

ABN 63 095 117 981

ASX Code CAP

ANNUAL REPORT 2009

**CARPENTARIA EXPLORATION LIMITED
ANNUAL REPORT 2009**

CORPORATE INFORMATION

This annual report covers both Carpentaria Exploration Limited ("Company" or "Carpentaria") as an individual entity and the consolidated entity comprising Carpentaria Exploration Limited and its subsidiaries (the Consolidated Entity). A description of the operations and of the principal activities is included in the directors' report and the review of operations. The directors' report is not part of the financial report.

Corporate Directory	Contents	Page Number
Principal and Registered Office		
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	Shareholder Information and Mining Tenements	27 - 29
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Facsimile : +61 7 3161 3786	Income Statement	35
Email: info@capex.net.au	Balance Sheet	36
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Directors		
Nick Sheard (<i>Executive Chairman</i>)		
Mike Chester (<i>Non-Executive Director</i>)		
Bob Hair (<i>Non-Executive Director</i>)		
Stan Macdonald (<i>Non-Executive Director</i>)		
Company Secretary		
Chris Powell		
Solicitors		
TressCox Lawyers Level 39, Central Plaza One 345 Queen Street Brisbane Qld 4000		
Auditor	Investor enquires	
PKF Level 6, 10 Eagle Street Brisbane Qld 4000	- Nick Sheard – Executive Chairman; or - Chris Powell – Company Secretary Telephone: 07 3161 3801 Facsimile : 07 3161 3786 e-mail : info@capex.net.au	
Share Registry	ASX Code	
Link Market Services Limited Level 12, 300 Queen Street Brisbane Qld 4000 Phone: +617 3320 2211	Shares : CAP Options: CAPO	
Independent Accountants		
BDO Kendalls Level 18, 300 Queen Street Brisbane Qld 4000		

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REPORT OF THE DIRECTORS

The directors present their report for the year ended 30 June 2009.

Executive Chairman's Report

Carpentaria has continued its exploration program despite the global financial crisis. The Management considered that there were two avenues to further grow the Company. The first is through discovery by exploration and the second through acquisition of other assets where Carpentaria could add value through exploration.

During the year the Company undertook exploration in Eastern Australia, where, through a combination of mapping, sampling, geophysics and drilling a number of our projects were advanced. In NSW the drilling at Glen Isla returned 6m at 1.91 g/t gold from 4 m below surface and at Combaning a drill intersection of 6m of 0.93% nickel from 18m below surface were obtained. Auger drilling at the Williams prospect at the Panama Hat farm in confirmed the gold trend. At the Euriowie joint venture mapping and sampling has revealed ore grade tantalum and elevated tin in pegmatite's and also two areas of elevated base metals, one lead, and zinc and another copper, zinc and nickel. Archive searches have shown that no drilling has ever been undertaken in this Euriowie area and thus such anomalism is considered exciting and requires follow up.

The Company entered into a farm in agreement to search for iron oxide copper gold targets 60 kms south of Broken Hill to the north of our wholly owned Burta tenement. Initial work including reconnaissance sampling returned high grade iron samples with excellent recoveries via Davis Tube Recovery (DTR) tests and together with the extensive magnetic anomaly suggested that there was potential for a large tonnage, stand alone magnetite project. Additional sampling and ground geophysics identified targets for drilling that could assist in evaluating the potential for a substantial magnetite resource. Drilling in the first week of July 2009 confirmed the presence of thick magnetite siltstone in excess of 115m giving a DTR of 18% with a grade of 69.9% iron. The strike length of the magnetic anomaly gives encouragement for large tonnages for this unit alone and taking into account the potential from the other magnetic anomalies in the area would suggest a very significant presence of magnetite.

The exploration strategy of turning over non prospective projects has been followed with two tenements in Queensland being disposed of. The Company has also added quality tenements to its portfolio in Queensland and NSW.

The acquisitions strategy resulted in Carpentaria acquiring 100% ownership of FTB (Qld) Pty Ltd., and thus gaining coal applications in the underexplored northern part of the Galilee Basin. To consolidate these applications Carpentaria also applied for a number of additional tenements adjacent to FTB's applications. All these tenements had indications of coal from water bore logs but there has only been very limited historical coal exploration. A desk top review of all available data has allowed Carpentaria to prioritize the potential of the region and we are awaiting the grant of these tenures. The Company has announced on 21 September 2009 a signed terms sheet covering the potential sale of FTB into a new coal vehicle.

The Executive Chairman and Chief Finance Officer have each declared that:

- a) the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
- b) the financial statements and notes for the financial year comply with the Accounting Standards; and
- c) the financial statements and notes for the financial year give a true and fair view.

In summary the year has been a year of consolidation for Carpentaria. The Company has matured and is in a solid position because of its continued exploration success and acquisition of quality projects. I believe 2009/2010 will be the year when we delineate our maiden resource.

I would like to thank the small team at Carpentaria for their continuing hard work and the other directors for their advice, mentoring, and support this year.



Nick Sheard
Executive Chairman

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Profile of Directors and Senior Management

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Name	Position	Period of directorship
Stuart Nicholas Sheard	Executive Chairman	Appointed March 2007
Stanley Alan Macdonald	Non-Executive Director	Appointed April 2007
Robert William Hair	Non-Executive Director	Appointed August 2007
Michael Peter Chester	Non-Executive Director	Appointed January 2008
Nick Sheard	— Executive Chairman	
Experience	— Nick has over 30 years experience in the industry – most recently Vice President - Exploration for Inco Limited, formerly the world's second largest producer of nickel. Prior to that Nick was the Global Exploration Manager for M.I.M. Holdings Limited, after initially being employed by MIM as Chief Geophysicist. Nick help develop the novel MIMDAS electrical survey system currently being used commercially as a deep seeking quality EM and IP system. He is a member of ASEG and AIG and is Registered Professional Geoscientist – Mineral Exploration and Geophysics.	
Other current directorships	— Director of Mirabela Nickel Ltd since March 2007 Apart from the above appointment he has not been a director of a listed company for the last 3 years.	
Special Responsibilities	— Company operations, promotion and project acquisition.	
Interest in shares and options	— 1,000,000 Options exercisable 30 June 2010 @ A\$0.30c 230,000 Ordinary shares	
Stanley A Macdonald	— Non Executive Director	
Experience	— Stan Macdonald has been associated with the mining and exploration industry for over 20 years.	
Other current directorships	— Executive Director of Giralia Resources NL appointed 12 April 1991. Non-Executive Director of Zinc Co Australia Limited, appointed 26 April 2006 Non Executive Director of U3O8 Limited, appointed 6 October 2005 Non Executive Director of Red Hill Iron Limited, Resigned 11 April 2008 Apart from the above appointment he has not been a director of a listed company for the last 3 years	
Special Responsibilities	— Member of the Remuneration Committee and Audit Committee	
Interest in shares and options	— 1,176,819 ordinary shares 1,088,410 Options exercisable at \$0.30 expiring 30 June 2010 Creekwood Nominees Pty Ltd (Stan Macdonald is a director of Creekwood Nominees Pty Ltd) - 247,850 ordinary shares 123,925 Options exercisable at \$0.30 expiring 30 June 2010	

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Mike Chester	— Non Executive Director
Experience	— 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.
Other current directorships	— Non Executive director of Black Fire Energy Ltd (appointed 9 September 2009). Apart from this appointment he has not been a director of a listed company for the last 3 years.
Special Responsibilities	— Chairman of Remuneration Committee, member of Audit Committee
Interest in shares and options	— 86,401 ordinary shares 43,201 Options exercisable at \$0.30 expiring 30 June 2010
Bob Hair	— Non Executive Director
Experience	— Bob is by background a lawyer with over 20 years' experience in the resources sector. Previously a 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.
Other current directorships	— Non-executive director of Washington Resources Limited, appointed 7 March 2007, resigned December 2008 and Northern Uranium Limited, appointed 22 June 2006. Apart from these appointments he has not been a director of a listed company for the last 3 years.
Special Responsibilities	— Chairman of CAP Audit Committee, , member of Remuneration Committee Company promotion and corporate governance
Interest in shares and options	— 20,000 ordinary shares 510,000 Options exercisable at \$0.30 expiring 30 June 2010

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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 exploration geologist with over 20 years' Australian and international experience and is an East Australian exploration specialist. Doug worked initially for CRAE (now Rio Tinto) and then in a senior role at Delta Gold (now Barrick) where he assisted rebuilding their east Australian exploration effort in the late 1990's. Prior to joining Carpentaria Exploration he operated as a successful mineral exploration consultant providing services to a number of major and junior mining companies. He is experienced in gold, base-metal massive sulphide, porphyry copper, iron-oxide copper-gold, uranium, diamond, clay and mineral sand exploration. Doug is a member of the Society of Economic Geologists (SEG), Society of Mining, Metallurgy and Exploration (SME), and the Australian Institute of Geoscientists (AIG).

Chris Powell
Company Secretary

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

Bruce Acutt
Joint Company Secretary

(Resigned as Joint Company Secretary of Carpentaria Exploration Limited on 21 July 2008).

Corporate Information

Corporate Structure

Carpentaria is a company limited by shares and incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities 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 controlled companies during the financial year:

- Willyama Prospecting Pty Ltd
- FTB (QLD) Pty Ltd (acquired on 23 October 2008)

Nature of operations and principal activities

The principal activity of the Company during the course of the financial year was mineral exploration.

Following listing on the ASX on 17 November 2007, the Company 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.

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Operating and Financial Review

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Operating Results				
Operating loss after income tax attributable to members	(1,477,436)	(835,470)	(1,310,570)	(834,918)

During the year, Carpentaria Exploration Limited continued mineral exploration activities in Australia.

Review of Financial Position

Capital structure

There were no significant changes in the state of affairs of Carpentaria during the financial period ended 30 June 2009.

Treasury policy

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

Liquidity and funding

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

Dividends

No dividends were paid during the financial year ended 30 June 2009 (2008: 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

Summary

Carpentaria has continued its aggressive exploration program to maintain its stated policy of turning over projects to test quality targets. A full program of drilling, geological mapping, sampling and geophysical investigation has been supplemented this year with the acquisition of a Niton XRF in-situ analyser (Niton). This tool has allowed in field real time assaying which focuses in field interpretation, reduced turnaround time on projects and has considerably reduced assay costs.

The second stage drilling at Glen Isla has been completed with a positive result indicating near surface gold. At Combaning the drilling did not enhance the gold prospects of the Merri Hill anomaly but did encounter near surface nickel laterite, and at the Ingola prospect the drilling was inconclusive. At Euriowie north of Broken Hill, mapping and prospecting using the Niton has defined additional tin and tantalum anomalies and also two areas one with elevated lead and zinc and one with elevated copper, zinc and nickel. At the Panama Hat JV follow up work has concentrated on the Williams prospect where auger drilling has confirmed the gold trend.

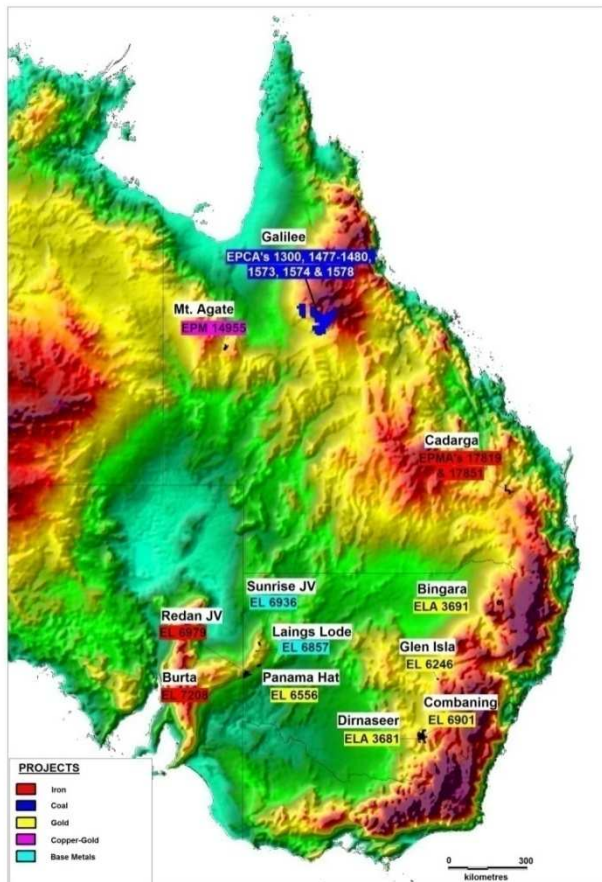


Figure 1: Carpentaria's tenements and JV interests

Carpentaria entered into a farm in arrangement with Perilya Broken Hill Ltd, to search for iron oxide copper gold targets (IOCG) in a tenement north of Carpentaria's 100% owned Burta tenement. Research of earlier explorer's work suggested that the original iron formation maybe an iron target in its own right. Elevated iron results from reconnaissance mapping and sampling were returned and when combined with the magnetic data suggested there may be considerable potential a magnetite resource. Follow up work with the Niton and ground geophysics defined drill targets that were subsequently drilled in July 2009. Results were extremely positive as good thicknesses of magnetite siltstone, in excess of 115m, dipping 45 degrees to the southwest with Davis Tube Recoveries greater than 18% giving an extremely clean concentrate of 70% iron with very low deleterious elements.

In 2008 / 2009 Carpentaria completed the purchase of FTB (Qld) Pty Ltd which holds six EPC applications in the northern part of the Galilee Basin with documented coal intersections in water bores. Additional ground adjacent to these applications was also applied for and consolidate Carpentaria's holdings. A desk top review of the area has highlighted the potential of the region for both large tonnage near surface thermal coal and underground coal gasification (UCG). The study has assisted in defining priority areas for immediate work once the applications are granted. In September 2009 an agreement was reached to vend these tenements into a new company (yet to be formed) In consideration for the sale of FTB(Qld) Pty Ltd, Carpentaria Exploration Limited (Carpentaria) will be issued shares and hold 20% of a new company (yet to be formed) and be paid a cash sum of \$300,000 to cover past expenditure. This new company will also hold other coal tenements which therefore increases and diversifies Carpentaria's exposure to coal projects. The new company will manage and explore these tenements at no further cost to Carpentaria and Carpentaria will receive a free carried interest to completion of bankable feasibility study stage.

In the coming year Carpentaria plans to continue its exploration campaign undertaking, mapping, sampling, geophysics and drilling.

Glen Isla (Gold) - CAP 100%

This 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. It 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.

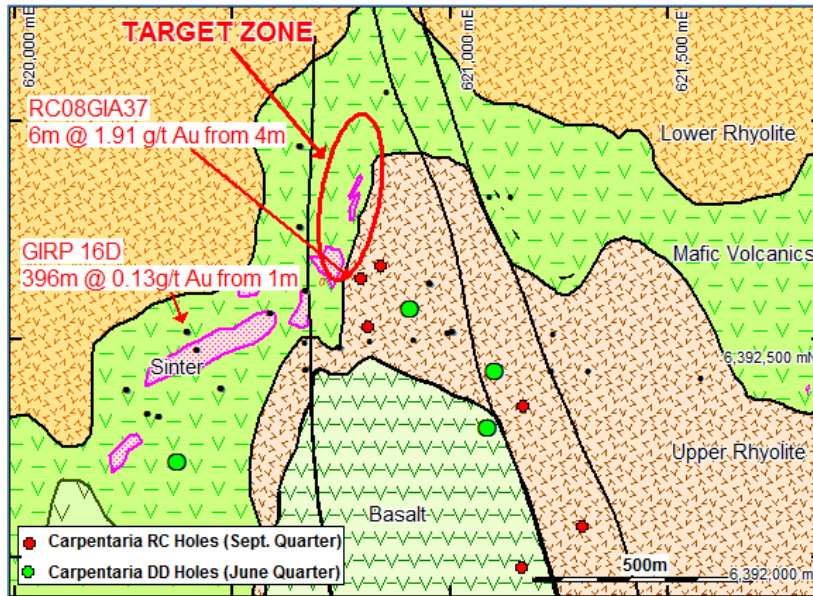


Figure 2: Location of drilling, significant results and target zone

The Glen Isla epithermal gold Prospect is hosted by Devonian Dulladerry Volcanics within EL 6246 located in central NSW. Previous explorers located both a moderately dipping sheet-like epithermal silica-sinter unit and a separate sub-vertical silica-pyrite altered rhyolite breccia zone. Carpentaria has drilled six reverse circulation (RC) holes totalling 993m. Analyses were received this year and a best result of 6m at 1.91g/t Au from 4m in RC08GIA37 was returned within oxidized silica-sinter (See Figure 2).

This result provides encouragement that a north striking belt of structural complexity extending from hole RC08GIA37 may host a high grade gold feeder structure to the known large scale gold and silver anomalism at the prospect. This zone is untested for 350m north of RC08GIA37 and also has additional potential for low tonnage near surface oxide gold mineralization.

Combaning (Gold, Nickel) - CAP 100%

The Combaning tenement, EL 3077, covers parts of the Temora and Springdale Goldfields, which have been significant past gold producers. The tenement is located 40 kms northeast of Wagga Wagga. During the year, Carpentaria added to its strategic tenement position in the Lachlan Fold Belt. Carpentaria's tenement position now comprises Combaning EL6901, and a new 100%-owned Dirnaseer ELA 3681 (See Figure 3). As a result, Carpentaria now possesses a significant strategic land position in the Junee-Naromine Belt of the Macquarie Arc with approximately 30km of strike length of prospective Macquarie Arc rocks proximal to the major mineralizing regional structure, the Gilmore Suture. Regionally, the Gilmore Suture is thought to control the location of the Gidginbung, Lake Cowal and Adelong gold deposits. The new 305 square km Dirnaseer application also adds significantly to Carpentaria's coverage of Ordovician Macquarie Arc rocks similar and contemporaneous to those that host the large Cadia and North Parkes Cu-Au deposits.

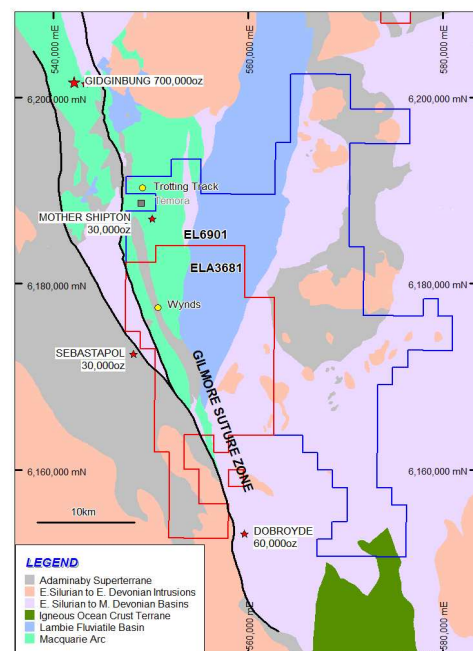


Figure 3: Location of prospects and new application Dirnaseer ELA 3681

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Combaning (Gold, Nickel) - CAP 100% - continued

Early in the year work concentrated on two prospects Merri Hill and Ingola (See Figure 3) that are two discrete high amplitude magnetic anomalies, considered prospective for Lucknow style, ultramafic associated, high grade gold deposits. A 9 hole RC drilling program totalling 1311m was carried out in the September quarter. The results received were disappointing and it is interpreted that the high grade gold results from historical drilling at Merri Hill represent near surface, secondary enrichment of low grade primary mineralization.

At Merri Hill, a near surface zone of secondary nickel mineralization identified by previous air core drilling (eg.8m at 1.45% nickel from 20m) was drilled tested with 3 RC holes totalling 168 metres. Significant assay results returned from this RC drilling include 6m from 18m below surface of 0.93% nickel in RC 08MH74 and 6m from 12m at 0.83% nickel in RC 08 MH76. Petrographic studies suggest whilst some intersections have significant thickness of nickel the metallurgy would be prohibitive for such a small occurrence.

The gold focus at Combaning has shifted to identifying drill targets in the highly prospective western part of the tenement. Here, rocks of the Macquarie Arc Volcanics host a number of prospects and old workings including Mother Shipton, where historically, approximately 30,000oz of gold has been mined from hard rock and alluvial sources. A preliminary review of previous data has revealed a best intersection at Mother Shipton of 2m at 6.80g/t Au from 38m and 2m at 3.95g/t Au from 4m.

Laing's Lode (Lead, Zinc, Silver) - CAP 100%

The Laing's Lode EL is located approximately 30km due north of Broken Hill and is considered to have potential for Broken Hill style lead and zinc deposits. Late last year a number of prospects were identified that required follow up but no substantial work has been carried out this year.

Panama Hat (Gold) - Farm-in (CAP earning initially 51%)

The joint venture with Stellar Resources continued on this tenement located approximately 30km south of Broken Hill in NSW. Carpentaria can earn initially 51% by spending \$1.0m on exploration.

A total of 101 rock chip and grab samples were taken during the September quarter. Analyses of the samples returned further highly encouraging precious metal results and highlighted the potential of the Williams Prospect. Grab samples of gossanous quartz from small workings taken at the eastern end of the prospect returned a maximum result of **30 g/t gold** (Au) with highly anomalous silver (Ag), bismuth (Bi) and copper (Cu) (See Figure 4) and also included results of **19.05 g/t, 7.06 g/t and 3.68 g/t gold**. A number of other samples taken from the eastern end of the prospect mapped as gossanous quartz also returned highly anomalous Au, Ag and Cu results. The sampling suggests gold and base metal concentrations increase to the east of the exposed gossanous quartz vein where its projected strike extent is obscured by thin alluvial cover.

To better evaluate the prospect and explore the covered eastern strike extent of the highly Au anomalous quartz vein a total of 92 C-horizon soil samples were taken using a power auger. The samples were taken on a 10m interval along grid lines shown in Figure 4. The geochemical analyses for auger samples showed that the spatial distribution of elevated Au concentrations is somewhat erratic in detail but in broad terms suggest a simple strike extension of the mineralised zone at Williams Prospect is evident. This zone remains to be drill tested to define the gold potential.

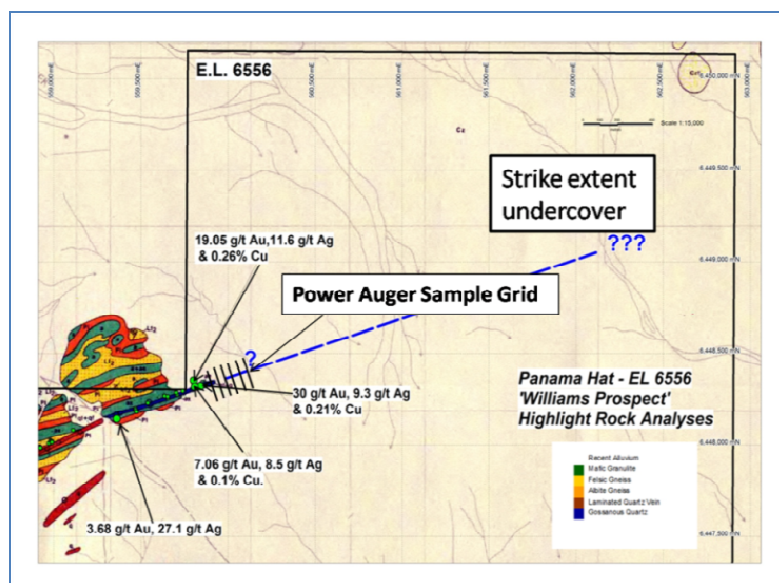


Figure 4: Williams Prospect - EL 6556

Euriowie (Tin, Tungsten, Gold) – JV (CAP 100% of all metals other than lithium)

The JV with Sunrise Minerals Pty Ltd. continued over EL 6936, where the Willyama Supergroup meta-sediments are intruded by numerous pegmatite intrusions forming the well known Euriowie Tin Field, which contains a large number of small hard rock workings dating to the turn of the Twentieth Century. Tin production in the order of 140 tonnes is recorded for the field but in view of the large number of relatively deep hard-rock workings, higher production is thought to have actually occurred. Little modern exploration has taken place and there are no drill-holes recorded on this tenement.

Five previously assayed samples were submitted for thin sectioning and petrographic examination. (See Figure 5) The samples were taken to follow up the previously reported anomalous tin - tantalum (Sn-Ta) results from the Mt Euriowie pegmatite body and the lead - silver (Pb-Ag) anomalous white-mica schist exposure at the Horrie Hoares prospect.

The petrographic examination of the Mt Euriowie sample indicates that it comprises mildly deformed albite-quartz dominant pegmatite with accessory phosphates, topaz and trace fluorite, which suggests the body crystallized from a fluorine rich melt, well known to be prospective for tin and other rare metals. Petrography confirmed the presence of cassiterite (the major tin ore mineral) with grain sizes in the 300 to 750 micron range, which is comparatively coarse-grained in terms of commonly used hard-rock gravity recovery processes. Petrography also confirmed the presence of tantalite / columbite crystals (the major tantalum ore mineral) with grain sizes up to 200 microns. The results of the petrographic examination are very encouraging as it confirms the Mt Euriowie, and most likely other similar pegmatites within the Euriowie project, contain economic types and grain-sizes of tin and tantalum minerals. A total of 149 reconnaissance survey rock sites were analysed via the hand held Niton XRF. The sites were located to investigate a selection of upper Willyama Supergroup metasediment packages for strata-bound base metal mineralization potential. Figure 6 shows the location of the sites on a Spot5 visible spectrum satellite image.

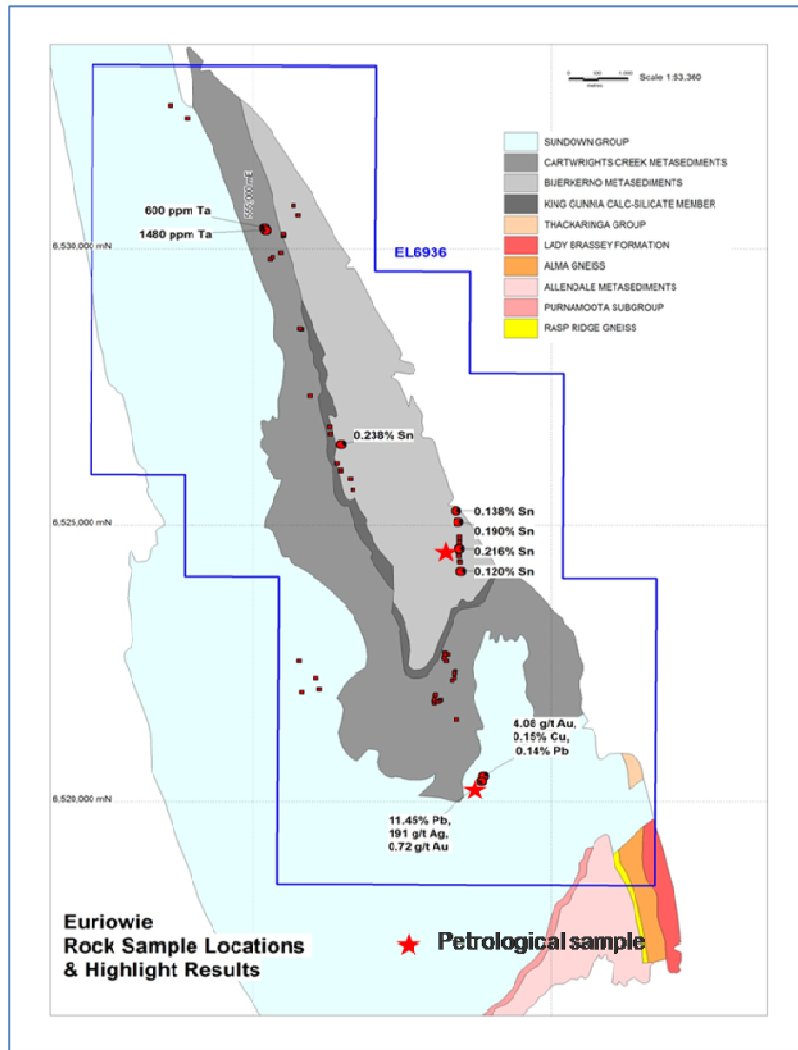


Figure 5: Euriowie Rock Chip and Petrological sample locations together with significant results

Euriowie (Tin, Tungsten, Gold) – JV (CAP 100% of all metals other than lithium) – *continued*

Results of the survey have highlighted two areas of base metal anomalism at the Byjerkerno and Sundown locations. At Byjerkerno, three survey traverses revealed a zone of mild Pb and Zn anomalism straddling approximately 2.5 km of strike within more quartz rich (psammite) black stained schistose rocks inter-bedded with graphitic rocks at the base of the Byjerkerno Metasediments (~1650 Ma). The Byjerkerno Metasediments are potentially prospective for Mt Isa and/or Century style base metal mineralization and therefore these reconnaissance Niton results merit further geochemical follow up.

At Sundown, two survey traverses encountered a number of highly anomalous Cu, Zn and Ni concentrations hosted by ferruginous quartz rock lenses inter-bedded with calc-silicate bearing schists within the Sundown Group. The quartz rock bodies are relatively small but may reflect potentially broader metal anomalism within calc-silicate bearing schists at this location and therefore the area merits more detailed surface geochemical follow-up.

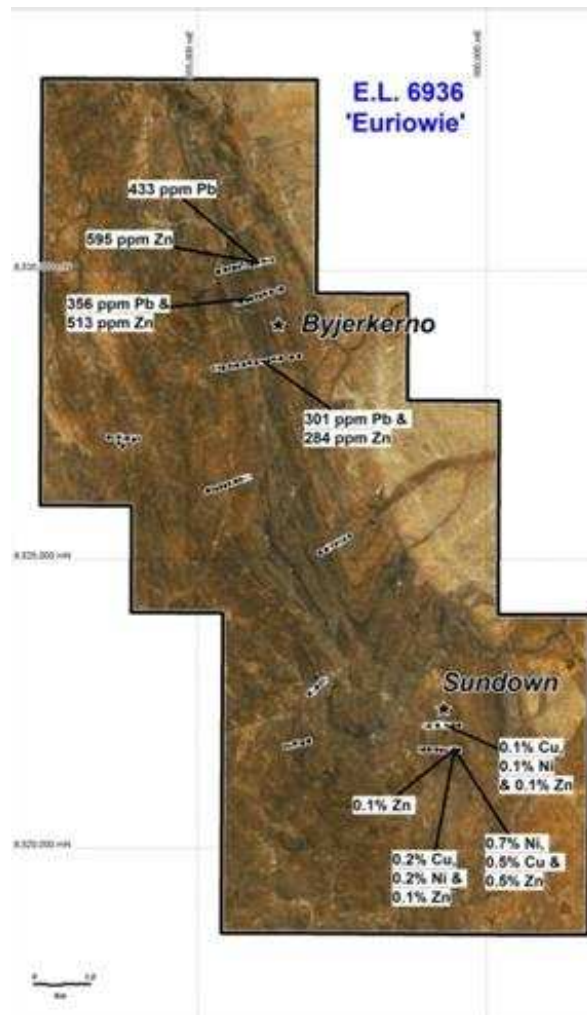


Figure 6: Euriowie - Location of reconnaissance Niton sites on a Spot5 visible spectrum satellite image with highlights shown

Waterford (Uranium) - CAP 100%

No work has been undertaken on this project this year. Numerous approaches regarding farm-ins or joint ventures have been made but no formal offers were received.

Mt Agate (Copper, Gold) - CAP 100%

Geological investigations including rock chip sampling and ground magnetic surveys have better refined drill targets at the Mt Sheila and QMH prospects. The Company decided not to take up the Queensland Government Assistance Grant under the Collaborative Drilling Initiative as it was considered that further work such as induced polarization was required to define the sulphide targets. It was also considered more economically prudent to use RC drilling techniques to test the targets rather than the diamond drilling as required under the grant.

Redan - Burta (Iron Copper, Gold) - JV and CAP 100%

This project is located 60 km south-west of Broken Hill (Figure 7). Carpentaria has a 100% interest in the Burta EL 7208 and JV with Perilya Broken Hill Ltd. in the Redan EL 6979 where Carpentaria can earn 51% by spending \$825,000 with Perilya having an option to contribute thereafter if Perilya does not elect to contribute, Carpentaria can earn to 75% by spending a further \$1,000,000. At this point Perilya can contribute, and if Perilya elects not to contribute Carpentaria earns a further 25% leaving Perilya with 1.5% NSR. Perilya retains the rights to all lead, zinc and silver.

Research of earlier work and combined with reconnaissance mapping and sampling has changed the exploration focus from iron oxide copper gold (IOCG) targets to a magnetite (iron) target known as the Hawsons Project.

Previous work by Enterprise Exploration Co Pty Ltd (the precursor to CRA Exploration) indicated that in 1960, channel rock sampling over a large area of outcropping NeoProterozoic rocks interpreted to be components of the Braemar Ironstone (Yudnamunta Subgroup of the Adelaide Fold Belt) located to the east of Hawson's Knob. Iron (Fe) concentrations ranging from 36.4% to 49.1% in relatively fine grained banded magnetite-hematite-quartz rocks were reported. Enterprise did not undertake any further work at the prospect. To confirm these 1960 results, investigate potential deleterious elements and visually observe the grain size of exposed iron formation Carpentaria undertook a small check sampling program of selected banded magnetite-hematite rich outcrops which returned elevated iron assays up to a maximum of 44.6% with low phosphorous (0.06%) and acceptable Al, Ti and V concentrations with a visually estimated grain size in the 50 to 110 micron range.

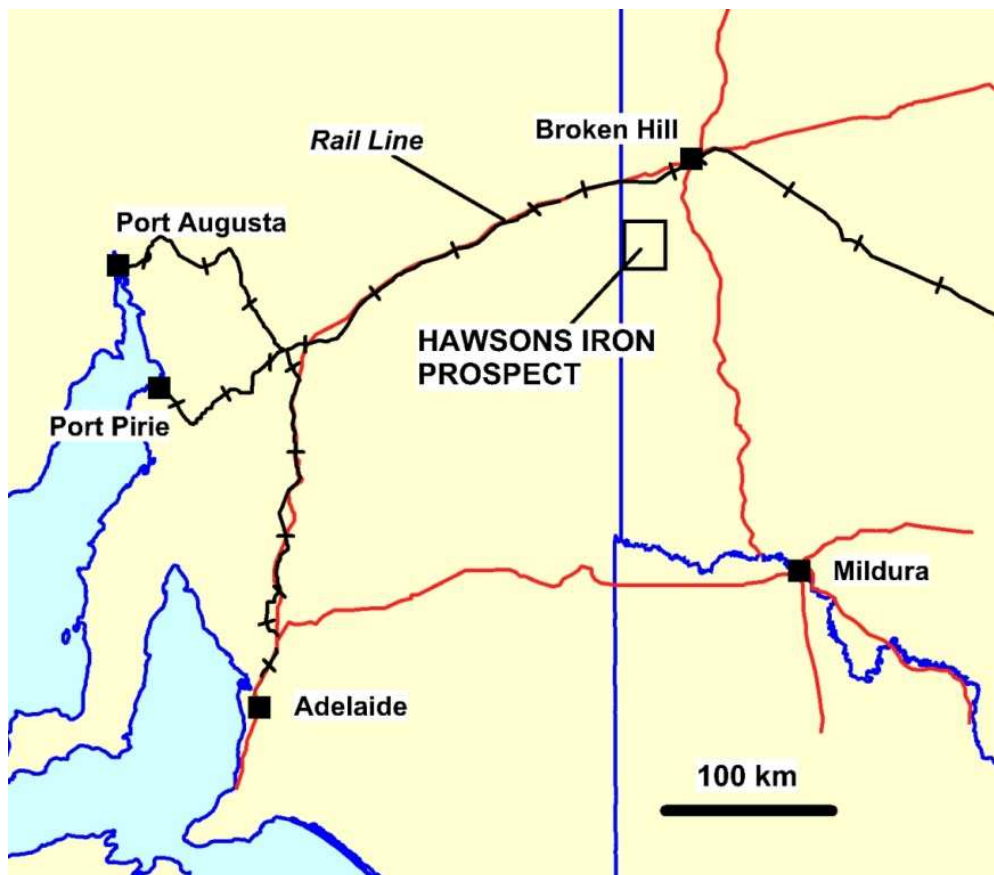


Figure7. Location of the Magnetite Hawsons Iron Project

As a follow up a comprehensive mapping and rock float sampling program of outcropping strata using a calibrated hand-held Niton, XL3t, X-ray Fluorescence (Niton XRF) quantitative micro-analyser over the Hawson's Iron Prospect was completed. The survey targeted limited iron formation exposures associated with a large, strike extensive, high-amplitude magnetic anomaly. Laboratory analyses confirmed the Niton XRF results and emphasized the high iron content and low deleterious element concentrations of the sampled iron formation exposures.

Redan - Burta (Iron Copper, Gold) - JV and CAP 100% - *continued*

In early July 2009, a total of 606m of Reverse Circulation drilling was carried out in three drill holes aimed at testing the centre of a dominant magnetic feature known as the "core" anomaly (Figure 8) to establish the presence, thickness, grade and quality of magnetite. The core anomaly is an interpreted 2.3km strike length of iron-formation concealed by thin post mineral cover. The drilling encountered several thick magnetite bearing iron formation units dipping approximately 45 degrees to the southwest in all holes with Davis Tube Recoveries greater than 18% giving an extremely clean concentrate of 70% iron with very low deleterious elements.

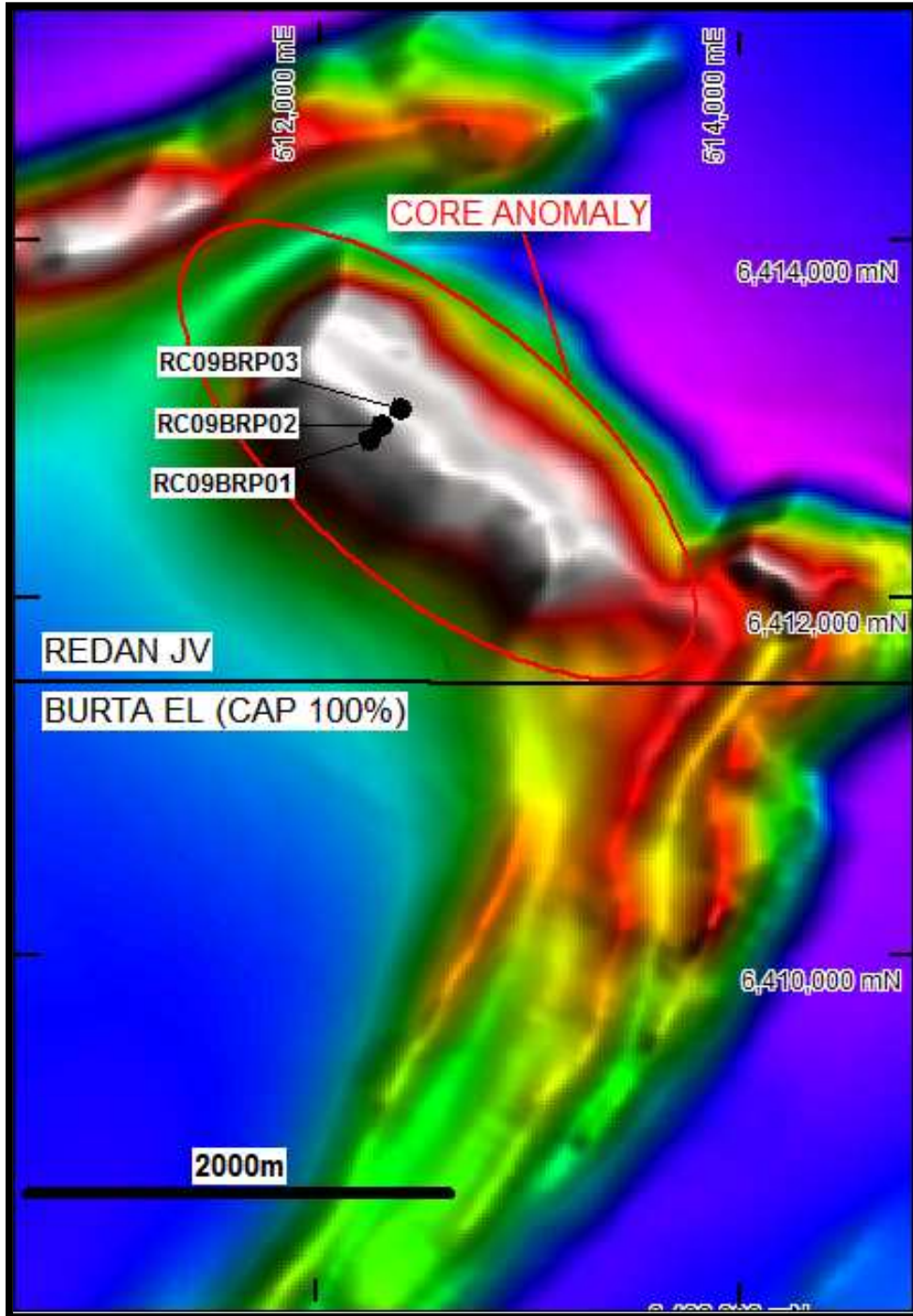


Figure 8: Aeromagnetic image with location of July 2009 drill holes

Galilee Coal Project

By completing the purchase of FTB (Qld) Pty Ltd (FTB) and applying for EPCs Carpentaria had 100% ownership of 15 Coal Applications (EPCA) covering over 12,000 sq kms in the northern Galilee Basin with prospectivity for open-cut thermal coal and or UCG (underground coal gasification)(see Figure 9).

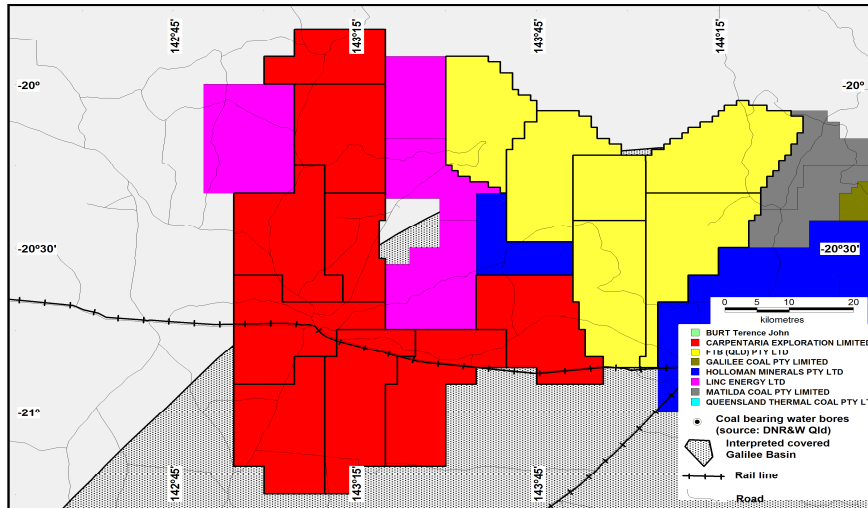


Figure 9: Coal Applications (yellow and red) as of Jan 01, 2009

A comprehensive review of Government and historical company data covering the Hughenden Coal Project was undertaken with the aim of categorizing data, doing basin interpretation and defining target areas for coal potential. The review has confirmed the potential for shallow coal in the Betts Creek Beds of the Galilee Basin in the northern parts of the applications. The area is regarded as highly prospective as data from Queensland Department of Natural Resources and Water (DNRandW) water bores shows documented coal intersections in at least 11 of these applications.

The Project area has had very limited prior direct exploration and drilling for coal. Existing drilling is of a reconnaissance nature, extremely widely spaced, shallow and often terminated short of target depth due to poor drilling conditions. This, together with an initial review of open file petroleum exploration wells, shows the area is one of least explored and geologically understood parts of the Galilee Basin.

In the south-west portion of the applications Carpentaria has decided not to accept 5 of the (red) tenements (Figure 9) that were offered by the Queensland Government as the targets were confirmed to be too deep. Currently Carpentaria hold applications over 8 EPCs covering 7500 square kilometres.

In September 2009, an agreement was reached to vend these tenements into a new company at no cost to Carpentaria with Carpentaria holding a 20% interest in a new company. This new company will also hold other coal tenements which therefore increases and diversifies Carpentaria's exposure to coal. The new company will manage and explore these tenements at no further cost to Carpentaria and Carpentaria will get a free carried interest to completion of bankable feasibility study stage.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by S.N.Sheard, currently employed by Carpentaria Exploration Limited, a Member of the Australian Institute of Geoscientists and is also a Registered Professional Geoscientist - Mineral Exploration and Geophysics and has had sufficient experience 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'. S.N.Sheard consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Matters Subsequent to the End of the Financial Year

Hawsons Iron Project

In July 2009 three reverse circulation drill holes, comprising a total of 606 metres, testing across strike of an elongate magnetic anomaly (Unit 3 - Figure 10) within the core anomaly were completed.

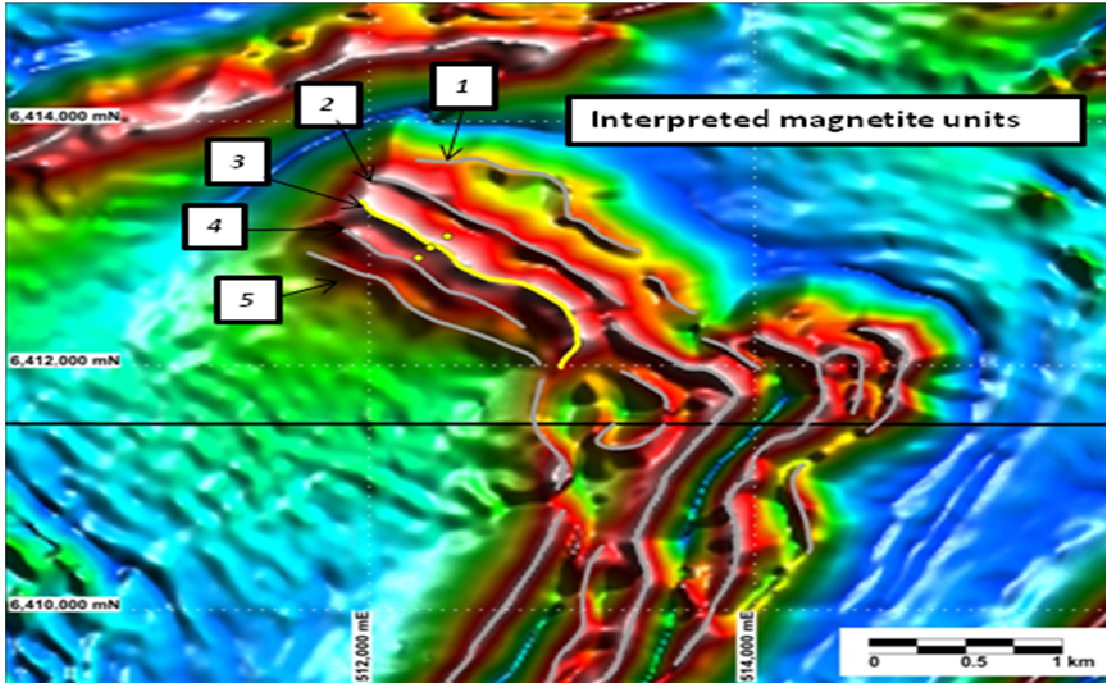


Figure 10: Tilt magnetic image (processed magnetics) showing 5 units of the “core” anomaly

The Davis Tube Recovery results confirm geological observations of the drill chips that thick magnetite mineralization has been discovered at the Hawsons Iron Project, see Figure 11. Best results from the drilling for intervals carrying no internal waste using a 20 wt% DTR cut are:

RC09BRP01: 4m @ 24.65% DTR with a DTR grade (DTRG) of 70.6% Fe from 194m.

RC09BRP02: 14m @ 21.86% DTR with DTRG of 69.7% Fe from 163m
13m @ 20.33% DTR with DTRG of 70.1% Fe from 183m

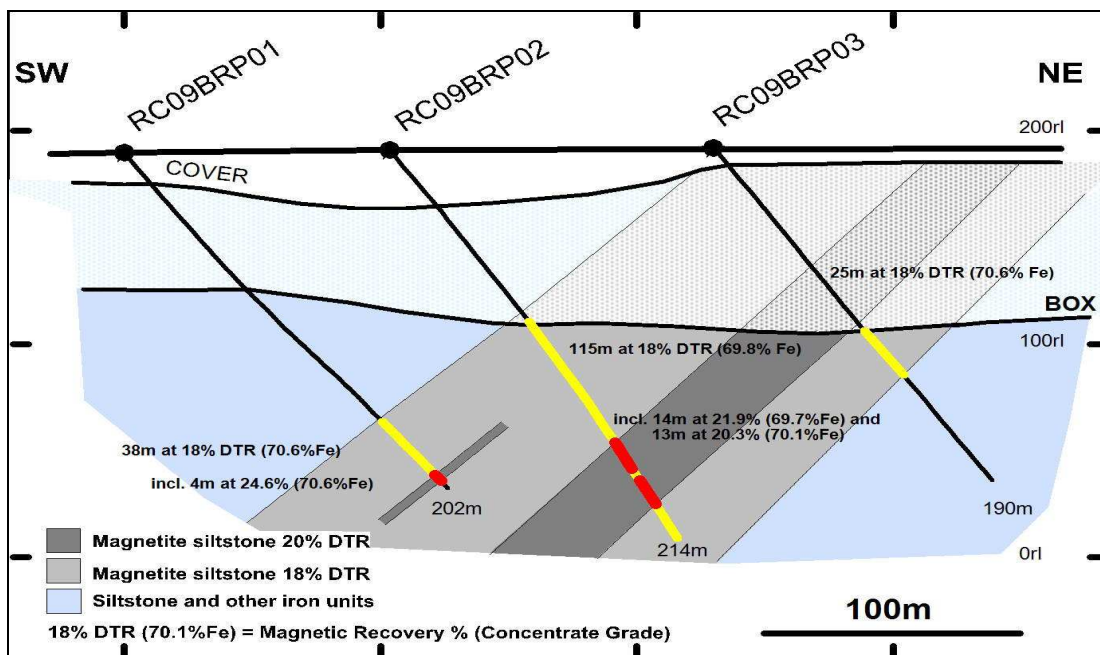


Figure 11: Section from drilling highlighting results of RC drilling

CARPENTARIA EXPLORATION LIMITED ANNUAL REPORT 2009

Matters Subsequent to the End of the Financial Year - *continued*

Hawsons Iron Project (*continued*)

The magnetite intersected by drilling is one of five parallel units within the Hawsons core anomaly identified in aeromagnetic data (Figure 10). The other four magnetic units within the core Hawsons anomaly have not been tested by drilling and it is clear there is a very large tonnage potential within these units and other large magnetic features identified in the project area.

These results are considered to be very encouraging and Carpentaria intends to undertake further exploration of the untested magnetic units within the core anomaly and the other large magnetic features in the project area. Orientation engineering and metallurgical research are underway to investigate the economic opportunities presented by this new discovery.

Issue of Options

Subsequent to balance date, 1,000,000 options were granted as part of the Employee Share Option Plan with an exercise price based upon the VWAP over the first 20 Trading Days of August 2009 (\$0.114) with an expiry date of 30 June 2012.

Sale of FTB (Qld) Pty Ltd

A terms sheet has been signed for the sale of subsidiary FTB (Qld) Pty Ltd
The principle terms of the transaction are:

- In consideration for the sale of FTB (Qld) Pty Ltd, Carpentaria Exploration Limited (Carpentaria) will be issued shares and hold 20% of a new company to be formed and be paid a cash sum of \$300,000 to cover past expenditure.
- The new company, funded by ResCo Projects, will explore for, delineate resources and perform a bankable feasibility study (BFS) at no cost to Carpentaria on any or all the tenements held in the new company.
- The new company will manage and undertake all exploration, evaluation and development work on all projects in the portfolio.
- On completion of a BFS, Carpentaria will have the opportunity to contribute its 20% share of expenditure to progress to mining or dilute its interest.
- Carpentaria will have the right to nominate an individual to be appointed to the Board of the new company.
- The parties have agreed an exclusivity period of not more than 60 days in relation to this transaction.
- The transaction remains subject to certain conditions precedent, principally relating to due diligence by both companies and finalization of contractual documentation.

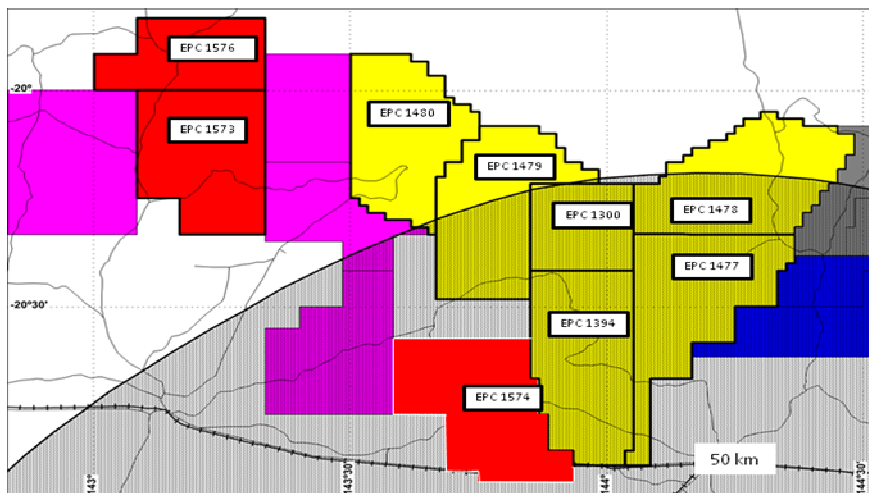


Figure 12: Carpentaria's EPCs as of September 2009 in red and yellow

Likely Developments and Expected Results of Operations

In September 2009 an induced polarization survey was carried out over two prospects at Mt Agate in North West Queensland. Preliminary results indicate that there are no drill ready targets. Elsewhere targets are being developed for drill testing at Panama Hat, the Lachlan Fold Belt project and Euriowie.

At the Hawsons Iron project further exploration including drilling will be undertaken to better evaluate the potential for substantial magnetite resources.

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Environmental Regulation and Performance

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

Meetings of Directors

The following table sets out the number of meetings of the Company's directors and of the Audit and the Remuneration Committees held during the year ended 30 June 2009 and the number of meetings attended by each director.

	Directors' Meetings	Audit	Remuneration
Number of meetings held	4	1	1
Number attended			
Nick Sheard	4	1	1
Bob Hair	3	1	-
Mike Chester	3	-	1
Stan Macdonald	2	-	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 26,447,415 restricted shares under options.

Number of Options	Exercise Price	Vesting Date	Expiry Date
3,400,000	\$0.30	27 August 2007	30 June 2010
300,000	\$0.30	14 November 2007	30 June 2010
500,000	\$0.27	7 January 2008	30 June 2010
21,131,384	\$0.30	23 June 2008	30 June 2010
316,031	\$0.30	23 September 2008	30 June 2010
800,000	\$0.15	1 July 2008	30 June 2011

Subsequent to balance date, 1,000,000 options were granted as part of the Employee Share Option Plan with an exercise price of \$0.114 and vesting date 30 June 2012.

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

Terms	01-Jul-08	Additions	exercised	expired	30-Jun-09
30 June 2010	3,400,000	-	-	-	3,400,000
30 June 2010	300,000	-	-	-	300,000
30 June 2010	500,000	-	-	-	500,000
30 June 2010	21,131,384	316,031	-	-	21,447,415
Expiring 30 June 2010	25,331,384	-	-	-	25,647,415
Expiring 30 June 2011	-	800,000	-	-	800,000
Total Restricted Shares					26,447,415
Weighted Average Exercise Price	\$0.295				

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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 \$30,000 per annum (plus superannuation) and the Chairman of Directors is entitled to receive \$50,000 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 ending 30 June 2009 is detailed in Table 1 of this Remuneration Report.

Executive Chairman and Key Management Personnel Remuneration

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

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

The remuneration of the Executive Chairman and key management personnel for the period ending 30 June 2009 is detailed in Tables 1 and 2 and details of options issued are set out in Table 3.

REMUNERATION REPORT (continued)

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:

- has a term of three years;
- involves the payment to Mr Sheard of an annual salary of \$220,000 plus superannuation payments as required by the Governments Superannuation Guarantee Levy, currently 9% (increasing by reference to the consumer price index each year) and reimbursement of all reasonable business expenses;
- during this current year due to the global financial crisis Mr. Sheard opted for a salary reduction from 1 January 2009 by agreeing to the cutting of his base salary to \$176,000. This will be reviewed depending upon the company's financial situation;
- 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 \$220,000, 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:

- has a term of three years;
- involves the payment to Mr. Powell an annual salary of \$135,000 plus superannuation payments as required by the Governments Superannuation Guarantee Levy, currently 9% (increasing by reference to the consumer price index each year) and reimbursement of all reasonable business expenses;
- has provision for two months' notice for termination; 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:

- has a term of three years;
- involves the payment to the Mr Brewster an annual salary of \$192,500 plus superannuation payments as required by the Governments Superannuation Guarantee Levy, currently 9% (increasing by reference to the consumer price index each year) and reimbursement of all reasonable business expenses;
- has provision for 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 \$48,125, 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.

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REMUNERATION REPORT (continued)

Details of Directors and Key Management Personnel

Name	Position	Detail
Stuart Nicholas Sheard	Executive Chairman	Appointed March 2007
Stanley Alan Macdonald	Non-Executive Director	Appointed April 2007
Robert William Hair	Non-Executive Director	Appointed August 2007
Michael Peter Chester	Non-Executive Director	Appointed January 2008

Key Management Personnel 2009

Name	Position	Detail
Stuart Nicholas Sheard	Executive Chairman	Commenced 14 November 2007
Doug Brewster	Exploration Manager	Commenced 14 November 2007
Chris Powell	Company Secretary	Commenced 14 November 2007
Bruce Acutt	Joint Company Secretary	Resigned 21 July 2008

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

Table 1: Director Remuneration

2009	Short-term benefits				Post employment benefits	Share based payments	Total	Performance Related %
	Salary Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Options ¹		
Directors	\$	\$	\$	\$	\$	\$	\$	
Nick Sheard	200,813	-	-	-	19,853	(46,041) ²	174,625	0.0% ²
Stan Macdonald	30,000	-	-	-	2,700	-	32,700	0.0%
Robert Hair	30,000	-	-	-	2,700	-	32,700	0.0%
Mike Chester	30,000	-	-	-	2,700	-	32,700	0.0%
	290,813	-	-	-	27,953	(46,041)	272,725	-

2008	Short-term benefits				Post employment benefits	Share based payments	Total	Performance Related %
	Salary Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Options ¹		
Directors	\$	\$	\$	\$	\$	\$	\$	
Nick Sheard	137,500	60,000	-	-	12,375	155,540	365,415	42.6%
Stan Macdonald	20,000	-	-	-	1,800	54,750	76,550	71.5%
Robert Hair	20,000	10,000	-	-	1,800	54,750	86,550	63.3%
Mike Chester	20,000	-	-	-	1,800	-	21,800	0.0%
Mike Joyce	-	-	-	-	-	54,750	54,750	100.0%
	197,500	70,000	-	-	17,775	319,790	605,065	52.9%

¹ The value of options treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payments.

² Due to the current economic climate options that were granted to Mr N Sheard in the 2008 year (and that were subject to shareholder approval) were not voted on at the Annual General Meeting and were therefore not approved. The value of these options previously expensed (\$46,041) on a provisional basis has now been written back to the Share Based Payment Reserve. Refer Note 19 for details.

Directors and officers' liability insurance forms part of remuneration, but has not been included in the remuneration of directors or key management personnel on the basis that it is impracticable to accurately allocate to each director and key management personnel.

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REMUNERATION REPORT (continued)

Table 2: Remuneration of the named key management personnel

2009 Key Management Personnel	Short-term benefits				Post employment benefits	Share based payments	Total	Performance Related %
	Salary Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Options ¹		
	\$	\$	\$	\$	\$	\$	\$	
Doug Brewster	194,313	-	-	-	17,488	7,540	219,341	3.4%
Chris Powell	130,558	-	-	-	11,750	7,540	149,848	5.0%
Bruce Acutt	-	-	-	-	-	-	-	-
	324,871	-	-	-	29,238	15,080	369,189	4.1%

2008 Key Management Personnel	Short-term benefits				Post employment benefits	Share based payments	Total	Performance Related %
	Salary Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Options ¹		
	\$	\$	\$	\$	\$	\$	\$	
Doug Brewster	120,312	-	-	-	10,828	76,650	207,790	36.9%
Chris Powell	75,000	-	-	-	6,750	27,375	109,125	25.1%
Bruce Acutt	-	-	-	-	-	16,425	16,425	100.0%
	195,312	-	-	-	17,578	120,450	333,340	36.1%

¹ The value of options treated as an expense is the proportionate cost incurred in the current year in accordance with AASB2 Share Based Payments.

Table 3: Options issued as part of remuneration for the year ended 30 June 2009

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:

Director/Key Management Personnel	Tranche	Grant date	Options Granted	Fair value per option at grant date	Exercise price per option	Expiry date	Options Vested
				\$	\$		
Doug Brewster	7	01/07/2008	200,000	0.0377	0.15	30/06/2011	200,000
Chris Powell	7	01/07/2008	200,000	0.0377	0.15	30/06/2011	200,000

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:

	Tranche
Inputs into pricing model	7
Grant date	01/07/08
Vesting date	01/07/08
Exercise price	\$0.15
Share price at grant date	\$0.11
Life of the options	3 yrs
Underlying share price volatility	65.00%
Expected dividends	Nil
Risk free interest rate	6.50%

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REMUNERATION REPORT (continued)

Table 3: Options issued as part of remuneration for the year ended 30 June 2008

The number and terms of the options issued are as follows:

Director/Key Management Personnel	Tranche	Grant date	Options Granted	Fair value per option at grant date \$	Exercise price per option \$	Expiry date	Options Vested
Nick Sheard	1	27/08/2007	1,000,000	0.1095	0.30	30/06/2010	1,000,000
Stan Macdonald	1	27/08/2007	500,000	0.1095	0.30	30/06/2010	500,000
Robert Hair	1	27/08/2007	500,000	0.1095	0.30	30/06/2010	500,000
Mike Joyce	1	27/08/2007	500,000	0.1095	0.30	30/06/2010	500,000
Doug Brewster	1	27/08/2007	400,000	0.1095	0.30	30/06/2010	400,000
Chris Powell	1	27/08/2007	250,000	0.1095	0.30	30/06/2010	250,000
Bruce Acutt	1	27/08/2007	150,000	0.1095	0.30	30/06/2010	150,000
Doug Brewster	2	14/11/2007	300,000	0.1095	0.30	30/06/2010	300,000
Nick Sheard	4	14/11/2007 ¹	1,000,000	0.0100	0.40	14/11/2008	-
Nick Sheard	5	14/11/2007 ¹	1,000,000	0.0215	0.50	14/11/2009	-
Nick Sheard	6	14/11/2007 ¹	1,000,000	0.0318	0.60	14/11/2010	-

¹ The board resolved to issue the Executive Chairman an additional 3,000,000 unlisted options as part of his remuneration package. The options required approval from shareholders before they could be issued. The approval for these options was not sought at the 2008 AGM, therefore these options have not been granted.

Subsequent to balance date, 1,000,000 options were granted as part of the Employee Share Option Plan with an exercise price based upon the VWAP over the first 20 Trading Days of August 2009 (\$0.114) with an expiry date of 30 June 2012.

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	Tranche				
	1	2	4	5	6
Grant date	27/08/07	14/11/07	14/11/07	14/11/07	14/11/07
Vesting date	27/08/07	14/11/07	30/06/10	30/06/10	30/06/10
Exercise price	\$0.30	\$0.30	\$0.40	\$0.50	\$0.60
Share price at grant date	\$0.25	\$0.25	\$0.17	\$0.17	\$0.17
Life of the options	3 yrs	3 yrs	1 yr	2 yrs	3 yrs
Underlying share price volatility	65.00%	65.00%	65.00%	65.00%	65.00%
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	7.50%	6.50%	7.00%	7.25%	7.50%

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REMUNERATION REPORT (continued)

Relationship between remuneration and Company performance

During the period under review, the Company has generated losses because it is involved solely in exploration and not production. This situation applies also in the two previous financial years (trading commenced on listing on ASX on 14 November 2007)

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.

Options issued as part of remuneration

Options are issued to directors and executives as part of their remuneration. The options 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.

Table 4: Options granted as part of remuneration

2009	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Total value of options granted, exercised and lapsed during the year \$	% of remuneration consisting of options for the year
Directors					
Nick Sheard	(46,041)	-	-	(46,041)	-
Stan Macdonald	-	-	-	-	-
Robert Hair	-	-	-	-	-
Mike Chester	-	-	-	-	-
Key Management Personnel					
Doug Brewster	7,540	-	-	7,540	3.4%
Chris Powell	7,540	-	-	7,540	5.0%
Bruce Acutt	-	-	-	-	-
	(30,961)	-	-	(30,961)	(4.8%)
2008	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Total value of options granted, exercised and lapsed during the year \$	% of remuneration consisting of options for the year
Directors					
Nick Sheard	155,540	-	-	155,540	42.6%
Stan Macdonald	54,750	-	-	54,750	71.5%
Robert Hair	54,750	-	-	54,750	63.3%
Mike Chester	-	-	-	-	-
Mike Joyce	54,750	-	-	54,750	100.0%
Key Management Personnel					
Doug Brewster	76,650	-	-	76,650	36.9%
Chris Powell	27,375	-	-	27,375	25.1%
Bruce Acutt	16,425	-	-	16,425	100.0%
	440,240	-	-	440,240	46.9%

End of Remuneration Report.

**CARPENTARIA EXPLORATION LIMITED
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Auditor Independence Declaration under Section 307c of the Corporations Act 2001

The Auditor's Independence Declaration is attached and forms part of the Directors' Report for the year ended 30 June 2009

Non-Audit Services

There were no non-audit services provided by the entity's auditor, PKF East Coast Practice.

Corporate Governance

In recognizing 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.

Signed in accordance with a resolution of the Board of Directors



S N Sheard
Executive Chairman
Dated this 30th day of September 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Carpentaria Exploration Limited for the year ended 30 June 2009, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

**PKF**

Albert Loots
Partner

Dated at Brisbane this 30th day of September 2009

**CARPENTARIA EXPLORATION LIMITED
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SHAREHOLDER INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EACH CLASS OF SECURITIES AS AT 30 JUNE 2009

Number of Securities Held	Ordinary shares fully paid	Escrow Ordinary shares Vesting 14/11/2009	Escrow Ordinary shares Vesting 24/10/2009	Listed Option Exercisable @\$0.30 30/06/2010
	No. of holders	No. of holders	No. of holders	No. of holders
1 to 1,000	988	-	-	393
1,001 to 5,000	758	-	-	271
5,001 to 10,000	371	-	-	203
10,001 to 100,000	657	1	-	209
100,001 and over	69	5	2	31
	2,843	6	2	1107
Number of shareholders holding less than a marketable parcel of shares	1,814	-	-	-

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Security: CAP - ORDINARY SHARES

Rank	Name	Balance	% Issued Capital
1	YANDAL INVESTMENTS PTY LTD	3,445,138	6.24%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,121,035	5.66%
3	BREAMLEA PTY LIMITED	1,898,038	3.44%
4	MR JOHN BEVAN TILBROOK	1,694,129	3.07%
5	GREY WILLOW PTY LTD	1,613,446	2.92%
6	MRS BARBARA ANNE BLEACH	1,382,673	2.51%
7	MAXIGOLD HOLDINGS PTY LTD	1,225,541	2.22%
8	ANZ NOMINEES LIMITED	864,253	1.57%
9	MR WILLIAM HENRY HERNSTADT	784,924	1.42%
10	NATIONAL NOMINEES LIMITED	763,362	1.38%
11	MAMBAT PTY LTD	700,000	1.27%
12	DYSPO PTY LTD	681,716	1.24%
13	MR RUSSELL LINDSAY KING & MRS TERESA ELIZABETH KING	555,343	1.01%
14	MR JOHN BEVAN TILBROOK & MRS PAULINE TILBROOK & MR JOHN EDWIN TILBROOK	511,796	0.93%
15	MR ZBIGNIEW PUSCH	500,000	0.91%
16	CRESCENT NOMINEES LIMITED	448,646	0.81%
17	BERNE NO 132 NOMINEES PTY LTD	393,054	0.71%
18	B R ACUTT PTY LTD	389,603	0.71%
19	MR DAVID BAY	377,170	0.68%
20	CRESCENT NOMINEES LIMITED	325,846	0.59%
	TOTAL	21,675,713	39.28%
	Balance of Register	33,502,697	60.72%
	GRAND TOTAL	55,178,410	100.00%

Security: CAPES2 - ESCROW ORDINARY SHARES VESTING 24/10/2009

		Balance	% Issued Capital
1	Mr Steve White	1,250,000	50.0%
2	Mr Ian John Potter	1,250,000	50.0%
	TOTAL	2,500,000	100.0%

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Security: CAPES1 - ESCROW ORDINARY SHARES VESTING 14/11/2009

Rank	Investor	Balance	% Issued Capital
1	GIRALIA RESOURCES NL	6,788,220	69.12%
2	MR STANLEY ALLAN MACDONALD	1,056,522	10.76%
3	CARPENTARIA CORPORATION P/L	1,000,000	10.18%
4	MR GRAHAM DOUGLAS RILEY & MRS ANNE MARIE RILEY	580,621	5.91%
5	MS NADA GRANICH	360,206	3.67%
6	CREEKWOOD NOMINEES	36,021	0.37%
	TOTAL	9,821,590	100.00%
	Balance of Register	0	0.00%
	Grand TOTAL	9,821,590	100.00%

Security: CAPO - LISTED OPTION EXERCISABLE @ \$0.30 EXP 30/06/2010

Rank	Investor	Balance	% Issued Capital
1	GIRALIA RESOURCES NL	3,394,110	15.83%
2	YANDAL INVESTMENTS PTY LTD	1,722,569	8.03%
3	BREAMLEA PTY LIMITED <J&E MACDONALD A/C>	949,019	4.42%
4	MR STANLEY ALLAN MACDONALD	588,410	2.74%
5	GREY WILLOW PTY LTD	584,118	2.72%
6	MAXIGOLD HOLDINGS PTY LTD <THE MGR THOMSON SUPER A/C>	562,771	2.62%
7	MR JOHN BEVAN TILBROOK	559,500	2.61%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	447,961	2.09%
9	MR GRAHAM RILEY & MRS ANNE MARIE RILEY <THE RILEY SUPER FUND A/C>	425,168	1.98%
10	MR ZBIGNIEW PUSCH	308,275	1.44%
11	MRS BARBARA ANNE BLEACH	306,562	1.43%
12	ANZ NOMINEES LIMITED <CASH INCOME A/C>	253,860	1.18%
13	CARPENTARIA CORPORATION P/L <DAIKOKU INVESTMENT>	250,000	1.17%
14	TROJAN ONE PTY LTD	238,465	1.11%
15	CRESCENT NOMINEES LIMITED	224,323	1.05%
16	MS NADA GRANICH	203,246	0.95%
17	MIRRUP PTY LTD <THE DRK A/C>	200,000	0.93%
18	BERNE NO 132 NOMINEES PTY LTD <399949 A/C>	196,527	0.92%
19	B R ACUTT PTY LTD <BR ACUTT SUPER FUND A/C>	194,802	0.91%
20	CRESCENT NOMINEES LIMITED	162,923	0.76%
	TOTAL:	11,772,609	54.89%
	BALANCE OF REGISTER:	9,674,806	45.11%
	GRAND TOTAL:	21,447,415	100.00%

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company at 23 September 2009 are:

Name of Shareholder	Ordinary Shares
Yandal Investments Pty Ltd	3,445,138
Giralia Resources NL	6,788,220

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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:

Queensland Tenements

Title No	Name	Date of Grant	Date of Expiry	Sub Blocks	Area Km ²
EL 14955	Mt Agate	29 June 2006	28 June 2011	70	252.8
EL 16393	Waterford	22 April 2008	21 April 2013	100	317.3

New South Wales Tenements

Title No	Name	Date of Grant	Date of Expiry	Sub Blocks	Area Km ²
EL 7208	Burta	22 September 2009	22 September 2010	100	289.7
EL 6901	Combaning	8 October 2007	8 October 2009	214	605.4
EL 6936 ¹	Euriowie	7 November 2007	7 November 2009	31	90.9
EL 6246	Glen Isla	24 May 2004	24 May 2010	12	33.9
EL 7256	Kallara	2 December 2008	2 December 2010	8	22.7
EL 6857 ⁴	Laings Lode	8 August 2009	8 August 2009	8	23.4
EL 6556 ²	Panama Hat	11 April 2006	10 April 2010	38	110.5
EL 6979 ³	Redan JV	11 December 2007	11 December 2009	62	179.8
EL 6931 ⁴	Tanners Creek	1 November 2007	1 November 2009	106	269.9

¹ - 100% Farm-in for all minerals other than lithium

² - JV to earn potential Interest of 100%

³ - JV to earn potential Interest of 51%

⁴ - 100 % Willyama Prospecting Pty Ltd (wholly owned subsidiary of Carpentaria)

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CORPORATE GOVERNANCE STATEMENT

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

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Directors ("Board") of CAP is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of CAP. The Board supports a system of corporate governance to ensure that the management of CAP is conducted to maximize shareholder wealth in a proper and ethical manner. This statement has been placed on the Company's website www.capex.net.au

The 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. Recognize 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 2.1 and 2.2 requires that the majority of the board should be independent directors including the Chairman. The Company does not have a majority of independent directors including the Chairman. The Board considers that the Company is not currently of a size, nor are its affairs of such a complexity, to justify the expense of independent non executive directors. The Board believes that the individuals on the Board can make, and do make, quality independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion of that topic. The Company's Chairman, Mr Nick Sheard, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However, the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman. 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 Managing Director of the Company. While the Board recognizes the importance of the need for the division of responsibilities between the chairman and the managing director, it considers the existing structure provides unified leadership important to a newly incorporated company with early stage exploration projects. Mr Sheard's dual role makes him responsible (along with the whole Board) for determining strategic direction of the Company, as well as having primary responsibility for day to day management. At present this dual role assists the Company to run in a cost effective and efficient manner. The Board intends to re-consider the duality of Mr Sheard's role and the merits of appointing a new managing director as the Company evolves and increases its operations.

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

ASX Principle 2.6 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 22 July 2009. The process of the review included:

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

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

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

ASX Principles 3.1 and 3.2 require the Company to make available a summary of the Company's Code of Conduct and its Share Trading Policy and suggest that these should be posted on the Company's website. These policies have been posted on the Company's website. In relation to the Share Trading Policy there are internal review processes requiring advice to be made when there

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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.

Recommendation 4.3 - Structure the audit committee so that it consists of only non-executive directors, a majority of independent directors, an independent chairperson who is not chairperson of the board, at least three members.

The Company has an audit committee consisting of three directors. It does not meet the recommendation. The Company considers due to the size of the board and the nature of operations the current structure of the Audit Committee is appropriate to carry out its responsibility. Further information on this committee is discussed later in this statement.

ASX Principle 2.5 requires that there should be in place an induction and education procedure for directors. This process, in the event of a new appointment would be carried out by a current serving board member.

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:

<u>Name</u>	<u>Position</u>
Mr Bob Hair	Non-Executive Director
Mr Mike Chester	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 Stan Macdonald, Non-Executive Director. Is an 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:

<u>Name</u>	<u>Term in Office</u>
Mr Nick Sheard	27 Months
Mr Stan Macdonald	26 Months
Mr Bob Hair	22 Months
Mr Mike Chester	18 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 performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be sanctioned.

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

During the period formal evaluation of all senior executives was carried out by the Executive Chairman on 2 November 2008.

Remuneration Committee

The Board has established a Remuneration Committee to ensure that the Board continues to operate within the established guidelines. The committee comprises three directors namely M Chester (Chairman), R Hair and S Macdonald.

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Role

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

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

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

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

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

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

Audit Committee

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

as required to ensure that it can undertake its role effectively. Minutes of the audit committee meetings are recorded and provided to the board in the next full board meeting.

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

Audit Process

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

Auditor Independence

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

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

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

Continuous Disclosure

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

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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 Securities Exchange and are posted on the Company's website.

Risk Management

CAP has developed a framework for a risk management policy and internal compliance and control system which covers organizational, 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 Executive Chairman is responsible for ensuring maintenance of, and compliance with appropriate systems.

Oversight of the risk management system

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

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

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

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

- for financial reporting accuracy and compliance with the financial reporting regulatory framework:
 - there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly financial results are reported against budget and revised forecasts for the remainder of the year are prepared when necessary;
 - cash flow statements are also prepared and included within a package of information reported to The Executive Chairman weekly and directors on a monthly basis;
 - half-yearly and annual statutory reports which are reviewed and audited respectively by the

Company's external auditors and reported to the ASX;

- risk exposures relating to interest rate fluctuations are managed in accordance with the Boards Policy;
 - in that the interest rate risk is exposed to the Australian market and given the current policy of Government backed guarantees on funds held at Australian Banks the risk is acceptable and in accordance with the Policy. The Risk Management Committee comprising all Board members which meets regularly to determine, with the assistance of external treasury advisers where appropriate define appropriate interest rate hedging strategies to manage these risks and ensure that such activities are conducted in compliance with the Company's policy;
- all business transactions of a material nature are properly authorised and executed; and
- the recruitment and retention of personnel with due experience, commitment and integrity.

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

Financial

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

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

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

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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 the risk management 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 Executive Chairman 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 s.295A 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 and

- 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.

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INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	2	310,705	261,786	310,705	261,786
Employee benefits expense		(303,695)	(766,103)	(303,695)	(766,103)
Depreciation and amortisation expenses	10, 12	(26,414)	(21,308)	(26,414)	(21,308)
Other operating expenses	3	(1,458,032)	(309,845)	(1,291,166)	(309,293)
Loss before income tax (expense)/benefit		<u>(1,477,436)</u>	<u>(835,470)</u>	<u>(1,310,570)</u>	<u>(834,918)</u>
Income tax (expense)/benefit	4	-	-	-	-
Loss after income tax		<u><u>(1,477,436)</u></u>	<u><u>(835,470)</u></u>	<u><u>(1,310,570)</u></u>	<u><u>(834,918)</u></u>
Earnings per share					
Basic and diluted (loss) per share (cents per share)	21	(2.21)	(1.61)		

The above income statements should be read in conjunction with the accompanying notes

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BALANCE SHEETS
AS AT 30 JUNE 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	5	3,296,795	5,429,561	3,296,795	5,429,560
Other receivables	6	36,236	213,719	36,236	213,719
Other assets	7	191,419	122,798	120,043	92,798
Total Current Assets		3,524,450	5,766,078	3,453,074	5,736,077
Non-Current Assets					
Other receivables	6	-	-	393,034	119,992
Other financial assets	8	-	-	196,693	1
Property, plant & equipment	10	45,422	31,873	45,422	31,873
Exploration and evaluation expenditure	11	3,133,937	2,515,421	2,979,696	2,425,981
Intangible assets	12	204,426	23,201	7,734	23,201
Total Non-Current Assets		3,383,785	2,570,495	3,622,579	2,601,048
Total Assets		6,908,235	8,336,573	7,075,653	8,337,125
Current Liabilities					
Trade and other payables	13	87,072	150,283	87,072	150,283
Provisions	14	49,074	34,045	49,074	34,045
Total Current Liabilities		136,146	184,328	136,146	184,328
Total Liabilities		136,146	184,328	136,146	184,328
Net Assets		6,772,089	8,152,245	6,939,507	8,152,797
Equity					
Issued Capital	15	8,612,949	8,499,789	8,612,949	8,499,789
Reserves	16	474,510	490,390	474,510	490,390
Accumulated Losses	16	(2,315,370)	(837,934)	(2,147,952)	(837,382)
Total Equity		6,772,089	8,152,245	6,939,507	8,152,797

The above balance sheets should be read in conjunction with the accompanying notes

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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2007	25,346	(2,464)	-	22,882
Issue of share capital	8,750,000	-	-	8,750,000
Share issue costs	(486,871)	-	-	(486,871)
Share-based payment expense	-	-	490,390	490,390
Issue of options	211,314	-	-	211,314
Profit/(loss) for the period	-	(835,470)	-	(835,470)
Balance at 30 June 2008	8,499,789	(837,934)	490,390	8,152,245
Issue of share capital	110,000	-	-	110,000
Share issue costs	-	-	-	-
Share-based payment expense	-	-	(15,880)	(15,880)
Issue of options	3,160	-	-	3,160
Profit/(loss) for the period	-	(1,477,436)	-	(1,477,436)
Balance at 30 June 2009	8,612,949	(2,315,370)	474,510	6,772,089

Parent entity

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2007	25,346	(2,464)	-	22,882
Issue of share capital	8,750,000	-	-	8,750,000
Share issue costs	(486,871)	-	-	(486,871)
Share-based payment expense	-	-	490,390	490,390
Issue of options	211,314	-	-	211,314
Profit/(loss) for the period	-	(834,918)	-	(834,918)
Balance at 30 June 2008	8,499,789	(837,382)	490,390	8,152,797
Issue of share capital	110,000	-	-	110,000
Share issue costs	-	-	-	-
Share-based payment expense	-	-	(15,880)	(15,880)
Issue of options	3,160	-	-	3,160
Profit/(loss) for the period	-	(1,310,570)	-	(1,310,570)
Balance at 30 June 2009	8,612,949	(2,147,952)	474,510	6,939,507

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Payments paid to suppliers and employees		(1,100,151)	(668,724)	(891,909)	(638,172)
Interest received		445,466	109,753	445,466	109,753
Net cash provided by/(used in) operating activities	17	(654,685)	(558,971)	(446,443)	(528,419)
Cash flows from investing activities					
Payments for acquisition of subsidiary, net of cash acquired	9	(86,692)	-	(86,692)	-
Payments for exploration and evaluation expenditure		(1,370,053)	(1,219,675)	(1,305,252)	(1,130,236)
Payments for intangibles		-	(38,668)	-	(38,668)
Payments for property, plant & equipment		(24,496)	(37,714)	(24,496)	(37,714)
Net cash provided by/(used in) investing activities		(1,481,241)	(1,296,057)	(1,416,440)	(1,206,618)
Cash flows from financing activities					
Proceeds from issue of shares and options		3,160	7,711,314	3,160	7,711,314
Payment of IPO and capital raising transaction costs		-	(486,871)	-	(486,871)
Proceeds/(Repayment) from borrowings		-	-	-	(119,992)
Proceeds/(Repayment) from related party borrowings		-	-	(273,042)	-
Net cash provided by/(used in) financing activities		3,160	7,224,443	(269,882)	7,104,451
Net increase/(decrease) in cash and cash equivalents held		(2,132,766)	5,369,415	(2,132,765)	5,369,414
Cash and cash equivalents at the beginning of the financial year		5,429,561	60,146	5,429,560	60,146
Cash and cash equivalents at the end of the financial year	17	3,296,795	5,429,561	3,296,795	5,429,560

The above Statements of Cash Flows should be read in conjunction with the accompanying notes

CARPENTARIA EXPLORATION LIMITED - ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

This annual report covers both Carpentaria Exploration Limited ("Company", "Parent" or "Carpentaria") as an individual entity and the consolidated entity comprising Carpentaria Exploration Limited and its subsidiaries (the Consolidated Entity"). Carpentaria Exploration Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of the Company for the year ended 30 June 2009 was authorized for issue in accordance with a resolution of the directors on 30 September 2009.

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.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Standards). Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Carpentaria Exploration Limited and the consolidated entity comply with International Financial Reporting Standards (IFRS).

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.

Historical cost convention

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Currency

The financial report is presented in Australia dollars and rounded to the nearest one dollar.

Critical accounting estimates and judgments

The directors evaluate estimates and judgements 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 current trends and economic data, obtained both externally and within the consolidated entity.

Key estimates – impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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.

CARPENTARIA EXPLORATION LIMITED - ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Management

Management controls the capital of the consolidated entity in order to provide capital growth to shareholders and ensure the consolidated entity can fund its operations and continue as a going concern. The consolidated entity's capital includes ordinary share capital. Further detail on the value share capital can be found in Note 15. 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.

(a) Principles of consolidation

A controlled entity is any entity Carpentaria has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 8 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Joint Ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture assets are included in the appropriate items of the consolidated financial statements.

(b) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Goodwill is recognized initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognized in profit or loss.

(c) Foreign Currencies

Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency, and amounts are rounded to the nearest dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(d) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue is recognized on a time proportional basis taking into account the interest rates applicable to the financial assets.

CARPENTARIA EXPLORATION LIMITED - ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Taxes

Income taxes

The income tax expense or benefit for the period is the tax payable on the current periods taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognized for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognized in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

(f) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognized net of the amount of GST, except where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the assets or as part of the expense item as applicable, and except for receivables and payables which are stated inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority are classified as operating cash flows.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognized as an expense on a straight line basis.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Company are capitalised at the present value of the minimum lease payments. A lease liability of equal value is also recognized. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognized directly in net profit.

(h) Cash and cash equivalents

For purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods (up to 12 months) to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Receivables

All trade receivables are recognized at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairments of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

The carrying amounts of the loans are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the loan is impaired to its recoverable amount. The recoverable amount of the receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate

Loans between companies within the consolidated entity are included in current assets of the Parent entity, except for those with anticipated repayment terms greater than 12 months after the balance sheet date which are classified as non-current assets. Such assets are carried at amortized cost using the effective rate interest method. Gains and losses are recognized in profit and loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(j) Investments and other financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends upon the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

(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. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Such assets are carried at amortized cost using the effective rate interest method. Gains and losses are recognized in profit and loss when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

CARPENTARIA EXPLORATION LIMITED - ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments and other financial assets (continued)

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investment are carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortized cost of the security and other changes, in the carrying amount of the security. The translation differences are recognized in profit and loss and other changes in carrying amount are recognized in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investment are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company established fair value by using valuation techniques. These include the use of recent arms' length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss – is removed from equity and recognized in the income statement.

(k) Property, Plant and Equipment

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 which will be received from the assets 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 economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful life to the Company commencing from the time the asset is held ready for use. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The expected useful lives are as follows:

Major depreciation periods are	
Office Equipment	5 years
Computer Equipment	3 years

**CARPENTARIA EXPLORATION LIMITED - ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, Plant and Equipment (continued)

Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and amortized as noted above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

The cost of plant and equipment constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of directly attributable variable and fixed overheads.

(l) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A provision is raised against exploration and evaluation expenditure where the directors are of the opinion that the carried forward net cost may not be recoverable. The increase in the provision is charged against the results for the year. 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 amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility 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 structure, waste removal, and rehabilitation of the site in accordance with clauses of mining 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 restoration will be completed within one year of abandoning the site.

(m) Impairment of Assets

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognized in equity is transferred to profit or loss. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

CARPENTARIA EXPLORATION LIMITED - ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of Assets (continued)

Non-Financial Assets

The carrying amounts of the consolidated entity's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(n) Trade & Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognized as an expense on an accruals basis. Trade account payables are usually settled on a 30 day basis.

(o) Contributed Equity

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

(p) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and any vesting sick leave expected to be settled within 12 months of the reporting date are recognized in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognized when the leave is taken and measured at the rates paid or payable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee Benefits (continued)

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognized in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Share-based payments

The Company has issued options to executives and employees as part of their remuneration.

The fair value of options granted is recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognized each period takes into account the most recent estimate.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognized and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognized as liabilities.

(q) Intangible Assets

Intangible assets that are acquired by the consolidated entity, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Directors review the carrying value of intangible assets regularly to determine whether the carrying amount exceeds recoverable amount and write off as an expense any reduction of recoverable amount below cost.

Licence costs

Costs incurred in acquiring licences that will contribute to future period financial benefits are capitalised to "Intangible assets – Licences". Amortization is calculated on a straight line basis over the term of the licence.

(r) Earnings/Loss per Share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of the ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Segment Reporting

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.

CARPENTARIA EXPLORATION LIMITED - ANNUAL REPORT
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(u) Determination of Fair Values

Intangible Assets

The fair value of intangible assets acquired in a business combination is based on the recoverable amount of the assets.

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. They are available for early adoption at 30 June 2009 but have not been applied in preparing these Financial Statements:

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers' use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognized in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the consolidated entity.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognized in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The consolidated entity intends to apply the revised standard from 1 July 2009.

(iv) AASB 3 'Business Combinations' (Revised) and amending standard AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]'. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. The revised standard introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognized, the results in the period that the acquisition occurs, and the future revenues reported. The consolidated entity intends to apply the revised standard from 1 July 2009.

(v) AASB 127 'Consolidated and Separated Financial Statement' (Revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]'.

These standards are applicable to annual reporting periods beginning on or after 1 July 2009. This standard allows a change in the ownership interest of a subsidiary (that does not result in a loss of control) to be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss. The consolidated entity intends to apply the revised standard from 1 July 2009.

(vi) AASB 2008-7 'Amendments to accounting for the cost of an investment in subsidiary, jointly controlled entity or associate' [AASB 1, 118, 121, 127 & 136]

CARPENTARIA EXPLORATION LIMITED - ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) New standards and interpretations not yet adopted (continued)

These standards no longer require entities to deduct dividends out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity, or associate. The investor entity must recognise these dividends as income. AASB 136 'Impairment of Assets' now includes recognising a dividend from a subsidiary, jointly controlled entity or associate as an impairment indicator in some circumstances. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. Adoption of the revised AASB 2008-7 is not expected to impact the consolidated entity.

(vii) AASB 2008-1 'Amendments to Australian Accounting Standard - Share-Based Payments: Vesting Conditions and Cancellations'.

These standards are applicable to annual reporting periods beginning on or after 1 January 2009. The standard clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Adoption of the revised AASB 2008-1 will not result in a change in accounting policy for the entity as AASB 2008-1 only clarifies an existing treatment the entity had already complied with. The consolidated entity intends to apply the revised standard from 1 July 2009.

(viii) AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]' results from the International Accounting Standards Board's annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. The amendments to some accounting standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The likely effect of these changes is in relation to the IAS40 amendment which includes investment property under construction within the scope of the standard, and will also allow investment property under construction to be measured at cost if fair value cannot be measured reliably until such time as the fair value becomes reliably measurable or construction is completed (whichever comes earlier). The consolidated entity has yet to determine the potential effect of this standard.

(ix) AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments' [AASB 4, 7, 1023 & 1038]. The amendments to AASB 7 require enhanced disclosures about fair value measurements and liquidity risk. This standard is applicable to annual reporting periods beginning on or after 1 January 2009.

(x) AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' [AASB 5, 8, 101, 107, 117, 118, 136 & 139] are from the International Accounting Standards Board's annual improvement project. These provide a vehicle for making non-urgent but necessary amendments to accounting standards. The consolidated entity has yet to determine the potential effect of this standard.

The consolidated entity has no plans to adopt accounting policy options with effect from 1 July 2008. Application of the amending standards will not affect any of the amounts recognized in the Financial Statements and is expected to only impact disclosures contained within the Financial Report.

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
. REVENUE				
Interest income - Cash and Cash Equivalents	310,705	261,786	310,705	261,786
	<u>310,705</u>	<u>261,786</u>	<u>310,705</u>	<u>261,786</u>
3. EXPENSES				
<i>Expenses from continuing operations</i>				
Minimum lease payments	86,204	48,520	86,204	48,520
Wages and salaries	319,575	275,713	319,575	275,713
Share based payment expense	(15,880)	490,390	(15,880)	490,390
Write off of tenement costs	(751,537)	-	(751,537)	-
Depreciation	10,947	5,841	10,947	5,841
Amortisation	15,467	15,467	15,467	15,467
4. INCOME TAX				
(a) The Prima facie tax on profit before income tax is reconciled to the income tax provided in the financial report as follows:				
Prima facie tax payable on profit/(loss) before income tax at 30% (2008: 30%):	(443,231)	(250,641)	(393,171)	(250,475)
Add Tax Effect of:				
Non-deductible entertainment	710	368	710	368
Deferred tax not recognized on current year loss	616,974	677,320	547,474	650,654
Share Based Payments	-	147,117	-	147,117
Other temporary differences	8,636	19,604	8,636	19,604
Less Tax Effect of:				
Other Non-assessable income items	33,764	(43,710)	33,764	(43,710)
Deductible amounts recognized in equity	(31,298)	(31,298)	(31,298)	(31,298)
Other temporary differences	(415,709)	(518,760)	(422,936)	(492,260)
Deferred tax not recognized relating to prior year loss	230,154	-	256,821	-
Income tax expense / (benefit) attributable to profit before income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(b) Unrecognized deferred tax assets				
Deferred tax assets have not been recognized in the Balance Sheet for the following items:				
Unused tax losses	1,524,448	677,320	1,454,949	650,654
Deductible temporary differences	122,132	144,794	122,132	144,793
Potential benefit at 30% (2008: 30%)	<u>1,646,580</u>	<u>822,114</u>	<u>1,577,081</u>	<u>795,447</u>
Gross value of tax losses not recognized	<u>5,081,494</u>	<u>2,257,734</u>	<u>4,849,830</u>	<u>2,168,847</u>

There is no expiry date on the future deductibility of unused tax losses.

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

4. INCOME TAX (continued)	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
(c) <u>Unrecognized deferred tax liabilities</u>				
Deferred tax liabilities have not been recognized in the Balance Sheet for the following items:				
Assessable temporary differences	945,363	798,336	899,091	771,504

5. CASH AND CASH EQUIVALENTS

CURRENT

Cash at Bank	105,767	1,053,561	105,767	1,053,560
Deposits at call	3,191,028	4,376,000	3,191,028	4,376,000
	3,296,795	5,429,561	3,296,795	5,429,560

Deposits at call have a maturity of between 3 and 12 months, however the company and the consolidated entity have the right to call up on the cash at any time.

6. OTHER RECEIVABLES

CURRENT

Other receivables	18,963	61,686	18,963	61,686
Interest receivables	17,273	152,033	17,273	152,033
	36,236	213,719	36,236	213,719

Other receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognized when there is objective evidence that an individual receivable is impaired. All receivables are within their standard terms and are not considered impaired (2008: All receivables were within their standard terms and were not considered impaired).

Fair value and credit risk

Due to the short term nature of the current receivables the carrying value is assumed to approximate their fair value. The maximum exposure is the fair value of the receivables. Collateral is not held as security.

NON-CURRENT

Receivable from controlled entity – refer note 24	-	-	393,034	119,992
	-	-	393,034	119,992

Fair value and credit risk

Non-current receivables relate to receivables from wholly owned subsidiaries. These receivables are not impaired and are not past due. The maximum exposure to credit risk is the carrying value. No collateral is held as security.

7. OTHER ASSETS

CURRENT

Prepayments	4,666	2,489	4,666	2,489
Bonds and deposits	186,753	120,309	115,377	90,309
	191,419	122,798	120,043	92,798

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
8. OTHER FINANCIAL ASSETS				
NON-CURRENT				
Shares in controlled entities - at cost	-	-	196,693	1

The recoverability of the carrying amount of FTB (QLD) Pty Ltd is dependent on the successful development and commercial exploitation, or alternatively, sale of respective areas of interest.

	Percentage of equity interest*		Investment	
	2009	2008	2009	2008
	%	%	\$	\$
All companies are incorporated in Australia and have a 30 June balance date.				
Willyama Prospecting Pty Ltd**	100%	100%	1	1
FTB (QLD) Pty Ltd ***	100%	0%	196,692	-
			196,693	1

* percentage of voting power is in proportion to ownership

** Acquisition of Willyama Prospecting Pty Ltd ('Willyama')

On the 10th March 2008 the consolidated entity acquired a 100% interest in Willyama, The total cost of acquisition was \$1 and the net assets acquired were \$1.

*** Acquisition of FTB(QLD) Pty Ltd ("FTB")

On 23 October 2008 the consolidated entity acquired a 100% interest in FTB. The total cost of the acquisition was \$196,692 and the net assets acquired were \$196,692. Refer Note 28 for details of terms sheets signed subsequent to year end for sale of FTB.

9. BUSINESS COMBINATION

FTB (QLD) Pty Ltd

On 23 October 2008, Carpentaria Exploration Limited acquired all of the shares in FTB (QLD) Pty Ltd ("FTB") through the issue of 2,500,000 shares and payment of \$86,692 (including \$31,692 in acquisition costs). FTB holds applications for six tenements located in within the Galilee Basin. In the 7 months to 30 June 2009 FTB contributed \$166,865 to the loss of the consolidated entity and made no contribution to revenue of the consolidated entity. If the acquisition occurred on 1 July 2008 there would have been no further effect on the reported consolidated revenue or consolidated profit. The consideration paid is summarised below.

Consideration	\$
Cash consideration	55,000
Cash consideration - acquisition costs	31,692
Equity component (2,500,000 shares at \$0.044) ¹	110,000
Total Consideration	196,692
Net cash outflow	86,692

¹The fair value of shares issued was based on the published price of Carpentaria Exploration Limited's shares as shown on the Australian Securities Exchange on the date of purchase.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognized values on acquisition
Cash and cash equivalents	-	-	-
Other current assets	-	-	-
Intangible assets	332	196,360	196,692
Net identifiable assets and liabilities	332	196,360	196,692
Purchase consideration			196,692

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

9. BUSINESS COMBINATION (continued)

Pre-acquisition carrying amounts were based on the applicable AASBs immediately before the acquisition. The value of assets, liabilities and contingent liabilities recognized on acquisition are their estimated fair values (see Note 1 (u)) for methods used in determining fair values.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
10. PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment - at cost	62,210	37,714	62,210	37,714
Less: accumulated depreciation	(16,788)	(5,841)	(16,788)	(5,841)
	<u>45,422</u>	<u>31,873</u>	<u>45,422</u>	<u>31,873</u>
Total Property, Plant and Equipment	<u>45,422</u>	<u>31,873</u>	<u>45,422</u>	<u>31,873</u>

Movement Schedule

Consolidated and Parent Entity	Plant & Equipment \$	Total \$
2009		
Carrying amount at 1 July 2008	31,873	31,873
Additions	24,496	24,496
Disposals	-	-
Depreciation charge for the year	(10,947)	(10,947)
Carrying amount at 30 June 2009	<u>45,422</u>	<u>45,422</u>
2008		
Carrying amount at 1 July 2007	-	-
Additions	37,714	37,714
Disposals	-	-
Depreciation charge for the year	(5,841)	(5,841)
Carrying amount at 30 June 2008	<u>31,873</u>	<u>31,873</u>

11. EXPLORATION AND EVALUATION EXPENDITURE

NON-CURRENT

Exploration and development costs carried forward in respect of areas of interest not in production

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
- Exploration phase	<u>3,133,937</u>	<u>2,515,421</u>	<u>2,979,696</u>	<u>2,425,981</u>
Reconciliation				
Exploration expenditure capitalised				
- Opening balance	2,515,421	45,746	2,425,981	45,746
- Current year expenditure	1,370,053	2,469,675	1,305,252	2,380,235
- Transfer to subsidiary	-	-	-	-
- Write off/disposed in current year	(751,537)	-	(751,537)	-
Carried forward	<u>3,133,937</u>	<u>2,515,421</u>	<u>2,979,696</u>	<u>2,425,981</u>

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of areas of interest.

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
12. INTANGIBLE ASSETS				
Software - at cost	38,668	38,668	38,668	38,668
Less: accumulated amortisation	(30,934)	(15,467)	(30,934)	(15,467)
Licence costs	196,692	-	-	-
	<u>204,426</u>	<u>23,201</u>	<u>7,734</u>	<u>23,201</u>
Carrying amount at 1 July 2008	23,201	-	23,201	-
Acquisitions	-	38,668	-	38,668
Amortisation charge	(15,467)	(15,467)	(15,467)	(15,467)
Acquisition through business combinations – refer note 9	196,692	-	-	-
Carrying amount at 30 June 2009	<u>204,426</u>	<u>23,201</u>	<u>7,734</u>	<u>23,201</u>

Recoverability of licence costs

The recoverable amount of the Licence costs was based on value the licences can be sold for, less any costs related to sale. Subsequent to year end CAP has entered into an agreement to sell the company that holds the licences. Based on this agreement there is no impairment at 30 June 2009. Refer note 28.

13. TRADE AND OTHER PAYABLES

CURRENT

Other payables and accruals	87,072	150,283	87,072	150,283
	<u>87,072</u>	<u>150,283</u>	<u>87,072</u>	<u>150,283</u>

Terms and conditions relating to the above financial instruments

- (i) Trade creditors are unsecured, non-interest bearing and are normally settled on 30 day terms
- (ii) Other creditors are unsecured, non interest bearing
- (iii) Due to the short term nature of the current payables the carrying value is assumed to approximate their fair value.

14. PROVISIONS

CURRENT

Employee benefits - Annual leave	49,074	34,045	49,074	34,045
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15. ISSUED CAPITAL

(a) Issued and paid up capital

67,500,000 ordinary shares fully paid (2008: 65,000,000)	8,612,949	8,499,789	8,612,949	8,499,789
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(b) Movements in shares on issue - Consolidated Entity

	2009		2008	
	No. of shares	\$	No. of shares	\$
Ordinary shares fully paid				
Beginning of the financial year	65,000,000	8,499,789	30,000,000	25,346
Increases				
- Initial public offering ¹	-	-	30,000,000	7,500,000
- Share capital issued ²	-	-	5,000,000	1,250,000
- Share capital issued ⁴	2,500,000	110,000	-	-
- Issue of options ³	-	3,160	-	211,314
- Costs of securities issued	-	-	-	(486,871)
	<u>67,500,000</u>	<u>8,612,949</u>	<u>65,000,000</u>	<u>8,499,789</u>

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

15. ISSUED CAPITAL (continued)

(b) Movements in shares on issue (continued)

¹ Shares offered under the IPO Prospectus - 30,000,000 at \$0.25 each.

² 4,000,000 ordinary fully paid shares issued to Giralia Resources NL (GIR) to purchase the legal and beneficial interests in Queensland Exploration Permit for Minerals 14170 and New South Wales Exploration Licence 6246.

1,000,000 ordinary fully paid shares issued to Daikoku Investment Trust in lieu of past consulting fees in relation to the acquisition of Tenements.

³ A pro rata issue of options was made on 23 June 2008 to Shareholders on the basis of one option for every 2 shares held at the relevant date. The new options were issued at a price of \$0.01 each, exercisable at \$0.30 each on or before 30 June 2010. In the current year the amount relates to the shortfall issued

⁴ 2,500,000 ordinary fully paid shares issued to Ian John Potter and Steve White to purchase FTB (QLD) Pty Ltd, refer Note 9.

(c) Options

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.

Terms	01-Jul-08	additions	exercised	expired	30-Jun-09
30 June 2010 ¹	3,400,000	-	-	-	3,400,000
30 June 2010 ²	300,000	-	-	-	300,000
30 June 2010 ³	500,000	-	-	-	500,000
30 June 2010	21,131,384 ⁴	316,031 ⁵	-	-	21,447,415
30 June 2011 ⁶	-	800,000	-	-	800,000
	25,331,384	1,116,031	-	-	26,447,415

¹ Options issued as at the date of the Prospectus to Directors, officers and other persons total 3.4 million and are on the following terms:

- a. the exercise price of each Option is \$0.30;
- b. the Options expire at 5.00 pm EST 30 June 2010

² Options issued to Employees as part of the ESOP on the following terms:

- a. the exercise price of each Option is \$0.30;
- b. the Options expire at 5.00 pm EST 30 June 2010

³ Options issued to Employees as part of the ESOP on the following terms:

- a. the exercise price of each Option is \$0.27;
- b. the Options expire at 5.00 pm EST 30 June 2010

⁴ A pro rata issue of options was made on 23 June 2008 to Shareholders on the basis of one option for every 2 shares held at the relevant date. The new options were issued at a price of \$0.01 each, exercisable at \$0.30 each on or before 30 June 2010.

⁵ Options issued on 23 September 2008 to Shareholders. The new options were issued at a price of \$0.01 each, exercisable at \$0.30 each on or before 30 June 2010.

⁶ Options issued to Employees as part of the ESOP on the following terms:

- a. the exercise price of each Option is \$0.15;
- b. the Options expire at 5.00 pm EST 30 June 2011

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on share held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
16. ACCUMULATED LOSSES AND RESERVES				
(a) Accumulated losses				
Balance at the beginning of the year	(837,934)	(2,464)	(837,382)	(2,464)
Net profit/(loss) attributable to members of Carpentaria Exploration Limited	(1,477,436)	(835,470)	(1,310,570)	(834,918)
Balance at end of year	<u>(2,315,370)</u>	<u>(837,934)</u>	<u>(2,147,952)</u>	<u>(837,382)</u>
(b) Reserves				
Share based payments reserve	<u>474,510</u>	<u>490,390</u>	<u>474,510</u>	<u>490,390</u>
Share based payments reserve movements				
Balance 1 July	490,390	-	490,390	-
Options expense	30,161	490,390	30,161	490,390
Option expense reversal – Managing director	(46,041) ¹	-	(46,041) ¹	-
Options exercised	-	-	-	-
Balance 30 June	<u>474,510</u>	<u>490,390</u>	<u>474,510</u>	<u>490,390</u>

¹ Due to the current economic climate options that were granted to Mr N Sheard were not voted on at the Annual General Meeting and were therefore not approved. The value of these options previously expensed (\$46,041) on a provisional basis has now been written back to the Share Based Payment Reserve. Refer Note 19 for details.

(c) Nature and purpose of reserves

Share based payments reserve

The share based payment reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

17. RECONCILIATION OF CASHFLOWS FROM OPERATING ACTIVITIES

Reconciliation of the operating /(loss) after tax to the net cash flows used in operating activities				
Profit/(loss) after income tax	(1,477,436)	(835,470)	(1,310,570)	(834,918)
Non-cash flows in profit after income tax:				
Depreciation	10,947	5,841	10,947	5,841
Amortization	15,467	15,467	15,467	15,467
Share options expense/ (benefit)	(15,880)	490,390	(15,880)	490,390
Write-off of capitalised expenditure	751,537	-	751,537	-
Changes in assets and liabilities				
- (Increase)/Decrease in other assets	66,141	(274,831)	107,517	(244,831)
- Increase/(Decrease) in trade payables and accruals	(20,490)	5,587	(20,490)	5,587
- Increase/(Decrease) in provisions	15,029	34,045	15,029	34,045
Cash flow from operations	<u>(654,685)</u>	<u>(558,971)</u>	<u>(446,443)</u>	<u>(528,419)</u>
Reconciliation of cash				
- Cash at bank	105,767	1,053,561	105,767	1,053,560
- Cash on deposit	3,191,028	4,376,000	3,191,028	4,376,000
	<u>3,296,795</u>	<u>5,429,561</u>	<u>3,296,795</u>	<u>5,429,560</u>

Non-cash transactions

In the 2008 financial year 2008 was a share issue of 5,000,000 fully paid ordinary shares for the purchase of tenements in Queensland and New South Wales.

In the 2009 financial year there was a share issue of 2,500,000 fully paid ordinary shares for the purchase of FTB (QLD) Pty Ltd (refer note 9).

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

Consolidated		Parent Entity	
2009	2008	2009	2008
\$	\$	\$	\$

18. EXPENDITURE COMMITMENTS

Lease expenditure commitments

(i) Operating leases

Minimum lease payments				
- payable within one year	102,922	64,485	102,922	64,485
- payable between one and five years	108,685	93,823	108,685	93,823
Total contracted at balance date	211,607	158,308	211,607	158,308

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.

The commitments to be undertaken are as follows:

Payables				
- not later than 12 months	439,836	764,500	413,503	667,500
- between 12 months and 5 years	309,585	705,500	309,585	705,500
	749,421	1,470,000	723,088	1,373,000

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

19. SHARE BASED PAYMENTS

Equity based instruments

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

Consolidated and Parent Entity

2009

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Cancelled in year	Balance at end of year	Exercisable at end of year
1	27 Aug 2007	30 Jun 2010	\$0.30	3,400,000	-	-	-	3,400,000	3,400,000
2	14 Nov 2007	30 Jun 2010	\$0.30	300,000	-	-	-	300,000	300,000
3	7 Jan 2008	30 Jun 2010	\$0.27	500,000	-	-	-	500,000	500,000
4	14 Nov 2007 ¹	14 Nov 2008	\$0.40	1,000,000	-	-	1,000,000 ²	-	-
5	14 Nov 2007 ¹	14 Nov 2009	\$0.50	1,000,000	-	-	1,000,000 ²	-	-
6	14 Nov 2007 ¹	14 Nov 2010	\$0.60	1,000,000	-	-	1,000,000 ²	-	-
7	1 July 2008	30 June 2011	\$0.15	-	800,000	-	-	800,000	800,000
				7,200,000	800,000	-	3,000,000	5,000,000	5,000,000

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

19. SHARE BASED PAYMENTS (continued)

Consolidated and Parent Entity

2008

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Expired in year	Balance at end of year	Exercisable at end of year
1	27 Aug 2007	30 Jun 2010	\$0.30	-	3,400,000	-	-	3,400,000	-
2	14 Nov 2007	30 Jun 2010	\$0.30	-	300,000	-	-	300,000	-
3	7 Jan 2008	30 Jun 2010	\$0.27	-	500,000	-	-	500,000	-
4	14 Nov 2007 ¹	14 Nov 2008	\$0.40	-	1,000,000	-	-	1,000,000	-
5	14 Nov 2007 ¹	14 Nov 2009	\$0.50	-	1,000,000	-	-	1,000,000	-
6	14 Nov 2007 ¹	14 Nov 2010	\$0.60	-	1,000,000	-	-	1,000,000	-
				-	7,200,000	-	-	7,200,000	-

The weighted average exercise price was \$0.27. (2008 - \$0.38).

¹ The board resolved to grant a total of 3,000,000 options to the Executive Chairman. The options required approval from shareholders before they could be issued.

² The approval for these options was not sought at the 2008 AGM, therefore these options have not been granted.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.16 years. (2008 – 2.0 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.

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

Inputs into pricing model	Tranche			
	1	2	3	7
Grant date	27/08/07	14/11/07	07/01/08	01/07/08
Vesting date	27/08/07	14/11/07	07/01/08	01/07/08
Exercise price	\$0.30	\$0.30	\$0.27	\$0.15
Share price at grant date	\$0.25	\$0.25	\$0.30	\$0.11
Life of the options	3 yrs	3 yrs	2 yrs	3 yrs
Underlying share price volatility	65.00%	65.00%	66.00%	65.00%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	7.50%	6.50%	6.50%	6.50%

Expenses arising from share based payment transactions

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

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
- Options expense	30,161	490,390	30,161	490,390
- Option expense reversal – Executive Chairman ¹	(46,041)	-	(46,041)	-
	(15,880)	490,390	(15,880)	490,390

¹ Due to the current economic climate options that were granted to Mr N Sheard were not voted on at the Annual General Meeting and were therefore not approved. The value of these options previously expensed (\$46,041) on a provisional basis has now been written back to the Share Based Payment Reserve.

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The consolidated entity has no known contingent assets or contingent liabilities.

21. EARNINGS PER SHARE

	Consolidated	2008
	2009	2008
	\$	\$
a) Reconciliation of Earnings to Profit or Loss		
Earnings used to calculate basic and dilutive EPS	(1,477,436)	(835,470)
	<u>Number</u>	<u>Number</u>
b) Weighted average number of ordinary shares outstanding during the year	66,732,877	4,767,207
Effect of dilutive securities	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS	66,732,877	4,767,207

22. AUDITOR'S REMUNERATION

	Consolidated	2008	Parent Entity	2008
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts received or due and receivable by the Auditor for:				
- audit and review of financial reports				
PKF East Coast Practice	45,058	38,700	45,058	38,700
	45,058	38,700	45,058	38,700

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

Information about the remuneration of Directors and Executives which is currently required under Section 300A of the Corporations Act and under Accounting Standard AASB 124 "Related Party Disclosures" is included in the Remuneration Report within the Directors' Report. The consolidated entity has taken advantage of the relief provided by AASB 2008-4 'Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities'

	Consolidated	2008	Parent Entity	2008
	2009	2008	2009	2008
	\$	\$	\$	\$
Key management personnel compensation				
Short term employee benefits	615,684	462,812	615,684	462,812
Post employment benefits	-	-	-	-
Share based payments	(30,961)	440,240	(30,961)	440,240
Other	57,191	35,353	57,191	35,353
Total	641,914	938,405	641,914	938,405

Option holdings of directors and key management personnel

2009	Balance at 1/7/08	Issued as Remuneration	Options Exercised	Net Change Other	Balance at 30/6/09	Total Vested and Exercisable
Directors						
Nick Sheard	1,000,000	-	-	-	1,000,000	1,000,000
Bob Hair	510,000	-	-	-	510,000	510,000
Mike Chester	43,201	-	-	-	43,201	43,201
Stan Macdonald	1,212,335	-	-	-	1,212,335	1,212,335
Key Management Personnel						
Doug Brewster	715,000	200,000	-	-	915,000	915,000
Chris Powell	260,500	200,000	-	-	460,500	460,500
Bruce Acutt	339,021	-	-	(339,021) ¹	-	-
Total	4,080,057	400,000	-	(339,021)	4,141,036	4,141,036

¹ Bruce Acutt resigned as Joint Company Secretary of Carpentaria Exploration Limited on 21 July 2008.

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Option holdings of directors and key management personnel

2008	Balance at 1/7/07	Issued as Remuneration	Options Exercised	Net Change Other	Balance at 30/6/08	Total Vested and Exercisable
Directors						
Nick Sheard	-	1,000,000	-	-	1,000,000	1,000,000
Bob Hair	-	500,000	-	10,000	510,000	510,000
Mike Chester	-	-	-	43,201	43,201	43,201
Stan Macdonald	-	1,000,000	-	212,335	1,212,335	1,212,335
Mike Joyce	-	500,000	-	(500,000) ²	-	-
Key Management Personnel						
Doug Brewster	-	700,000	-	15,000	715,000	715,000
Chris Powell	-	250,000	-	10,500	260,500	260,500
Bruce Acutt	-	150,000	-	189,021	339,021	339,021
Total	-	4,100,000	-	(19,943)	4,080,057	4,080,057

² Mike Joyce resigned as Director of Carpentaria Exploration Limited on 6 September 2007.

Security holdings of directors and key management personnel

All equity transactions with directors and key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length. On market, public offering transactions are included within Net Change Other in the table below:

Ordinary Shares

2009	Balance 1/7/08	Granted as Remuneration	On Exercise of Options/Notes	Net Change Other	Balance 30/6/09
Directors					
Nick Sheard	-	-	-	230,000	230,000
Bob Hair	20,000	-	-	-	20,000
Mike Chester	86,401	-	-	-	86,401
Stan Macdonald	1,424,669	-	-	-	1,424,669
Management					
Doug Brewster	30,000	-	-	4,289	34,289
Chris Powell	21,000	-	-	-	21,000
Bruce Acutt	389,603	-	-	-	389,603
	1,971,673	-	-	234,289	2,205,962

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Security holdings of directors and key management personnel (continued)

Ordinary Shares

2008	Balance 1/7/07	Granted as Remuneration	On Exercise of Options/Notes	Net Change Other	Balance 30/6/08
Directors					
Nick Sheard	-	-	-	-	-
Bob Hair	-	-	-	20,000	20,000
Mike Chester	-	-	-	86,401	86,401
Stan Macdonald	-	-	-	1,424,669	1,424,669
Management					
Doug Brewster	-	-	-	30,000	30,000
Chris Powell	-	-	-	21,000	21,000
Bruce Acutt	-	-	-	389,603	389,603
	-	-	-	1,971,673	1,971,673

Loans with directors and key management personnel

There were no loans outstanding with directors or key management personnel at 30 June 2009 (2008: nil).

Other transactions and balances with directors and key management personnel and amounts recognized at the reporting date in relation to other transactions

There were no other transactions with directors or key management personnel at 30 June 2009 (2008: nil).

24. RELATED PARTY TRANSACTIONS

	2009	2008
	\$	\$

Information about the remuneration of Directors and Executives which is currently required under Section 300A of the Corporations Act and under Accounting Standard AASB 124: Related Party Disclosures is included in the Remuneration Report within the Director's Report.

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

During the year the following transactions were undertaken between the Company, executive officers and Director-related entities:

Directors and Consulting fees were paid to Camcove Pty Ltd, a company of which Bob Hair is a director and shareholder

	-	10,000
--	---	--------

Consulting fees were paid to Sheard & Associates, a company of which Nick Sheard is a director and shareholder

	-	60,000
--	---	--------

Share and Option transactions of Directors and Director-Related Entities are shown in the Remuneration Report contained in the Director's Report.

Key management personnel compensation

Disclosures relating to key management personnel are set out in Note 23.

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

24. RELATED PARTY TRANSACTIONS (continued)

Loans to Subsidiaries from the Parent Entity

Loan to Willyama Prospecting Pty Ltd

Funds used for exploration and evaluation expenditure on the tenements held by the Company during the period. The outstanding balance is unsecured and interest free.

Details of movements in the loan are as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of year	-	-	119,992	-
Loans advanced	-	-	64,800	119,992
Loan repayments made	-	-	-	-
Interest charged	-	-	-	-
Balance at End of Year	-	-	184,792	119,992

Loan to FTB (Qld) Pty Ltd

Funds used for exploration and evaluation expenditure on the tenements held by the Company during the period. The outstanding balance is unsecured and interest free.

Details of movements in the loan are as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of year	-	-	-	-
Loans advanced	-	-	208,242	-
Loan repayments made	-	-	-	-
Interest charged	-	-	-	-
Balance at End of Year	-	-	208,242	-

25. SEGMENT REPORTING

The Company operates predominantly in one business and geographical segment, being mineral exploration in Australia. No revenue from this activity has been earned to date as the Company is still in the exploration and evaluation stage.

26. DIVIDENDS AND FRANKING CREDITS

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

27. FINANCIAL RISK MANAGEMENT

The consolidated entity's principal financial instruments comprise deposits with banks, accounts receivable and payable and loans to subsidiaries. The main purpose of these financial instruments is to raise cash for the consolidated entity's operations.

The consolidated entity does not have a formally established treasury function. The Board is responsible for managing the consolidated entity's identification and control of financial risks and for evaluating treasury management strategies in the context of the most recent economic conditions and forecasts. For the period under review, it has been the entity's policy not to trade in financial instruments.

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

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The consolidated entity is exposed to credit risk from its operating activities and financing activities including deposits with banks. The credit risk control procedures adopted by the consolidated entity is to assess the credit quality of the institution that funds are deposited or invested in, taking into account its financial position and past experiences.

The maximum exposure to credit risk on financial assets of the consolidated entity which have been recognized on the balance sheet is generally limited to the carrying amount. Management determines concentrations of credit risk through ongoing credit evaluation on the financial condition of assets. The consolidated entity's concentration of credit risk is confined to large financial institutions, which are awarded a Standard and Poor's AA/A-1+ rating. At 30 June 2009 the consolidated entity had a concentration of credit risk with the Commonwealth Bank of Australia totalling \$3,296,795 (2008: \$5,429,561).

Market Risk

Market risk arises from the use of interest bearing, tradeable 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).

(i) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the consolidated entity's income or the value of its obligations, and arises on financial instruments that are subject to floating rates. The Company's exposure to market interest rates relates primarily to the consolidated entity's cash on deposit.

At balance date, the parent and consolidated entity had the following mix of financial assets and liabilities exposed to Australian interest rate risk that are not designated in cash flow hedges:

	Floating interest rate	Fixed interest rate	Total carrying amount as per the balance sheet
	\$	\$	\$
2009			
Financial Assets			
Cash and cash equivalents	105,767	3,191,028	3,296,795
Other receivables	-	-	-
Total Financial Assets	105,767	3,191,028	3,296,795
Financial Liabilities			
Trade and other payables	-	-	-
Total Financial Liabilities	-	-	-
2008			
Financial Assets			
Cash and cash equivalents	1,053,561	4,376,000	5,429,561
Other receivables	-	-	-
Total Financial Assets	1,053,561	4,376,000	5,429,561
Financial Liabilities			
Trade and other payables	-	-	-
Total Financial Liabilities	-	-	-

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

27. FINANCIAL RISK MANAGEMENT (continued)

The consolidated entity has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity demonstrates the effect on the current year results and equity which could result from a change in these risks. Historical interest rates 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 variable interest rate risk exposures in existence at the balance sheet date.

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Change in profit				
- Increase in interest rate by 1%	32,968	54,296	32,968	54,296
- Decrease in interest rate by 1%	(32,968)	(54,296)	(32,968)	(54,296)
Change in equity				
- Increase in interest rate by 1%	32,968	54,296	32,968	54,296
- Decrease in interest rate by 1%	(32,968)	(54,296)	(32,968)	(54,296)

The above analysis assumes all other variables remain constant.

(ii) Currency Risk

The consolidated entity does not have any material currency risk exposures under financial instruments entered into by the consolidated entity.

(iii) Other Price Risk

The consolidated entity does not have any material other price risk exposures under financial instruments entered into by the consolidated entity.

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. The Company did not have any financing facilities available at balance date.

Maturity Analysis – Consolidated and Parent

	Carrying Amount	Contractual Cash flows	<1 year	1 - 5 years	> 5 years
2009					
Financial Liabilities					
Trade and Other Payables	87,072	87,072	87,072	-	-
	<u>87,072</u>	<u>87,072</u>	<u>87,072</u>	<u>-</u>	<u>-</u>
2008					
Financial Liabilities					
Trade and Other Payables	150,283	150,283	150,283	-	-
	<u>150,283</u>	<u>150,283</u>	<u>150,283</u>	<u>-</u>	<u>-</u>

Fair Values

The fair values of trade and other receivables, security deposits and trade and other payables approximate their carrying value.

CARPENTARIA EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

28. SUBSEQUENT EVENTS

Subsequent to balance date, 1,000,000 options were granted as part of the Employee Share Option Plan with an exercise price based upon the VWAP over the first 20 Trading Days of August 2009 (\$0.114) with an expiry date of 30 June 2012.

A terms sheet has been signed for the sale of subsidiary FTB (Qld) Pty Ltd

The principle terms of the transaction are:

- In consideration for the sale of FTB (Qld) Pty Ltd, Carpentaria Exploration Limited (Carpentaria) will be issued shares and hold 20% of a new company to be formed and be paid a cash sum of \$300,000 to cover past expenditure.
- The new company, funded by ResCo Projects, will explore for, delineate resources and perform a bankable feasibility study (BFS) at no cost to Carpentaria on any or all the tenements held in the new company.
- The new company will manage and undertake all exploration, evaluation and development work on all projects in the portfolio.
- On completion of a BFS, Carpentaria will have the opportunity to contribute its 20% share of expenditure to progress to mining or dilute its interest.
- Carpentaria will have the right to nominate an individual to be appointed to the Board of the new company.
- The parties have agreed an exclusivity period of not more than 60 days in relation to this transaction.
- The transaction remains subject to certain conditions precedent, principally relating to due diligence by both companies and finalization of contractual documentation.

Apart from these matters there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

**CARPENTARIA EXPLORATION LIMITED
ANNUAL REPORT 2009**

DIRECTORS' DECLARATION

The directors of Carpentaria Exploration Limited declare that:

- (a) in the directors' opinion the financial statements and notes and the Remuneration report in the Directors Report set out on pages 3 to 64, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Chief Executive Officer and the Company Secretary for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors.

Dated at Brisbane this 30th day of September 2009



.....
S N Sheard
Executive Chairman

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 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration for both 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 and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

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

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Auditor's 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 company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 24 of the Directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Carpentaria Exploration Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



PKF



Albert Loots
Partner

Dated at Brisbane this 30th day of September 2009