Carpentaria Exploration Limited

ABN 63 095 117 981 ASX Code CAP

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Chris Powell

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Auditors PKF Level 6, 10 Eagle Street Brisbane Qld 4000 Telephone: 07 3226 3555 Fax: 07 3226 3500 Website: www.pkf.com.au	**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

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 2011.

DIRECTORS

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

Name	Position	Period of directorship
Stuart Nicholas Sheard	Executive Chairman	Appointed March 2007
Stanley Alan Macdonald	Non-Executive Director	Appointed April 2007, Resigned 3 February 2012
Robert William Hair	Non-Executive Director	Appointed August 2007
Bin Cai	Non-Executive Director	Appointed May 2011
Michael Peter Chester	Non-Executive Director	Appointed January 2008, Resigned 8 August 2011
Dr Neil Williams	Non-Executive Director	Appointed 1 January 2012

OPERATING RESULTS

For the half-year ended 31 December 2011, the profit for the Consolidated Entity after providing for income tax was $1,600,636 (2010: loss of $541,076).

REVIEW OF OPERATIONS

Exploration

Upgrading the Hawsons pre-feasibility study through optimising the potential mining procedures has added value to the project. Additional projects have been added to the pipeline and drilling commenced on the Koonenberry nickel project. A preliminary concept study has also shown that the Yanco Glen tungsten resource could provide short term cash flow.

<u>Hawsons Iron Project</u>
The results of a pre-feasibility study (PFS) were released to the ASX on 23rd May 2011 with an NPV at 9% of $2.7 billion on production of 5 million tonnes of concentrate per annum start up and then 20 million tonne per annum.

An independent due diligence review of the PFS was completed this half-year and concluded that the PFS has been conducted based on data and cost estimates that are reasonable and appropriate for a PFS and that mining and process methods are conventional and consistent with modern practice. The review identified issues to be prioritised during the early phases of the detailed feasibility study (DFS), including increasing the resource base and further optimising the production schedule.

A mining option study was commissioned and showed a significant rise in the estimated net present value (NPV 9%) of the project to $3.2 billion. The increase was based on modelling of revised production schedules, reduced stockpiles and in-pit crushing and conveying, which together significantly reduced mining cost estimates compared to previous studies.

Mining cost estimates of $15.04 per tonne (t) concentrate in the latest study is down 23% over the PFS, contributing to a 5% fall in operating costs to $33.97/t concentrate at the mine gate and an improvement in the internal rate of return (IRR) to 23%.

The PFS evaluated a 20 million tonne per annum (mtpa) concentrate production option with a three year, 5 mtpa start-up period. This and all other assumptions were unchanged.

Under the terms of the joint venture (JV) with Bonython Metal Group (BMG), at completion of the PFS BMG may elect to pay A$25m cash to Carpentaria and undertake sole funding of the DFS, in order to immediately increase its equity from 40% to 51% of the project. The DFS is expected to cost approximately A$20m. Should BMG not progress to 51% by 15 May 2012, BMG's share of the project may be acquired for $13 million. BMG is currently in an internal court dispute the elements of which are described later in this report.

REVIEW OF OPERATIONS (continued)

Braemar JV (CAP earning in)
Carpentaria has strengthened its position as a leading tenement holder in the magnetite rich, Braemar Iron Province, completing a joint venture agreement with Maosen Australia Pty Ltd, executed on 4th January 2012, giving CAP opportunity to earn a 100% interest in EL3998, located along the highly prospective Braemar Iron Formation. tenement, which is contiguous to Carpentaria's South Dam JV, covers over 20 line kms of Braemar Iron Formation which hosts Carpentaria's flagship $3.2 billion Hawsons Iron Project to the east in NSW. The deal elements are reported below.

The EL hosts over 20km of Braemar Iron Formation, of which 10km is exposed at surface. The Braemar Formation in the Braemar JV links with that formation known to be in the adjacent South Dam JV, giving Carpentaria interests in 30km of strike length of geology highly prospective for magnetite iron ore resource analogous to those already known along the Braemar Iron Province including Hawsons, Razorback Ridge, Maldorky and Muster Dam.

Koonenberry
During the half-year, Carpentaria commenced a 1,500m reverse circulation drill program. A total of 523m was completed in three holes in the Mt Arrowsmith area before a comprehensive drill rig breakdown suspended drilling until January 2012. No results have been received for the drilling to date. A further 8 holes were planned.

Broken Hill Tin and Tungsten/Base Metal Project (100% CAP)
During the half-year, exploration continued at Yanco Glen, and two new licence applications were made consistent with the strategy of securing outcropping mineralisation that enables rapid and low cost assessment. Carpentaria has added the Kantappa and Corona Exploration Licence Applications to this project area.

At Yanco Glen, surface reconnaissance sampling and resampling of historical drill core from the known resource at Yanco Glen were sent for analysis. Results are awaited. In addition, preliminary results of a mining option study demonstrated that the known resource at Yanco Glen has potential for open pit mining subject to metallurgical characteristics.

A 1,500 metre RC drill program has been designed to confirm and extend the existing resource. Land access and environmental approvals have been granted and this program is scheduled for next year.

Temora Project (100% CAP) – Gold – Copper
Ministerial consent under the Native Title Act was granted to allow access to Crown Land at the Mother Shipton Prospect in June 2011. However, attempts to enter into an access agreement with the NSW Department of Lands, which is responsible for administering the block of land on which Carpentaria wishes to drill at Mother Shipton, have not progressed. Upon receipt of approvals, detailed work will commence with drill testing of porphyry or related Au-Cu mineralisation beneath an historic gold field and anomalous weathered bedrock geochemistry defined by previous explorers.

McDougalls/Torrowangee - (100% CAP) – Iron Ore Project
Over 90 hematite targets have been checked on the McDougalls EL but unfortunately no high value iron prospects were located that could have been of value as a direct shipping ore.

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

Land access and environmental approvals have been received to redrill PD81YA2, which contained significant magnetite mineralisation over 40m, based on magnetic susceptibility. This will be drill tested next year to establish its true magnetite iron potential.

Barellen (100% CAP)
A new application called Barellen has been made based on known surface gold occurrences on open ground in the highly prospective Lachlan Fold Belt. The occurrence is hosted by stock work quartz veining in an interpreted granite roof zone. This highly prospective geological setting is similar to that of the major tin occurrences at Ardlethan 20km to the east.

In the 1980s Aberfoyle generated a surface trench rock traverse result of 60m at 1.5g/t Au (incl. 10m at 4.5 g/t Au) within a 400m x 100m, plus 50ppb weathered bedrock gold anomaly. This very encouraging surface result is inadequately tested by drilling. A single, misdirected drill hole intersected 12m at 0.43g/t from 48m.

The grant of the licence is expected in the first half of the 2012 calendar year.

REVIEW OF OPERATIONS (continued)

Hughenden Coal Project
The Hughenden Coal Project, located in the northern Galilee Basin, Queensland, and centred on the town of Hughenden, includes 11,000 km2 of granted tenure. The project consists of tenements owned by FTB (formerly a wholly owned subsidiary of Carpentaria) which form part of a bigger project owned and managed by Guildford Coal Ltd in the area. During the half-year Carpentaria realised the value by selling its 20% stake in FTB to majority owner Guildford Coal Ltd. Carpentaria had been contributing pro-rata funding to exploration activities.

Total consideration for the sale comprised $1.5 million cash, 2.2 million shares (approx. $2.5 million) and retention of a $0.50 per tonne royalty on coal production from the tenements, capped at 10 million tonnes per year for 20 years with a potential royalty value of up to $100m.

Glen Isla (100% CAP) – Gold
During the half-year, Ramelius Resources Ltd formally withdrew from the JV following the disappointing drill results. The licence has now reverted to 100% Carpentaria, and divestment is being actively pursued.

South Dam (BMG earning in)
No field work was reported by our JV partners this half-year.

Mount Agate – Copper, Gold (ActivEX earning 75%)
Exploration by our JV partner is targeting Ernest Henry style copper gold. During the half-year soil sampling, geological mapping and rock chip sampling were undertaken. The results were encouraging. Rock chip sampling from the newly located breccia zones returned values of up to 0.5 g/t gold and 6% copper. Analysis of this data will continue and drill targets will be prioritised.

Competent Person Statement The information in this report that relates to Exploration Results is based on information compiled by Mr Nick Sheard, who is a Fellow of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist -Mineral Exploration and Geophysics. Mr Sheard is a full time employee of Carpentaria Exploration Limited and Mr Sheard has sufficient expertise which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sheard consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

It is anticipated that a bankable feasibility study will commence for the Hawson's Iron Project towards the second half of the 2012 calendar year.

If drilling at the Yanco Glen tungsten project is positive resource drilling could start to increase the current resource.

EVENTS AFTER BALANCE SHEET DATE

Braemar Joint Venture

Subsequent to 31 December 2011, Carpentaria entered into a joint venture arrangement with Maosen Australia Pty Ltd (Maosen) that gives Carpentaria the opportunity to earn a 100% interest in the Braemar Iron Formation Project in South Australia (EL 3998). The key terms of the arrangement are:

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

EVENTS AFTER BALANCE SHEET DATE (continued)

Hawsons Joint Venture

On 27th February 2012 the Federal Court of New South Wales served orders that Bonython Metals Group Ltd (BMG) be wound up and that PPB Advisory be appointed as liquidators of BMG (Orders). The court however stayed these orders until 19th March 2012 allowing time for any appeal of the Orders to be filed. As at the date of this report, Carpentaria is not aware that any appeal has been filed.

Carpentaria's legal advice is that the appointment of liquidators to BMG pursuant to the Orders does not, and nor will any subsequent appeal, alter the current contractual obligations of BMG (or a party acquiring BMG's Interest) under the Joint Venture Agreement (JVA).

Under the agreement for BMG (or a party acquiring BMG's Interest) to continue in the JV and move to a 51% interest, BMG must, before 15th May 2012, contribute $25m cash to Carpentaria and commit to a bankable feasibility study.

If BMG does not continue in the Joint Venture, the JVA stipulates that if Carpentaria is approached by a third party with a bona fide offer to acquire all of BMG's percentage share, then BMG must sell its percentage share in the JV to that party for consideration which is at least equal to the amount of the total cash contributions made by BMG to the Hawsons Project at that time, totalling $13m. In the event BMG does not continue in the JV, Carpentaria itself may elect to acquire BMG's percentage share also under these terms.

Carpentaria welcomes the court decision as:

a) In the event BMG is wound up it provides an opportunity for others to take over the JV. A new partner entering the JV through the liquidators would be a very positive outcome for Carpentaria because it would potentially secure the commencement of the bankable feasibility study and substantial cash payments to Carpentaria.

b) Alternatively, if BMG is not wound up by 15th May 2012 due to matters of appeal and BMG fails to meet certain contributory conditions, as outlined above, Carpentaria is also in the very favourable position of having the right to regain 100% of the project on favourable terms.

There have been no other events since 31 December 2011 that impact upon the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under s307c of the *Corporations Act 2001* is set out on page 7 and forms part of the Directors' report.

Signed in accordance with a resolution of the Board of Directors

S N Sheard
Executive Chairman
Dated this 13th day of March 2012

Chartered Accountants
& Business Advisers

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

To: The directors of Carpentaria Exploration Limited and the entities it controlled during the financial half-year

I declare to the best of my knowledge and belief, in relation to the review of the financial half-year ended 31 December 2011 there have been:

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

PKF

PKF

Albert Loots
Partner

Dated at Brisbane this 13th day of March 2012

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Consolidated Interim Statement of Comprehensive Income
For the Half-Year Ended 31 December 2011

	Note	Half-Year Ended December 2011 $	2010 $
Revenue		282,451	690,457
Other income	4	2,943,098	614,233
Fair value loss on financial assets at fair value through profit or loss	4	(861,587)	-
Employment benefit expenses		(627,231)	(1,422,867)
Depreciation and amortisation expense		(47,635)	(8,942)
Finance costs		(10,486)	(3,378)
Impairment of exploration expenditure		(4,746)	(219,124)
Impairment of receivables		(125,000)	-
Rental and other lease expenses		(61,521)	(49,419)
Administration and project generation expenses		(611,707)	(113,762)
Share of net loss from equity accounted associates		-	(28,274)
Profit/(loss) before income tax		875,636	(541,076)
Research and development income tax refund		725,000	-
Profit/(loss) after income tax		1,600,636	(541,076)
Other comprehensive income		-	-
Total comprehensive income		1,600,636	(541,076)

	Cents	Cents
Earnings per share		
Basic earnings/(loss) per share	1.69	(0.60)
Diluted earnings/(loss) per share	1.67	(0.60)

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

Consolidated Interim Balance Sheet
As at 31 December 2011

	Note	December 2011 $	June 2011 $
CURRENT ASSETS			
Cash and cash equivalents		9,324,998	9,197,766
Trade and other receivables		133,105	2,111,243
Financial assets at fair value through profit or loss	4	1,638,413	-
Other current assets		221,825	231,558
TOTAL CURRENT ASSETS		11,318,341	11,540,567
NON-CURRENT ASSETS			
Plant and equipment		220,287	230,817
Exploration expenditure		5,754,695	4,087,228
Intangible assets		77,954	93,434
Equity accounted investments		-	9,994
TOTAL NON-CURRENT ASSETS		6,052,936	4,421,473
TOTAL ASSETS		17,371,277	15,962,040
CURRENT LIABILITIES			
Trade and other payables		361,071	722,384
Interest bearing liabilities		94,956	103,598
Provisions		108,730	131,260
TOTAL CURRENT LIABILITIES		564,757	957,242
NON-CURRENT LIABILITIES			
Interest bearing liabilities		142,219	190,703
TOTAL NON-CURRENT LIABILITIES		142,219	190,703
TOTAL LIABILITIES		706,976	1,147,945
NET ASSETS		16,664,301	14,814,095
EQUITY			
Share capital	2	16,994,473	16,938,223
Reserves		2,226,398	2,033,078
Accumulated losses		(2,556,570)	(4,157,206)
TOTAL EQUITY		16,664,301	14,814,095

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

Consolidated Interim Statement of Changes in Equity
For the Half-Year Ended 31 December 2011

	Share Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2010	10,408,009	234,092	(749,521)	9,892,580
Transactions with owners in their capacity as owners				
Issue of share capital	6,512,492	-	-	6,512,492
Share issue costs	(36,210)	-	-	(36,210)
Share-based payment expense	-	524,106	-	524,106
Transfers	53,932	(53,932)	-	-
Comprehensive income				
Loss after income tax	-	-	(541,076)	(541,076)
Other comprehensive income	-	-	-	-
Balance at 31 December 2010	16,938,223	704,266	(1,290,597)	16,351,891
Balance at 1 July 2011	16,938,223	2,033,078	(4,157,206)	14,814,095
Transactions with owners in their capacity as owners				
Issue of share capital	56,250	-	-	56,250
Share issue costs	-	-	-	-
Share-based payment expense	-	193,320	-	193,320
Transfers	-	-	-	-
Comprehensive income				
Profit after income tax	-	-	1,600,636	1,600,636
Other comprehensive income	-	-	-	-
Balance at 31 December 2011	16,994,473	2,226,398	(2,556,570)	16,664,301

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

Consolidated Interim Cash Flow Statement
For the Half-Year Ended 31 December 2011

	Half-Year Ended December 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,428,095)	(1,729,858)
Interest received	393,770	306,235
Interest paid	(10,486)	(3,378)
Research and development income tax refund received	725,000	-
Net cash used in operating activities	(319,811)	(1,427,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(21,625)	(15,351)
Proceeds from sale of interest in exploration tenement	-	2,000,000
Proceeds from sale of equity accounted associate	502,877	-
Proceeds received for exploration and evaluation	959,172	-
Payments for exploration and evaluation	(1,662,751)	(422,363)
Net cash (used in)/ provided by investing activities	(222,327)	1,562,286
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	6,342,692
Share issue costs	-	(36,211)
Funds received from/(advanced to) equity accounted associate	726,496	-
Proceeds/(repayments) from borrowings	(7,937)	-
Repayment of finance leases	(49,189)	(9,753)
Net cash provided by financing activities	669,370	6,296,728
Net increase/(decrease) in cash and cash equivalents	127,232	6,432,013
Cash and cash equivalents at the beginning of the financial year	9,197,766	5,106,175
Cash and cash equivalents at the end of the financial year	9,324,998	11,538,188

Non-cash transactions

2011: 250,000 ordinary fully paid shares at $0.225 per share ($56,250) were issued in consideration for land access to one of the Consolidated Entity's tenements.

As part consideration for the sale of its 20% interest in FTB (QLD) Pty Ltd, the Consolidated Entity received 2,181,551 fully paid ordinary shares in Guilford Coal Limited with a market value on the sale date of $2,500,000.

2010: 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 totalling $126,172 for the acquisition of property, plant and equipment.

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

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 2011 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 2011.

This consolidated interim financial report was approved by the Board of Directors on 12 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 2011. New and revised standards have been issued by the AASB during the half-year; however there are no material changes to the policies that affect measurement of the results or financial position of the Consolidated Entity.

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 2011.

	December 2011 $	June 2011 $

NOTE 2 SHARE CAPITAL

	December 2011 $	June 2011 $
Fully paid ordinary shares	16,994,473	16,938,223

Ordinary Shares

	Dec 2011 $	Jun 2011 $	Dec 2011 #	Jun 2011 #
At the beginning of the year	16,938,223	10,408,009	94,341,301	72,641,301
Share placement [1]	56,250	169,800	250,000	370,000
Share issue expenses	-	(36,210)	-	-
Exercise of options [2]	-	6,342,692	-	21,330,000
Transfer from reserves [3]	-	53,932	-	-
At reporting date	16,994,473	16,938,223	94,591,301	94,341,301
Non-recourse employee shares (NRE)				
At the beginning of the year	-	-	10,400,000	-
Shares issued under non-recourse loan plan [4]	-	-	-	10,400,000
At reporting date	-	-	10,400,000	10,400,000
Total Ordinary and NRE Shares	**16,994,473**	**16,938,223**	**104,991,301**	**104,741,301**

1 Dec 2011: 250,000 ordinary fully paid shares issued in consideration for land access rights.
Jun 2011: 370,000 ordinary fully paid shares issued in consideration for land access rights.

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

3 Jun 2011: During the year $53,932 (2010: $433,258) was transferred out of the options reserve into share capital. This transaction had no impact on cashflows or total equity.

4 Jun 2011: During the year 10,400,000 shares were issued as a result of the employee share plan. The value of this transaction is reflected in reserves.

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

Non-recourse employee (NRE) shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. NRE shares will not qualify for participation in any dividend reinvestment plan of the Company until the loan amount in respect of those shares has been repaid.

The Company has lien over the NRE shares in respect of which the loan amount is outstanding. The Company is entitled to sell any unpaid NRE shares in accordance with the CAP share plan.

NOTE 2 SHARE CAPITAL (continued)

Options

Expiry Date	Exercise Price	Movements				
		1 July 2011	Issued	Exercised	Expired	31 December 2011
31 July 2012	$0.114	700,000	-	-	-	700,000
26 November 2012	$0.150	2,000,000	-	-	-	2,000,000
16 February 2013	$0.250	600,000	-	-	-	600,000
27 May 2012	$0.413	1,850,000	-	-	-	1,850,000
2 March 2013	$0.850	1,300,000	-	-	-	1,300,000
15 December 2014	$0.29	-	2,700,000	-	-	2,700,000
		6,450,000	2,700,000	-	-	9,150,000

NOTE 3 SEGMENT REPORTING

Reportable Segments

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

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

NOTE 4 DISPOSAL OF EQUITY ACCOUNTED INVESTMENT

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

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

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

The disposal had the following effect on the financial statements:

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

The market value of Guildford Coal Limited shares declined from $1.144 per share at the sale date to $0.750 per share at 31 December 2011, resulting in an unrealised loss on the GUF shares of $861,587 for the period.

NOTE 5 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 31 December 2011 that require disclosure in the financial report.

NOTE 6 EVENTS AFTER BALANCE SHEET DATE

Braemar Joint Venture

Subsequent to 31 December 2011, Carpentaria Exploration Limited entered into a joint venture arrangement with Maosen Australia Pty Ltd (Maosen) that gives Carpentaria Exploration Limited the opportunity to earn a 100% interest in the Braemar Iron Formation Project in South Australia (EL 3998). The key terms of the arrangement are:

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

Hawsons Joint Venture

On 27th February 2012 the Federal Court of New South Wales served orders that Bonython Metals Group Ltd (BMG) be wound up and that PPB Advisory be appointed as liquidators of BMG (Orders). The court however stayed these orders until 19th March 2012 allowing time for any appeal of the Orders to be filed. As at the date of this report, Carpentaria Exploration Limited is not aware that any appeal has been filed.

Carpentaria Exploration Limited's legal advice is that the appointment of liquidators to BMG pursuant to the Orders does not, and nor will any subsequent appeal, alter the current contractual obligations of BMG (or a party acquiring BMG's Interest) under the Joint Venture Agreement (JVA).

Under the agreement for BMG (or a party acquiring BMG's Interest) to continue in the Joint Venture and move to a 51% interest, BMG must, before 15th May 2012, contribute $25m cash to Carpentaria Exploration Limited and commit to a bankable feasibility study.

If BMG does not continue in the Joint Venture, the JVA stipulates that if Carpentaria Exploration Limited is approached by a third party with a bona fide offer to acquire all of BMG's percentage share, then BMG must sell its percentage share in the JV to that party for consideration which is at least equal to the amount of the total cash contributions made by BMG to the Hawsons Project at that time, totaling $13m. In the event BMG does not continue in the Joint Venture, Carpentaria Exploration Limited itself may elect to acquire BMG's percentage share also under these terms.

Carpentaria welcomes the court decision as:

a) In the event BMG is wound up it provides an opportunity for others to take over the Joint Venture. A new partner entering the Joint Venture through the liquidators would be a very positive outcome for Carpentaria Exploration Limited because it would potentially secure the commencement of the bankable feasibility study and substantial cash payments to Carpentaria Exploration Limited.

b) Alternatively, if BMG is not wound up by 15th May 2012 due to matters of appeal and BMG fails to meet certain contributory conditions, as outlined above, Carpentaria Exploration Limited is also in the very favourable position of having the right to regain 100% of the Project on favourable terms.

There have been no other events since 31 December 2011 that impact upon the financial report.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

S N Sheard
Executive Chairman

Brisbane
13 March 2012

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S 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 which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and 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 the Carpentaria Exploration Limited (the company) and the entities it controlled at 31 December 2011 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 company are responsible for the preparation of the 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 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Carpentaria Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 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 2011 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.

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Albert Loots
Partner
Dated at Brisbane this 13th day of March 2012