report) are as follows:			
		Director	Cash, salary and fees	Super-annuation	Total
		Mr Bin Cai	\$40,000	\$3,600	\$43,600
		Dr Neil Williams	\$20,000	\$1,800	\$21,800



		Mr Paul Cholakos	\$10,000	\$ 900	\$10,900
(xvii)	Estimated Director remuneration:	Details of the estimated remuneration payable to the Directors for the year beginning 1 July 2013 are as follows:			
		Director	Cash, salary and fees	Super-annuation	Total
		Mr Bin Cai	\$40,000	\$3,600	\$43,600
		Dr Neil Williams	\$40,000	\$3,600	\$43,600
		Mr Paul Cholakos	\$40,000	\$3,600	\$43,600
(xviii)	Voting exclusion statement:	Voting exclusion statements are contained in the Notice.			

(d) Any other information

- (i) In respect to Resolution 5, neither the Board (other than Mr Bin Cai) nor the Company is aware of any other information that would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5, other than as stated in this Explanatory Memorandum.
- (ii) In respect to Resolution 6, neither the Board (other than Dr Neil Williams) nor the Company is aware of any other information that would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6, other than as stated in this Explanatory Memorandum.
- (iii) In respect to Resolution 7, neither the Board (other than Mr Paul Cholakos) nor the Company is aware of any other information that would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 7, other than as stated in this Explanatory Memorandum.

(e) Directors' recommendations and interests

As each of Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos have a material personal interest in Resolutions 5, 6 and 7 respectively under which the Employee Options will be allocated, each of them believe that it is inappropriate to make a recommendation in respect to Resolutions 5, 6 and 7.

The Board (excluding Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos) recommends that Shareholders vote in favour of Resolutions 5, 6 and 7.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolutions 5, 6 and 7.



Resolution 8 – Ratification of Share Issue to Maosen Australia Pty Ltd ACN 100 294 200

(a) Purpose of Resolution

Resolution 8 is sought to approve the prior issue of 200,000 shares so that the Company retains capacity to issue up to a full 15% of its issued capital, if required, in the next 12 months without shareholder approval.

On 2 March 2012 the Company announced it had carried out a placement of 200,000 new ordinary shares. The issue was part of the consideration for the renewal under Farm-in Joint Venture Agreement on EL 3998.

(b) Overview of regulatory approval requirements

The Directors are restricted by Listing Rule 7.1 from issuing new securities in the Company which would dilute the interests of existing Shareholders, to a maximum of 15% of the issued capital of the Company in any 12 month period (**15% limit**) without Shareholder approval.

Listing Rule 7.4 allows Directors to seek approval of the Shareholders to an issue of securities after the issue has been made without approval under Listing Rule 7.1, provided the issue did not breach Listing Rule 7.1.

The issue of Shares described in Resolution 4 was made without Shareholder approval as the issue did not exceed the 15% limit. The Directors now seek Shareholder approval of the issue pursuant to Listing Rule 7.4.

(c) Specific information

Listing Rule 7.5 requires certain information to accompany a Notice of General Meeting in relation to approval sought under Listing Rule 7.4. This information is set out below:

Listing Rule 7.5 requirement	Information
Name of allottee:	Maosen Australia Pty Ltd ACN 100 294 200
Date of issue :	2 March 2012
Total number of securities allotted:	200,000 ordinary shares
The issue price of the securities:	\$0.35c
Terms of issue of the securities:	Ordinary fully paid shares ranking equally with all other fully paid ordinary shares of the Company
The use (or intended use) of funds	Consideration for renewal of exploration licence under Farm-in Joint Venture Agreement on EL 3998
Other:	The issue of the ordinary shares when made did not breach Listing Rule 7.1.
Voting exclusion statement:	Voting exclusion statements are contained in the Notice.

(d) Directors' recommendations and interests



The Directors of the Company recommend that Shareholders vote in favour of Resolution 8.

Each Director of the Company who is also a Shareholder of the Company and who is not otherwise restricted from voting, intends to vote in favour of Resolution 8.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 8.

Resolution 9 – Directors remuneration

(a) Purpose of Resolution

The purpose of Resolution 9 is to obtain Shareholder approval for an increase in the level of non-executive directors' fees.

(b) The Constitution and the Listing Rules

The Company's Constitution provides that non-executive directors may be collectively paid as remuneration for their services a fixed sum not exceeding an aggregate maximum as determined by the Company in general meeting. Currently, the fixed sum payable to non-executive directors is \$220,000.

Listing Rule 10.17 prohibits a company increasing the amount of fees it pays to its directors unless the increase is approved by shareholders.

(c) Increase in the level of non-executive Director fees

Presently the four (4) paid non-executive directors of the Company receive an aggregate sum of \$174,000 per annum. It is proposed that the total maximum amount payable by the Company each year to non-executive directors (**Fee Pool**) be set at an aggregate amount of \$450,000.

Therefore, if Shareholders pass this resolution, the amount of \$220,000 fixed as the aggregate annual amount Fee Pool payable to non-executive directors will increase by \$230,000 to a maximum annual aggregate of \$450,000.

The Company's Constitution allows the directors to divide the total aggregate amount between themselves in such manner and proportion as they may from time to time agree. Whilst the Company does not necessarily anticipate that it will utilise the full amount of the \$450,000 in the next financial year, the Company considers that the amount is appropriate in ensuring that the Company has the flexibility to appoint an additional non-executive Director(s) should the need arise.

The aggregate sum of \$450,000 has been determined by the non-executive Directors having regard to market-competitive remuneration levels required to attract, retain and fairly reward non-executive directors, and to enable non-executive Directors to increase remuneration levels over time without frequent reference of the Fee Pool to Shareholders for approval.

(d) Directors' recommendations and interests

As the Directors have a material personal interest in the outcome of Resolution 9 they make no recommendation to Shareholders concerning this resolution.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 9.



Resolution 10 – Approval of 10% placement facility

(a) Purpose of resolution

The purpose of Resolution 10 is to authorise the Directors to issue a further 10% of its issued share capital under Listing Rule 7.1A during the 10% Placement Period in addition to and without using the Company's 15% placement capacity under Listing Rule 7.1.

This effectively gives Directors a 25% placement capacity less that part of its placement capacity not available under Listing Rule 7.1.

(b) General information

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

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

The Company is an eligible entity.

The Company is seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

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

As disclosed in the Company's Annual Report, the Company continues actively seeking to acquire new resources assets and other investments. The Company may use the 10% Placement Facility to acquire new resource assets or investments.

(c) Description of Listing Rule 7.1A

(i) Shareholder approval

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

(ii) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue one class of Equity Securities, namely Shares.

(iii) Formula for calculating 10% Placement Facility



Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$(A \times D) - E$

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

(A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(B) plus the number of partly paid shares that became fully paid in the 12 months;

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

(D) less the number of fully paid shares cancelled in the 12 months.

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

D is 10%

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

(iv) Listing Rule 7.1 and Listing Rule 7.1A

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

At the date of this Notice, the Company has on issue 105,191,301 Shares and therefore has a capacity to issue:

(A) 26,297,825 Equity Securities under Listing Rule 7.1; and

(B) subject to Shareholder approval being sought under Resolution 10 Equity Securities under Listing Rule 7.1A.

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



(v) Minimum Issue Price

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

- (A) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (B) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (A) above, the date on which the Equity Securities are issued.

(vi) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (A) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (B) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by the ASX (**10% Placement Period**).

(e) Specific information required by Listing Rule 7.3A

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

- (i) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
 - (A) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (B) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (A) above, the date on which the Equity Securities are issued.
- (ii) If Resolution 10 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table.

There is a risk that:

- (A) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the General Meeting; and
- (B) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

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



The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (A) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (B) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.175 50% decrease in Issue Price	\$0.35 Issue Price	\$0.525 50% increase in Issue Price
Current Variable A 105,191,301 Shares	10% Voting Dilution	10,519,130 Shares	10,519,130 Shares	10,519,130 Shares
	Funds raised	\$1,840,847.75	\$3,681,695.5	\$5,525,543.25
50% increase in current Variable A 157,786,952 Shares	10% Voting Dilution	15,778,696 Shares	15,778,696 Shares	15,778,696 Shares
	Funds raised	\$2,761,271.625	\$5,525,543.6	\$8,283,815.4
100% increase in current Variable A 210,382,602 Shares	10% Voting Dilution	21,038,261 Shares	21,038,261 Shares	21,038,261 Shares
	Funds raised	\$3,681,695.675	\$7,363,391.35	\$11,045,0870.02

The table has been prepared on the following assumptions:

- * The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- * No options are exercised into Shares before the date of the issue of the Equity Securities.
- * The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- * The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.



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

* The issue of Equity Securities under the 10% Placement Facility consists only of Shares.

* The issue price is \$0.35, being the closing price of the Shares on ASX on 30 August 2012, being the date the Notice was lodged with ASIC.

- (iii) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 10 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (iv) The Company may seek to issue the Equity Securities for the following purposes:
 - (A) non-cash consideration for the acquisition of the new resources assets and other investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (B) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or other investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capita.

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

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

- (A) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (B) the effect of the issue of the Equity Securities on the control of the Company;
- (C) the financial situation and solvency of the Company; and
- (D) advice from corporate, financial and broking advisers (if applicable).

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

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

- (v) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.



- (vi) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

(d) Directors' recommendations and interests

The Directors of the Company believe that Resolution 10 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 10.

Resolution 11 – Appointment of Auditor

(a) Overview

BDO East Coast Partnership (formerly PKF East Coast Practice) has tendered its resignation as auditor to the Company and it has advised the Company that it has applied to ASIC for consent to resign.

The Company proposes, subject to ASIC consenting to the resignation of BDO East Coast Partnership, to appoint BDO Audit Pty Ltd as the auditor of the Company. In accordance with section 328B(1) of the Corporations Act 2001 (Cth), notice in writing nominating BDO Audit Pty Ltd as auditor has been given to the Company by a Shareholder. A copy of this notice is shown in Schedule 2 to this Explanatory Memorandum.

The Company's expectation is that ASIC's consent will be forthcoming prior to the date of the General Meeting.

Accordingly, Resolution 11 seeks Shareholder approval to the appointment of BDO Audit Pty Ltd of Level 18, 300 Queen Street, Brisbane, Queensland 4000 to the office of auditor of the Company subject to ASIC's consent to the resignation of BDO East Coast Partnership. BDO Audit Pty Ltd has consented in writing to its appointment.

If this Resolution is passed, the appointment of BDO Audit Pty Ltd as the Company's auditor will take effect at the close of the Meeting or upon receipt of ASIC's consent to the resignation of BDO East Coast Partnership, whichever is the latter.

(b) Directors' recommendations and interests

The Directors of the Company believe that Resolution 11 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 11.

Resolution 12 – Section 195 approval

(a) Overview

Section 195 of the Corporations Act essentially provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a 'material



personal interest' are being considered. Some of the Directors may have a material personal interest in the outcome of Resolutions 5, 6 and 7.

In the absence of this Resolution 11, the Directors may not be able to form a quorum at directors meetings necessary to carry out the terms of Resolutions 5, 6 and 7.

The Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve upon.

Resolution 12 is an ordinary resolution. Resolution 6 does not take effect unless Resolutions 5, 6 and 7 in the Notice are passed.

(b) Directors' recommendations and interests

As each of Mr Bin Cai, Dr Neil Williams and Mr Paul Cholakos have an interest in Resolutions 5, 6 and 7 respectively under which the Employee Options will be allocated, each of them and the remaining directors believe that it is inappropriate to make a recommendation in respect to Resolution 12.

The Directors of the Company (with the exception of Bin Cai, Dr Neil Williams and Mr Paul Cholakos) recommend that Shareholders vote in favour of Resolution 12.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 12.

GLOSSARY OF TERMS

In this Explanatory Memorandum the following expressions have the following meanings:

"\$" means Australian Dollars.

"**10% Placement Facility**" has the meaning given in the Explanatory Memorandum for Resolution 10.

"**10% Placement Period**" has the meaning given in the Explanatory Memorandum for Resolution 10.

"**Annual Report**" means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2012.

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means Australian Securities Exchange Limited.

"**Board**" means the board of Directors of the Company.

"**Closely Related Party**" means: (a) a spouse or child of the member; or
(b) has the meaning given in section 9 of the Corporations Act.

"**Company**" or "**Carpentaria**" means Carpentaria Exploration Limited ACN 095 117 981.

"**Constitution**" means the Company's constitution from time to time.

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

"**Directors**" means the directors of Carpentaria from time to time.



GLOSSARY OF TERMS (continued)

"Eligible Employee" means an employee of the Company determined to be an 'eligible employee pursuant to the terms of the EOP.

"Employee Options" means options issued pursuant to the terms of the EOP.

"Employee Options" means options issued pursuant to the terms of the EOP.

"EOP" means the Employee Option Plan of the Company, a summary of which is contained in Schedule 1.

"EST" means Eastern Standard Time, being the time that applies in Brisbane, Queensland.

"Explanatory Memorandum" means the explanatory memorandum that accompanies and forms part of this Notice.

"Key Management Personnel" means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

"Listing Rules" means the Listing Rules of ASX.

"Meeting" or **"General Meeting"** means the annual general meeting of shareholders of Carpentaria convened by this Notice.

"Notice" or **"Notice of General Meeting"** means the notice of annual general meeting which accompanies this Explanatory Memorandum.

"Resolution" means a resolution referred to in the Notice.

"Share" means an ordinary share in the Company.

"Shareholder" means a Company shareholder.

"Trading Day" means a day determined by ASX to be a trading day in accordance with the Listing Rules.

"VWAP" means the volume weighted average price.



Schedule 1 – Summary of the terms of the EOP

(a) Overview

- (i) The EOP was adopted by the Company on 20 August 2007.
- (ii) The main purpose of the EOP is to provide an additional incentive to those persons determined by the Board to be an 'Eligible Employee' (being directors and other officers, employees, contractors to and consultants of the Company and its subsidiaries) to provide dedicated and ongoing commitment and effort to the Company, and for the Company to reward its directors and other officers, employees, contractors and consultants for their efforts.

(a) General

- (i) The Company will take reasonable steps to ensure that the number of Options issued under the EOP (**Plan Shares**) when aggregated with any shares the subject of offers or invitations under any employee share schemes and any shares issued during the previous five years pursuant to employee share schemes, does not exceed 10% of the total number of shares on issue as at the time of the relevant offer (in accordance with the terms of the EOP).
- (ii) The Board Committee will administer the EOP and the Board has general powers to amend the EOP Rules from time to time.
- (iii) The Board Committee administering the EOP will determine participation in the EOP having regard to factors such as seniority, length of service, record of employment and potential contribution. Such participation (by way of an issue of an invitation inviting an application for options) may be subject to the satisfaction of corporate or personal goals.
- (iv) Once an invitation is accepted the Company will issue the number of Employee Options applied for and an option certificate for them.
- (v) Each Employee Option entitles the holder of those Employee Option (**Optionholder**), on exercise, to 1 Share.
- (vi) There is no issue price for the Employee Options. The exercise price for the Employee Option will be such price as determined by the Board Committee (in its discretion) being not less than:
 - A. (if there was at least one transaction in the Shares on ASX during the 10 business day period immediately before the date of the invitation to take up Employee Options) the VWAP determination for that period; or
 - B. (if there were no transactions in the Shares on ASX during the 10 business day period immediately before the date of the invitation to take up Employee Options) the last price at which an offer was made on ASX to purchase a Share.
- (vii) The expiry date for an Employee Option is the date determined by the Board Committee at the time of issue, which will be no later than 10 years from the date of issue.
- (viii) Shares issued as a result of the exercise of any Employee Options will rank equally in all respects with Shares.



- (ix) Employee Options may not be transferred other than with the prior written approval of the Board Committee.
- (x) Quotation of Employee Options on the ASX will not be sought. However, the Company will apply to the ASX for official quotation of Shares issued on the exercise of Employee Options.
- (xi) An Employee Option may only be exercised by written notice to the Company together with payment in full (unless other arrangements have been approved by the Board Committee). An Employee Option may be exercised at any time after that Employee Option has vested and any other conditions imposed by the Board on exercise satisfied and before it lapses. The Board may determine the vesting period and any condition on exercise (if any).
- (xii) An Employee Option will lapse upon the expiry date (being 10 years from the grant date or such shorter period specified by the Board Committee) or one month after the Optionholder ceases to be an Eligible Person (though if the holder ceases to be an Eligible Person by reason of retirement or retrenchment, bankruptcy or death, not until twelve months after such event).
- (xiii) There are no participating rights or entitlements inherent in the Employee Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Employee Options. However, the Company will ensure that Optionholders will be given such notice period determined by the ASX Listing Rules to determine whether to exercise their Employee Options so as to participate in any bonus or entitlement issue.
- (xiv) In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Employee Options, the number of Employee Options to which each Optionholder is entitled or the exercise price of his or her Employee Options, or both, or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the ASX Listing Rules.



Schedule 2 – Nomination of Auditor

Silvergate Capital Pty Ltd
Level 32, 1 Market Street
Sydney NSW 2000

29th August 2012

The Directors
Carpentaria Exploration Limited
Level 6, 345 Ann Street
Brisbane QLD 4000

Dear Directors,

The undersigned being a member of Carpentaria Exploration Limited hereby nominates BDO Audit Pty Ltd for appointment as auditor of the company at the forthcoming annual general meeting.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Ed McCormack", is positioned above the printed name of the signatory.

Edward McCormack
Director, Silvergate Capital



LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



By mail:

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



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1300 554 474 **Overseas:** +61 2 8280 7454

SHAREHOLDER VOTING FORM

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

STEP 1

APPOINT A PROXY

☐

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at **3:30pm (Brisbane Time) on Thursday, 18 October 2012, at 175 Elizabeth Street, Brisbane, Queensland, 4000** and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel. **The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.**

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

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

STEP 2

VOTING DIRECTIONS

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	☐	☐	☐	7 Approval of grant of options under the Employee Option Plan (EOP) to Mr Paul Cholakos	☐	☐	☐
2 Election of Director - Dr Neil Williams	☐	☐	☐	8 Ratification of prior issue of ordinary shares to Maosen Australia Pty Ltd	☐	☐	☐
3 Election of Director - Mr Paul Cholakos	☐	☐	☐	9 Approval to increase total amount limit payable to non-executive Director's	☐	☐	☐
4 Re-election of Director - Mr Bin Cai	☐	☐	☐	10 Approval of 10% placement facility	☐	☐	☐
5 Approval of grant of options under the Employee Option Plan (EOP) to Mr Bin Cai	☐	☐	☐	11 Appointment of Auditor	☐	☐	☐
6 Approval of grant of options under the Employee Option Plan (EOP) to Dr Neil Williams	☐	☐	☐	12 Section 195 approval	☐	☐	☐

STEP 3

IMPORTANT - VOTING EXCLUSIONS

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If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolutions 5, 6, 7 and 9 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that Resolution and that votes cast by him/her for that Resolution, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 5, 6, 7 and 9 and your votes will not be counted in calculating the required majority if a poll is called on this Resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 5, 6, 7 and 9.

STEP 4

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

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

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HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

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

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

Votes on Items of Business – Proxy Appointment

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

Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

Signing Instructions

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

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

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

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

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

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:30pm (Brisbane Time) on Tuesday, 16 October 2012**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

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



ONLINE



www.linkmarketservices.com.au

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



by mail:

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



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**



All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: (02) 8280 7454
Facsimile: (02) 9287 0303
ASX Code: CAP
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

**Sign up for
email communications.**
Help us save the environment.

Everyone benefits from electronic securityholder communications. As an investor you will benefit from secure, convenient and prompt delivery of information by electing to receive your communications electronically which helps reduce the impact on the environment and costs associated with printing and sending materials by mail.

To receive your securityholder communications electronically via your nominated email address you can log on to the website: **www.linkmarketservices.com.au** and follow the instructions provided. Alternatively please tick the option below, insert your email address in the space provided and return the form.

If you do not select the option you will receive your securityholder communications (excluding annual report) by post and we will advise you when the annual report is available on our website.

SELECT YOUR PREFERENCE

ONLINE

www.linkmarketservices.com.au

OPTION

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All communications electronically, including notification of the annual report and payment statements (if applicable). I have provided my email address below.

My email address is:

Privacy Clause: Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

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