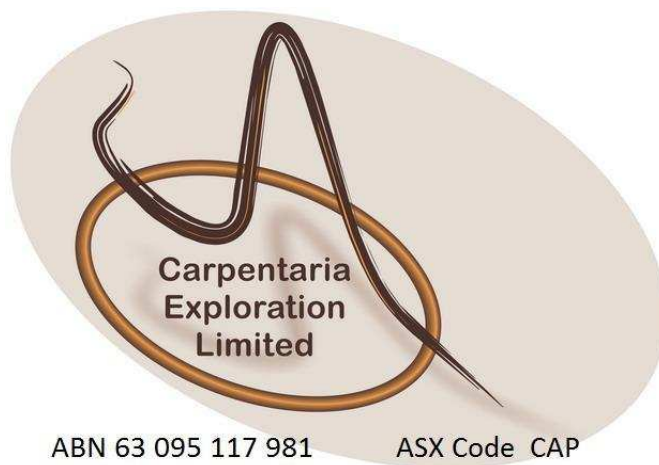




Carpentaria Exploration Limited

ABN 63 095 117 981

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Chris Powell

Principal and Registered Office

Level 6
345 Ann Street
Brisbane Qld 4000

PO Box 10919 Adelaide Street
Brisbane QLD 4000

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

Auditors

PKF
Level 6, 10 Eagle Street
Brisbane Qld 4000

Telephone: 07 3226 3555
Fax: 07 3226 3500
Website: www.pkf.com.au

Independent Accountants

BDO Kendalls
Level 18, 300 Queen Street
Brisbane Qld 4000

Solicitors

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

Share Registry

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

Telephone: 1300 554 474
Facsimile: 02 9287 0303
Website: www.linkmarketservices.com.au

Investor enquires

Nick Sheard – Executive Chairman; or
Chris Powell – Company Secretary
Telephone: 07 3161 3801
Facsimile : 07 3161 3786
e-mail : info@capex.net.au

ASX Code

Shares : CAP

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

DIRECTORS' REPORT

Your directors present their report on Carpentaria Exploration Limited (the Company) and its controlled entities (the Consolidated Entity) for the half-year ended 31 December 2010.

DIRECTORS

The names and details of the Company's directors in office during the financial half-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

BACKGROUND

Carpentaria is a Queensland-based exploration company focused on the discovery and mining of iron ore, coal, tin base metal and gold deposits in Queensland and New South Wales. Carpentaria (ASX Code: CAP) was listed on the ASX on 14 November 2007.

OPERATING RESULTS

For the half-year ended 31 December 2010, the loss for the Consolidated Entity after providing for income tax was \$541,076 (2009: loss of \$774,589).

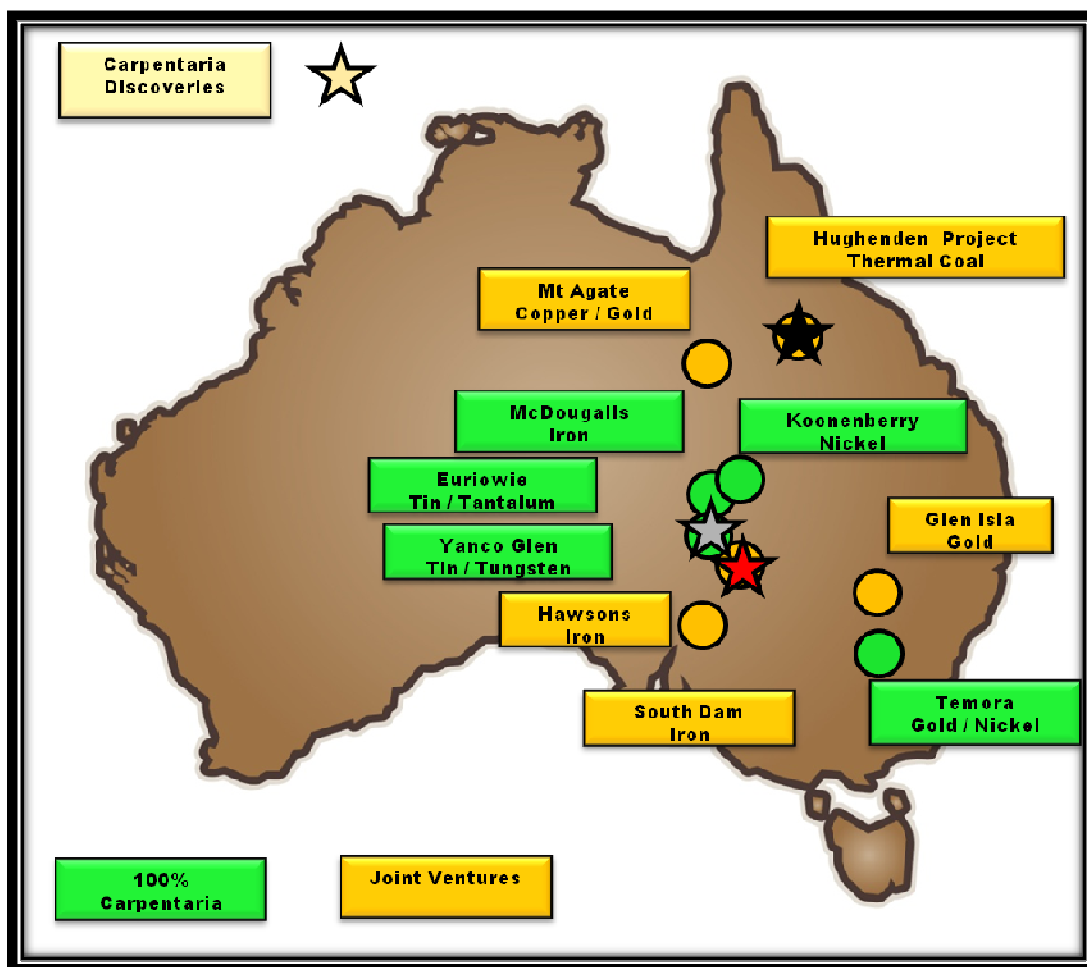


Figure 1: Location of Carpentaria Exploration Limited Projects and Joint Ventures

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

REVIEW AND RESULTS OF OPERATIONS

During the half-year Carpentaria Exploration Limited (ASX Code: CAP) maintained an aggressive exploration program. The Consolidated Entity is committed to progressing the Hawsons Iron Project and generating significant shareholder value from its diversified mining project portfolio.

During these six months Carpentaria completed its first pass exploration drilling, and announced a maiden resource comprising 1.4 billion tonnes at a magnetite Davis Tube Recovered (DTR) grade of 15.5% (using a cut-off DTR grade of 12%) completed a Scoping Study and commenced Prefeasibility Studies at the **Hawsons Iron Project**. The Inferred Resource contains iron concentrate of 220 million tonnes magnetite at a premium grade of 69.9% Fe and 2.5% SiO₂, with no significant impurities. Bonython Metal Group Pty Ltd (BMG) currently has a 40% interest in this project which it can increase to 51% upon a cash payment of \$25 million to Carpentaria and funding of a bankable feasibility study by 15 May 2012.

Guilford Coal Ltd. commenced drilling in the Galilee Basin on the FTB (Qld) Pty Ltd. (FTB) coal tenements. Guilford holds FTB as to 80%. Under the arrangement Guilford expends the first \$2.0m and thereafter Carpentaria contributes to maintain or dilutes its 20% holding. Unfortunately drilling was hampered by exceptional rainfall during the period.

At **Euriowie**, north of Broken Hill, rock chip sampling results of 12 separate pegmatite dykes were somewhat disappointing and showed that the Mt Euriowie dyke had the most potential for Tin. However, to complement Euriowie, an agreement was reached with Wolf Minerals limited whereby Carpentaria purchased a 100% interest in the Yanco Glen tenement application. The deal will be completed when the NSW Government grants title to Carpentaria.

In the Lachlan Fold Belt, drilling at the **Glen Isla** Project has been delayed by wet weather. A large IP target that could represent gold hosted in a pyritic body had been outlined. This project is being funded by Ramelius Resources Ltd., which is farming in to the project. Wet weather has also compromised access to the **Temora Project** so little work has been completed.

During the reporting period, three new exploration projects, comprising significant blocks of exploration title were obtained for in western NSW.

At the **McDougall's Project** three contiguous exploration licences, comprising approximately 900 km², covering NeoProterozoic strata the same age as that which hosts the Hawsons magnetite resource located 150 km to the south were granted. On the basis of geological correlation with the Hawsons stratigraphy the licences are considered prospective for non-magnetic hematite ironstone equivalents with the potential for direct shipping ore. The area has not been previously explored for iron ore but previous reconnaissance drilling directed to base metal search conducted by BHP and other groups encountered thick (+100m) sequences of red (hematite) siltstones with potential for economic iron mineralisation. Follow up of these prior drill hole intersections and of iron rich exposures evident in satellite data will be a priority for first phase filed exploration.

At **Yanco Glen**, The rights to acquire a 100% equity, in this 146 km² exploration licence application (ELA) located 30 km north of Broken were purchased from Wolf Minerals Limited (WLF) during the quarter. The ELA was acquired to cover prospective Broken Hill block metasediments which contain 125 mineral occurrences including the entire Waukerio Pegmatite Tin Field and the Yanco Glen stratabound scheelite (tungsten) Inferred Resource of **0.83 Mt of 0.21% WO₃**. This 100% acquisition of this ELA by Carpentaria creates an unrivalled strategic position covering most all of the known and little explored tin as cassiterite in pegmatite's at both Euriowie and Waukerio fields within in the famous Broken Hill province. In addition to the tin and tungsten potential, a large number of base metal occurrences hosted by rock types that correlate to the host of the nearby world class Broken Hill massive sulphide deposit also merit investigation.

The **Koonenberry Exploration Project** comprises six contiguous exploration license applications (ELAs) totaling approximately 1,800 km², centred 200 km north of Broken Hill. The applications cover exposed to shallowly concealed NeoProterozoic to Lower Palaeozoic sediments, mafic volcanic and ultramafic intrusions that form part of the Koonenberry Geological Province prospective for ultramafic intrusion related nickel (Ni) - copper (Cu) sulphide, ultramafic intrusion hosted platinoid and sediment hosted polymetallic massive sulphide and quartz reef gold (Au) mineralisation. Prior exploration including 18,545 line km of 100m spaced airborne magnetic and radiometric data acquisition, geological mapping, focused ground electromagnetic surveying, +25,000 of shallow weathered bedrock geochemical sample and RC/DD drilling has been completed in the last five years by a major mining company and resulted in discovery of a previously unknown outcropping Cu-Ni prospect at Mount Arrowsmith East and a number of other significantly anomalous weathered bedrock Ni anomalies co-incident with high amplitude magnetic features that were not followed up. This prospect and the geochemical anomalies will be the focus for immediate exploration on grant of the ELA's.

At the South Dam JV where BMG are farming in, an airborne magnetic and radiometric survey has been completed together with ground sampling and an experimental magnetic resonance survey. Results indicate that the magnetic body is continuous and warrants drill testing to establish an iron ore exploration target.

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

In north west Queensland the **Mt Agate** tenement which is being farmed out to ActivEX Ltd, returned anomalous drill results. Four reverse circulation (RC) drill holes for a total of 550m tested the Saddle Ridge anomaly the drilling returning anomalous copper results including hole AMA001 which returned the best results of 35 m @ 0.85% Cu, 0.04 g/t Au and 207 g/t Co including 6 m @ 3.20% Cu and 0.21 g/t Au and 206 g/t Co. Planned work by ActivEX will include geochemical sampling follow up these drill results and electrical geophysical surveying of Saddle Ridge and other nearby localities.

Future Exploration

At the Hawsons Iron Project a prefeasibility study is in progress to assess the potential development of a mining operation producing 6 million tonnes per annum (mtpa) of high grade magnetite concentrate (69.9% Fe) using existing infrastructure including power and rail with a later ramp up to 20 mtpa. Discussions regarding rail transport and shipping are underway and an environmental study is continuing. The prefeasibility study is scheduled to be completed in April 2011.

Carpentaria is gearing up to commence exploration in the Broken Hill district. An exploration team has been assembled to start exploring its 100% owned McDougalls Iron Project north of Broken Hill which is prospective for direct shipping ore (hematite) and possibly magnetite in similar geology as Carpentaria's flagship Hawsons Iron Project. This work will include reconnaissance mapping, sampling to target drilling.

Carpentaria through its 20% holding of FTB (QLD) Pty Ltd ("FTB"), has elected to contribute to exploration funding pro rata with Guildford Coal Limited (ASX:GUF) for equity of the Hughenden Coal Project. The project is being explored aggressively, and two drilling rigs are operating on the project.

At Euriowie and the Apollyon lease, near Broken Hill, NSW, an exploration team will resume work on the tin potential which will be enhanced when the Yanco Glen tin/tungsten project acquisition is completed (awaiting exploration license (EL) grant). Sampling is expected to commence in March 2011 and follow up drilling will begin when targets are defined.

Carpentaria is gearing up for another large exploration program in the June half year, which will include both extensive field work and drilling on its own projects in NSW, and also through its joint venture partners in NSW, Queensland and South Australia.

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 half-year ended 31 December 2010.

SUBSEQUENT EVENTS

Subsequent to 31 December 2010, the Company issued 4,400,000 ordinary shares and 1,300,000 options to employees pursuant to the CAP Employee Share Plan. The shares and options were issued as a result of the Consolidated Entity achieving Corporate KPI1, being a discovery and resource outline. This KPI was met on 17 December 2010. The shares and options were issued in March 2011 following board approval.

The options have an exercise price of \$0.85 being the Volume Weighted Average Price ("VWAP") over the 10 days prior to 3 March 2011 plus 43% and expire on 3 March 2013. The options have no vesting conditions and the total value has been expensed in this half-year period.

The shares have an issue price of \$0.60, being the VWAP over the 10 days prior to 3 March 2011. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been treated as an *option* grant in accordance with AASB2 "Share Based Payments". In line with AASB2 "Share Based Payments", the related expense for the shares is recorded from the date that agreement with the employee is met, being the date Corporate KPI 1 was met (in this case the announcement of a resource outline on 17 December 2010). As a result the Consolidated Entity has started expensing the options from that date. The loan has a repayment period of 2 years and the value of the equity instruments will be expensed across this period.

In addition, the Remuneration Committee has recommended that the Directors of Carpentaria Exploration Limited be entitled to a total of 6,000,000 ordinary shares for meeting the same Corporate KPI 1. These shares require shareholder approval and have not been issued by the Consolidated Entity at the date of this report. The value of these shares has been estimated in line with the requirements of AASB 2 "Share Based Payments" and, in the same way as the shares issued to employees above, the Consolidated Entity has begun expensing this amount from 17 December 2010. The fair value of the shares will be reassessed at Grant Date, being when shareholder approval is received, so that the amounts recognised for services rendered in respect of the grant are ultimately based on the grant date fair value of the equity instruments.

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Cash bonuses totaling \$185,000 were also paid in March 2011 in relation to meeting Corporate KPI 1 on 17 December 2010 and have been accrued for in this financial report.

At the date of this report the Company had 98,741,301 ordinary shares and 6,450,000 options on issue.

Signed in accordance with a resolution of the Board of Directors



S N Sheard
Executive Chairman

Dated this 16th day of March 2011.

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Carpentaria Exploration Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

PKF

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

Albert Loots
Partner

Dated this 16th day of March 2011.

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia
GPO Box 1078 | Brisbane | Queensland 4001

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Liability limited by a scheme approved under Professional Standards Legislation

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Consolidated Interim Statement of Comprehensive Income For the half-year ended 31 December 2010

	Half-Year Ended 31 December	
	2010	2009
	\$	\$
Revenue	690,457	49,452
Other income	614,233	-
Employment benefit expenses	(1,422,867)	(386,886)
Depreciation and amortisation expense	(8,942)	(14,867)
Finance costs	(3,378)	-
Impairment of exploration expenditure	(219,124)	(113,838)
Other expenses	(163,181)	(308,450)
Share of net loss from equity accounted associates	(28,274)	-
Loss before income tax	<u>(541,076)</u>	<u>(774,589)</u>
Income tax expense	-	-
Loss after income tax expense	<u>(541,076)</u>	<u>(774,589)</u>
Other comprehensive income	-	-
Total comprehensive income	<u>(541,076)</u>	<u>(774,589)</u>
	Cents	Cents
Earnings per share		
Basic earnings/(loss) per share	(0.60)	(1.15)
Diluted earnings/(loss) per share	(0.60)	(1.15)

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

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Consolidated Interim Balance Sheet As at 31 December

	December 2010 \$	June 2010 \$
CURRENT ASSETS		
Cash and cash equivalents	11,538,188	5,106,175
Other receivables	1,695,063	779,316
Other current assets	127,124	158,242
TOTAL CURRENT ASSETS	<u>13,360,375</u>	<u>6,043,733</u>
NON-CURRENT ASSETS		
Plant and equipment	188,511	55,930
Exploration expenditure	3,561,030	4,573,758
Intangible assets	6,207	6,207
Equity accounted investments	46,726	75,000
TOTAL NON-CURRENT ASSETS	<u>3,802,474</u>	<u>4,710,895</u>
TOTAL ASSETS	<u>17,162,849</u>	<u>10,754,628</u>
CURRENT LIABILITIES		
Trade and other payables	599,508	772,421
Interest bearing liabilities	26,922	-
Provisions	95,032	89,627
TOTAL CURRENT LIABILITIES	<u>721,462</u>	<u>862,048</u>
NON-CURRENT LIABILITIES		
Interest bearing liabilities	89,496	-
TOTAL CURRENT LIABILITIES	<u>89,496</u>	<u>-</u>
TOTAL LIABILITIES	<u>810,958</u>	<u>862,048</u>
NET ASSETS	<u>16,351,891</u>	<u>9,892,580</u>
EQUITY		
Share capital	16,938,222	10,408,009
Reserves	704,266	234,092
Accumulated losses	(1,290,597)	(749,521)
TOTAL EQUITY	<u>16,351,891</u>	<u>9,892,580</u>

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

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Consolidated Interim Statement of Changes in Equity For the half-year ended 31 December 2010

Consolidated Entity	Share Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2009	8,612,949	474,510	(2,315,370)	6,772,089
Transactions with owners in their capacity as owners				
Share-based payment expense	-	192,840	-	192,840
Comprehensive income				
Loss after income tax	-	-	(774,589)	(774,589)
Other comprehensive income	-	-	-	-
Balance at 31 December 2009	8,612,949	667,350	(3,089,959)	6,190,340
Balance at 1 July 2010	10,408,009	234,092	(749,521)	9,892,580
Transactions with owners in their capacity as owners				
Issue of share capital	6,512,492	-	-	6,512,492
Share issue costs	(36,211)	-	-	(36,211)
Share-based payment expense	-	524,106	-	524,106
Transfers	53,932	(53,932)	-	-
Comprehensive income				
Profit after income tax	-	-	(541,076)	(541,076)
Other comprehensive income	-	-	-	-
Balance at 31 December 2010	16,938,222	704,266	(1,290,597)	16,351,891

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

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Consolidated Interim Statement of Cash Flows For the half-year ended 31 December 2010

	Half-Year Ended 31 December 2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	6,396
Payments to suppliers and employees	(1,729,858)	(498,861)
Interest received	306,235	24,869
Interest paid	(3,378)	-
Net cash used in operating activities	<u>(1,427,001)</u>	<u>(467,596)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(15,351)	(16,599)
Proceeds from sale of interest in exploration tenement	2,000,000	-
Payments for exploration and evaluation	(422,363)	(606,083)
Net cash (used in)/ provided by investing activities	<u>1,562,286</u>	<u>(622,682)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	6,342,692	-
Capital raising expenses	(36,211)	-
Repayment of finance leases	(9,753)	-
Net cash provided by financing activities	<u>6,296,728</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	6,432,013	(1,090,278)
Cash and cash equivalents at the beginning of the financial year	<u>5,106,175</u>	<u>3,296,795</u>
Cash and cash equivalents at the end of the financial year	<u><u>11,538,188</u></u>	<u><u>2,206,517</u></u>

Non-cash transactions

During the period 370,000 ordinary fully paid shares at \$0.46 per share (\$169,800) were issued in consideration for land access to one of the Consolidated Entity's tenements.

The Consolidated Entity used finance leasing facilities totaling \$126,172 for the acquisition of property, plant and equipment.

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Carpentaria Exploration Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2010.

This consolidated interim financial report was approved by the Board of Directors on 16 March 2011.

Accounting Policies

The accounting policies applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2010.

Estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgments made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2010.

	December 2010 \$	June 2010 \$
NOTE 2 SHARE CAPITAL		
Fully paid ordinary shares	<u>16,938,222</u>	<u>10,408,009</u>

Ordinary Shares

	December 2010 \$	June 2010 \$	December 2010 #	June 2010 #
At the beginning of the year	10,408,009	8,612,949	72,641,301	67,500,000
Exercise of options ¹	6,342,692	90,000	21,330,000	500,000
Share issue expenses	(36,211)	-	-	-
Issue of shares ²	169,800	1,271,802	370,000	4,641,301
Transfer from reserves	53,932	433,258	-	-
At reporting date	<u>16,938,222</u>	<u>10,408,009</u>	<u>94,341,301</u>	<u>72,641,301</u>

¹ 21,330,000 options were exercised during the period for consideration of \$6,342,692. Exercise prices ranged between \$0.11 and \$0.30 per share.

² 370,000 ordinary fully paid shares issued in consideration for land access to one the Consolidated Entity's tenements.

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

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 2 SHARE CAPITAL (continued)

Options

Expiry Date	Exercise Price	Movements				31 December 2010
		1 July 2010	Issued	Exercised	Expired	
30 June 2010	0.30	500,000	-	(500,000)	-	-
30 June 2010	0.30	20,680,000	-	(20,680,000)	-	-
30 June 2010	0.15	200,000	-	-	(200,000)	-
31 July 2012	0.114	850,000	-	(150,000)	-	700,000
26 November 2012	0.15	2,000,000	-	-	-	2,000,000
16 February 2013	0.25	600,000	-	-	-	600,000
27 May 2012	0.413	-	1,850,000	-	-	1,850,000
		24,830,000	1,850,000	(21,330,000)	(200,000)	5,150,000

NOTE 3 SEGMENT REPORTING

Reportable Segments

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

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

NOTE 4 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 31 December 2010 that require disclosure in the financial report.

NOTE 5 EVENTS AFTER BALANCE SHEET DATE

Subsequent to 31 December 2010, the Company issued 4,400,000 ordinary shares and 1,300,000 options to employees pursuant to the CAP Employee Share Plan. The shares and options were issued as a result of the Consolidated Entity achieving Corporate KPI1, being a discovery and resource outline. This KPI was met on 17 December 2010. The shares and options were issued in March 2011 following board approval.

The options have an exercise price of \$0.85 being the Volume Weighted Average Price ("VWAP") over the 10 days prior to 3 March 2011 plus 43% and expire on 3 March 2013. The options have no vesting conditions and the total value has been expensed in this half-year period.

The shares have an issue price of \$0.60, being the VWAP over the 10 days prior to 3 March 2011. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been treated as an *option* grant in accordance with AASB2 "Share Based Payments". In line with AASB2 "Share Based Payments", the related expense for the shares is recorded from the date that agreement with the employee is met, being the date Corporate KPI 1 was met (in this case the announcement of a resource outline on 17 December 2010). As a result the Consolidated Entity has started expensing the options from that date. The loan has a repayment period of 2 years and the value of the equity instruments will be expensed across this period.

In addition, the Remuneration Committee has recommended that the Directors of Carpentaria Exploration Limited be entitled to a total of 6,000,000 ordinary shares for meeting the same Corporate KPI 1. These shares require shareholder approval and have not been issued by the Consolidated Entity at the date of this report. The value of these shares has been estimated in line with the requirements of AASB 2 "Share Based Payments" and, in the same way as the shares issued to employees above, the Consolidated Entity has began expensing this amount from 17 December 2010. The fair value of the shares will be reassessed at Grant Date, being when shareholder approval is received, so that the amounts recognised for services rendered in respect of the grant are ultimately based on the grant date fair value of the equity instruments.

Cash bonuses totaling \$185,000 were also paid in March 2011 in relation to meeting Corporate KPI 1 on 17 December 2010 and have been accrued for in this financial report.

At the date of this report the Company had 98,741,301 ordinary shares and 6,450,000 options on issue.

CARPENTARIA EXPLORATION LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the attached financial statements and notes as set out on pages 8 to 13 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



S N Sheard
Executive Chairman

Dated this 16th day of March 2011.

Independent Auditor's Review Report

To the members of Carpentaria Exploration Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Carpentaria Exploration Limited and its controlled entities (the consolidated entity), which comprises the consolidated balance sheet as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Carpentaria Exploration Limited and the entities it controlled at 31 December 2010 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Carpentaria Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF



Albert Loots
Partner

Dated at Brisbane this 16th day of March 2011

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia
GPO Box 1078 | Brisbane | Queensland 4001

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