

**Condensed Interim Financial Report  
for the Half-year Ended 31 December 2007**

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## **Corporate Information**

### **Directors**

Nick Sheard	(Executive Chairman)
Stanley Macdonald	(Non-Executive Director)
Bob Hair	(Non-Executive Director)
Mike Chester	(Non-Executive Director)

### **Company Secretary**

Chris Powell  
Bruce Acutt

### **Registered Office and Principal Office**

Ground Level Boundary Court  
55 Little Edward Street  
Spring Hill Queensland Australia 4000

### **Postal**

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Email:	info@capex.net.au
Website:	www.carpentariaex.com.au

### **Auditors**

PKF  
Level 6, 10 Eagle Street  
Brisbane Queensland Australia 4000

### **Share Registry**

Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953

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### **Stock Exchange Listing**

Australian Securities Exchange  
Home Exchange: Perth, Western Australia  
ASX Code: CAP

## Directors' Report for the half year ended 31 December 2007

The Directors of Carpentaria Exploration Limited ("Carpentaria" or "the Company") submit herewith the interim financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Directors

The names of the Directors of the Company during the half-year and up to the date of this report are:

Name		Period of directorship
Stuart Nicholas Sheard	Executive Chairman	Appointed March 2007
Stanley Alan Macdonald	Non-Executive Director	Appointed April 2007
Rodney Michael Joyce	Non-Executive Director	Appointed October 2004, Resigned 6 Sept 07
Robert William Hair	Non-Executive Director	Appointed August 2007
Michael Peter Chester	Non-Executive Director	Appointed January 2008

### Background

Carpentaria is a Queensland-based exploration company focused on the discovery and mining of base metal and gold deposits in Queensland and New South Wales. Carpentaria (ASX Code: CAP) was listed on the ASX on November 14th 2007. The IPO was oversubscribed and 30 million shares were issued at 25 cents to raise \$7.5 million.

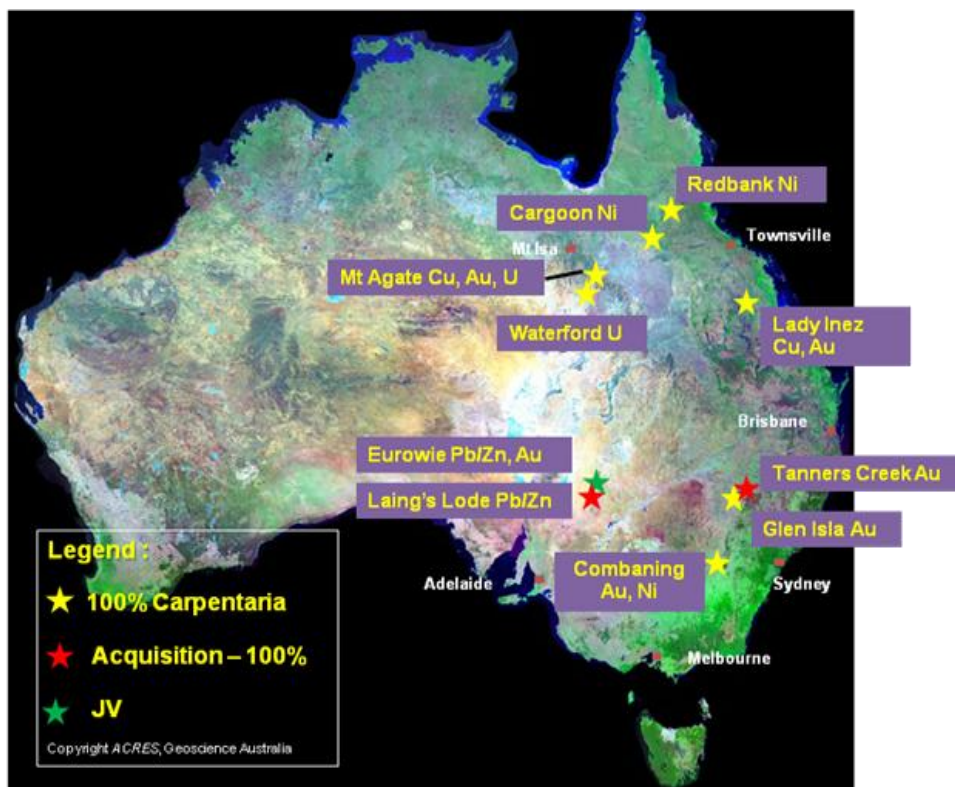


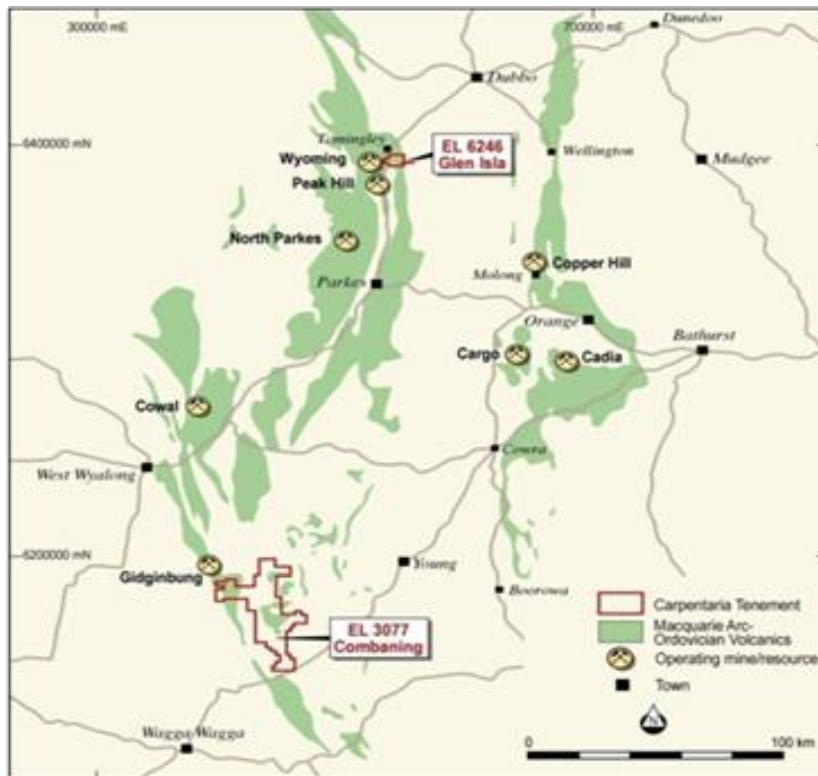
Figure 1 – Carpentaria's tenements

### Review and Results of Operations

During the half-year, the principal activities of the Company were development of the Company's exploration strategy, planning for and acquisition of its exploration portfolio, creation of the Company's corporate and exploration organisation and successfully carrying out the Company's initial public offering and listing on ASX Limited

Operationally, the Company during the reporting period extended known gold anomalism at its Glen Isla project.

This 100% owned tenement is located in the Lachlan Fold Belt (LFB), approximately 15 km NNE of the Peak Hill Gold Mine, about 50 kms southwest of the major regional centre of Dubbo and near the township of Tomingley, see figure 2.



**Figure 2 Central NSW Project Location Map Glen Isla and Combaning**

The Glen Isla tenement lies within a north south belt of lode quartz, porphyry and epithermal gold deposits that extend from Forbes in the south through North Parkes (Goonumbla), Peak Hill and to Tomingley, where Alkane Resources Ltd (Alkane) is currently undertaking a mining feasibility study on recently discovered gold resources adjacent to the Carpentaria tenement. Three prospects were defined within the tenement, two epithermal gold style (Glen Isla and Kyalite) and one newly recognized ordoevician porphyry related style (Eellerslie Prospect).

Most prior work has been directed to the Glen Isla Prospect, where previous drill holes have intersected several wide gold anomalous zones hosted by banded silica-pyrite rock interpreted to be a hydrothermal sinter. Examples include: GI-RP11D - 79 metres @ 0.4 g/t gold including 1 metre @ 1.12 g/t gold and GI-RP16D - 594.4 metres @ 0.1 g/t gold.

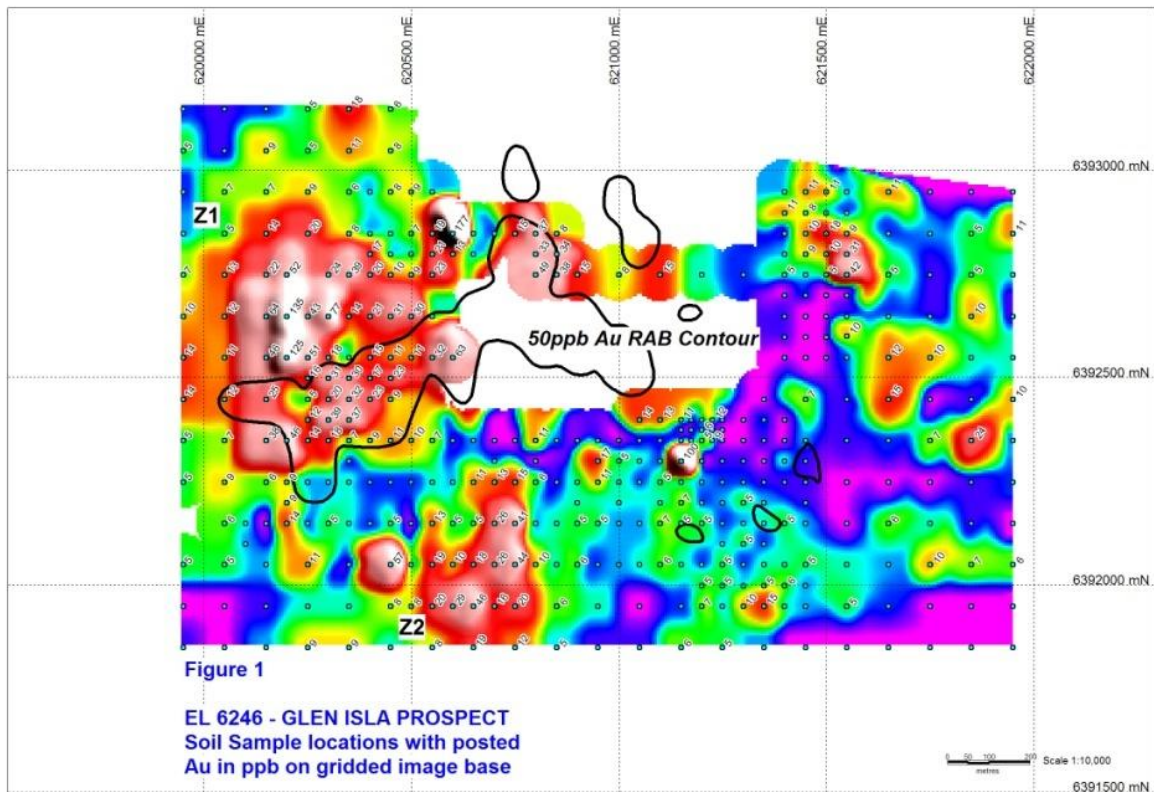
The Eellerslie Prospect is situated in the western part of the tenement. Eellerslie is located 2 km SE from Alkane's Caloma deposit along strike of a NW-SE trending structure. The host rocks at Eellerslie are interpreted to belong to the ordoevician volcanic belt, which host the Caloma and the other deposits in Alkane's Tomingley Project. A reconnaissance program including ground soil sampling and possibly RAB drilling at Eellerslie was initiated during the reporting period.

During the period, a total of 396 soil and 12 rock samples were collected to infill and extend previous RAB weathered bedrock geochemical survey completed by Geopeko in the 1990s.

Approximately 30% of the soil samples returned gold (Au) concentrations exceeding 10 ppb, with a maximum result for the survey of 177 ppb. Gold concentrations showed a close spatial association with elevated arsenic (maximum 588 ppm) and antimony (maximum 36.2 ppm) concentrations. Silver concentrations were also elevated.

The survey identified two major zones of elevated gold concentrations, see figure 3:

- Zone 1 is a soil anomaly exceeding 25 ppb (max 177 ppb) that adjoins and extends the width of the known RAB geochemical anomaly by approximately 250m (see fig 2). This significantly extends the area for potential gold mineralisation beyond previously known limits.
- Zone 2 is another newly defined soil anomaly which exceeds 25 ppb (max 57 ppb). The soil anomaly is located over interpreted basaltic rocks extending the potential for other styles of mineralisation at the prospect.



**Figure 3 Newly Defined Gold Soil anomalies – Glen Isla Prospect**

In addition to these two new gold soil anomalies, a number of other scattered elevated results was returned that were not previously identified (see figure 3). These scattered one to five point anomalies will require further assessment

The net loss of the Company after income tax for the half-year ended 31 December 2007 was \$496,913 (31 December 2006:\$ Nil).

**Auditor's Independence Declaration**

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, for the half-year ended 31 December 2007 has been received and included on page 5 of the interim financial report.

Signed in accordance with a resolution of Directors of Carpentaria Exploration Limited.

On behalf of the Directors

**S N Sheard**  
**Executive Chairman**

Dated in Brisbane this 14<sup>th</sup> day of March 2008



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

**To:** The Directors of Carpentaria Exploration Limited

As lead auditor for the review of Carpentaria Exploration Limited for the half year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

**PKF**

Chartered Accountants

**Albert Loots**

Partner

Dated at Brisbane this 14<sup>th</sup> day of March 2008

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**Condensed Income Statement  
for the Half-Year Ended 31 December 2007**

	<b>Half-year ended</b>	
	<b>31 Dec 2007</b>	<b>31 Dec 2006</b>
	<b>\$</b>	<b>\$</b>
Revenue	-	-
Employee benefits expenses	(476,724)	-
Exploration expenditure written off	(6,843)	-
Depreciation and amortisation expense	(477)	-
Other operating expenses	(80,763)	-
	<hr/>	<hr/>
<b>Results form operating activities</b>	<b>(564,807)</b>	<b>-</b>
Finance income	67,894	-
	<hr/>	<hr/>
<b>Loss before income tax</b>	<b>(496,913)</b>	<b>-</b>
Income tax expense	-	-
	<hr/>	<hr/>
<b>Loss from continuing operations</b>	<b>(496,913)</b>	<b>-</b>
	<hr/>	<hr/>
<b>Loss attributable to members</b>	<b>(496,913)</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share:</b>		
Basic loss per share (cents)	(1.27)	-
	<hr/>	<hr/>
Diluted loss per share (cents)	(1.27)	-
	<hr/>	<hr/>

The accompanying notes form part of condensed interim financial statements

**Condensed Balance Sheet  
as at 31 December 2007**

	Notes	31 Dec 2007 \$	UNAUDITED 30 June 2007 \$
<b>Current assets</b>			
Cash and cash equivalents		7,162,170	60,146
Other receivables		91,841	52
		7,254,011	60,198
<b>Total current assets</b>			
<b>Non-current assets</b>			
Plant and equipment		28,755	-
Exploration and evaluation expenditure		1,500,527	45,746
Other asset		50,000	-
		1,579,282	45,746
<b>Total non-current assets</b>			
<b>TOTAL ASSETS</b>		8,833,293	105,944
<b>Current liabilities</b>			
Trade and other payables		626,516	83,062
Provisions		4,812	-
		631,328	83,062
<b>Total current liabilities</b>			
<b>TOTAL LIABILITIES</b>		631,328	83,062
<b>NET ASSETS</b>		8,201,965	22,882
<b>Equity</b>			
Issued capital	4	8,284,682	25,346
Options reserve	5	416,660	-
Accumulated losses	6	(499,377)	(2,464)
		8,201,965	22,882
<b>TOTAL EQUITY</b>		8,201,965	22,882

The accompanying notes form part of condensed interim financial statements

**Condensed Statement of Changes in Equity  
for the Half-Year Ended 31 December 2007**

	Half-year ended	
	31 Dec 2007 \$	31 Dec 2006 \$
<b>Total equity at the beginning of the period</b>	22,882	100
Issued Capital	8,750,000	-
Capital Raising Costs	(490,664)	-
Loss for the period	(496,913)	-
Options issued	416,660	-
<b>Total equity at the end of the period</b>	<b>8,201,965</b>	<b>100</b>

The accompanying notes form part of condensed interim financial statements

**Condensed Cash Flow Statement  
for the Half-Year Ended 31 December 2007**

	<b>Half-year ended</b>	
	<b>31 Dec 2007</b>	<b>31 Dec 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow from operating activities</b>		
Payments paid to suppliers and employees	(110,031)	-
Interest received	15,363	-
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(94,668)</b>	<b>-</b>
	<hr/>	<hr/>
<b>Cash flow from investing activities</b>		
Payments for exploration and evaluation expenditure	(268,729)	-
Payments for plant and equipment	(29,232)	-
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(297,961)</b>	<b>-</b>
	<hr/>	<hr/>
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares and options	7,500,000	-
Payment of IPO related costs	(5,347)	-
	<hr/>	<hr/>
<b>Net cash provided by financing activities</b>	<b>7,494,653</b>	<b>-</b>
	<hr/>	<hr/>
Net decrease in cash held	7,102,024	-
Cash and cash equivalents at the beginning of the period	60,146	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	7,162,170	-
	<hr/> <hr/>	<hr/> <hr/>

## **Notes to the Condensed Interim Financial Report for the Half-Year Ended 31 December 2007**

### **1. Summary of Accounting Policies**

#### **(a) Statement of compliance**

Carpentaria is a public company incorporated and domiciled in Australia.

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 "Interim Financial Reporting".

The half-year report does not include full disclosures of the type normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the prospectus dated 17 September 2007 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

#### **(b) Basis of Preparation**

The condensed financial statements have been prepared on the basis of historical cost, except where stated. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's prospectus dated 17 September 2007.

#### **(c) Carpentaria Exploration Limited was incorporated as Sunmustard Pty Ltd, a proprietary company on 17 November 2000. On 20 April 2007 the Company changed its name to Carpentaria Exploration Limited and changed its status to a public company.**

### **2. Segment Reporting**

The Company operates predominantly in one business segment and geological segment, being mineral exploration in Australia.

### **3. Dividends**

During the half year, no dividends were paid or provided for.

**Notes to the Condensed Interim Financial Report  
for the Half-Year Ended 31 December 2007 (cont'd)**

	<b>31 Dec 2007</b>	<b>30 June 2007</b>
	<b>\$</b>	<b>\$</b>
<b>4. Issued capital</b>		
Fully paid ordinary shares	8,810,100	60,100
Less: capital raising costs	(525,418)	(34,754)
	8,284,682	25,346
	8,284,682	25,346
 <i>Movement in issued capital</i>	<b>Shares</b>	<b>\$</b>
Balance as at 1 July 2006	100	100
Issued at \$0.002 on 3 May 2007	29,999,900	60,000
Capital raising costs on issue	-	(34,754)
Issued at \$0.25 on 14 November 2007	35,000,000	8,750,000
Capital raising costs on issue	-	(490,664)
	65,000,000	8,284,682
	65,000,000	8,284,682
 <b>5. Options reserve</b>	<b>31 Dec 2007</b>	<b>30 June 2007</b>
	<b>\$</b>	<b>\$</b>
Opening balance	-	-
Options issued under Employee Share Option Plan (a)	405,150	-
Options to be issued to CEO under Executive Service Agreement (b)	11,510	-
	416,660	-
	416,660	-

The options reserve records items recognised as expenses on valuation of options issued. The fair value of share options was valued determined using a Black-Scholes option pricing model incorporating factors such as: no. of shares granted, exercise price, expected life, company share price volatility & risk-free interest rate.

*(a) Employee Share Option Plan (ESOP)*

The terms and conditions of the share option program are disclosed in the prospectus issued 17 September 2007.

The terms and conditions of the grants made during the six months ended 31 December 2007 are as follows:

In November 2007, 3,700,000 free share options were issued with an exercisable price of \$0.30 to directors and employees under the ESOP, exercisable any time up to 30 June 2010.

**Notes to the Condensed Interim Financial Report  
for the Half-Year Ended 31 December 2007 (cont'd)**

**5. Options reserve (cont'd)**

*(b) Executive Service Agreement (ESA)*

The Company has agreed to issue to Mr S N Sheard share options as part of his ESA agreement of appointment as executive chairman and chief executive officer of the company. The relevant terms are that 3,000,000 free share options will be issued expiring three years from the date of issue subject to shareholder approval anticipated in September 2008.

The details of the share options to be issued are:

- 1,000,000 share options exercisable at an exercise price of \$0.40
- 1,000,000 share options exercisable at an exercise price of \$0.50
- 1,000,000 share options exercisable at an exercise price of \$0.60

	<b>31 Dec 2007</b>	<b>30 June 2007</b>
	\$	\$
<b>6. Accumulated losses</b>		
Opening balance	(2,464)	-
Loss for the period	(496,913)	(2,464)
	(499,377)	(2,464)
	(499,377)	(2,464)

**7. Commitments**

Operating lease contracted for but not capitalise in the accounts

Less than one year	62,205	-
Later than one year but less than five years	117,665	-
	179,870	-
	179,870	-

- (a) The Company has certain obligations to perform minimum exploration work and expend minimum amounts on works on mining tenements in order to retain its interest in these tenements. These obligations may be carried from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the entity.

**Notes to the Condensed Interim Financial Report  
for the Half-Year Ended 31 December 2007 (cont'd)**

**8. Subsequent Events**

The following events have taken place since balance date:

- In January 2008, the Company has completed its agreement to purchase 100% of the shares in Bulldozer Prospecting Ltd which owns two exploration tenements in NSW.
- In February 2008, the Company entered into a Farm-in agreement with Sunshine Minerals Pty Ltd in which Carpentaria has the right to earn a 100% interest in all base and precious metals (other than lithium) and will pay Sunrise a 1% Net Smelter Return on any future base or precious metal mine production (ELA3088) in NSW.
- In February 2008, Carpentaria has entered into a farm out agreement with GBM Resources Limited ("GBM") whereby GBM agrees to drill at least 150m to test for nickel laterite and may earn up to a 51% interest in Exploration Licences EL4718 and EL4887 (NSW) by expenditure of \$1 million and, if Carpentaria does not elect to contribute to the joint venture, up to an 80% interest by further expenditure of \$4 million.
- On 15 January 2008, Mr Michael Chester was appointed as a Non-executive Director.
- In March 2008, Carpentaria issued 500,000 share options to employees under the Company Employee Share Option Plan. The share options are exercisable at \$0.27, exercisable any time up to 30 June 2010.

Other than the matters discussed above, there have been no other significant events since balance date which may affect either the operations of the Company or results of those operations or the state of affairs of the Company, which have not been disclosed already in this report.

## **Directors' Declaration for the half year ended 31 December 2007**

In the opinion of the directors of Carpentaria Exploration Limited:

1. the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company as at 31 December 2007, and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 'Interim Financial Report' and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a resolution of the directors.



**S N Sheard**  
**Executive Chairman**

Dated in Brisbane this 14<sup>th</sup> day of March 2008



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carpentaria Exploration Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carpentaria Exploration Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Carpentaria Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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

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*Conclusion*

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



**PKF**  
Chartered Accountants



**Albert Loots**  
Partner

Dated at Brisbane this 14<sup>th</sup> day of March 2008