



NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Date of Meeting: Thursday 26 November 2009

Time of Meeting: 3:30pm EST

Place of Meeting: Australian Institute of Management, Management House,
Corner Boundary & Rosa Streets, Spring Hill, Queensland, 4000

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



NOTICE IS HEREBY GIVEN that the second Annual General Meeting of Shareholders of Carpentaria Exploration Limited will be held at Australian Institute of Management, Management House, Corner Boundary & Rosa Streets, Spring Hill, Queensland, 4000, at 3:30pm EST on Thursday 26 November 2009.

AGENDA

ORDINARY BUSINESS

Agenda Item 1 - Financial Statements and Reports

To receive and consider the Annual Financial Report, together with the Directors' and Auditor's Reports for the year ending 30 June 2009.

Resolutions

1. Adoption of Remuneration Report

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

"That, for all purposes, Shareholders adopt the Remuneration Report set out in the Directors' Report for the year ending 30 June 2009."

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

2 Re-election of Director

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

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

3. Approval of grant of options to Mr Nick Sheard

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

"That, pursuant to ASX Listing Rule 10.14, the grant of 2,000,000 options to Mr Nick Sheard, on the terms specified in the accompanying Explanatory Memorandum, be approved."

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| <p>The Company will disregard any votes cast on this resolution by Mr Nick Sheard and any associate of Nick Sheard. However, the Company need not disregard a vote if it is cast by a person (including Nick Sheard or the chairman) as a proxy appointed in writing that specifies how the proxy is to vote on the resolution and it is not cast on behalf of Nick Sheard or an associate of Nick Sheard.</p> |
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Explanatory Memorandum

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

Proxies

Please note that:

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

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

The Company's directors have determined that all shares of the Company that are quoted on ASX at 3.00pm (AEDST) on 24 November 2009 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

BY ORDER OF THE BOARD

Chris Bynon-Powell
Company Secretary
13 October 2009



Explanatory Memorandum

Agenda Item 1 – Financial Statements and Reports

The Annual Financial Report as at 30 June 2009 is tabled for information of Shareholders but does not require any formal resolution.

Resolution 1 – Adoption of Remuneration Report

The Remuneration Report of the Company for the financial year ending 30 June 2009 is set out in the Directors' Report on pages 19 to 24 of the Company's Annual Report.

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

A reasonable opportunity will be given for the discussion of the Remuneration Report at the meeting. Shareholders should note that the vote on this resolution is advisory only and does not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Resolution 2 – Re-election of Director –

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

The remaining Directors recommend to Shareholders that Mr Macdonald be re-elected.

Resolution 3 – Approval of grant of options to Mr Nick Sheard

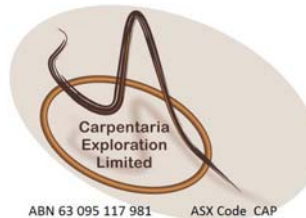
3.1 Introduction

Approval is sought pursuant to ASX Listing Rule 10.14 and Chapter 2E of the *Corporations Act 2001* (Cth) (*the Act*) to issue 2,000,000 Options to acquire ordinary shares to Mr Nick Sheard, Executive Chairman of the Company:

Subject to obtaining Shareholder approval, the Company will issue the Options to Mr Sheard on the terms and conditions set out below.

3.2 Chapter 10

ASX Listing Rule 10.14 prohibits an entity from permitting certain persons (which includes a director) from acquiring securities under an employee incentive scheme without the approval of its shareholders. Accordingly, as Mr Sheard is a Director of the Company, he may not acquire options under the Plan without prior shareholder approval being obtained.



(a) Name of the person

The Options will be issued to Mr Sheard, a Director of the Company.

(b) Maximum number of securities to be issued

The maximum number of Options to be issued is 2,000,000 Options.

(c) Issue price and terms of issue

The Options will be issued for no consideration.

The Options have an exercise price of 15 cents per Option.

The Options have an expiry date of 3 years from the date of the Annual General Meeting, subject to the terms of the employee share option plan.

There is no loan in relation to the issue of the Options.

(d) Name of persons who received securities under employee incentive scheme

Mr Sheard is the only person under Listing Rule 10.14 who has participated in the employee share option plan.

(e) Name of all persons entitled to participate in the employee incentive scheme

Only employees of the Company may participate in the employee share option plan. Therefore as Mr Sheard is the only executive Director of the Company, he is the only person under Listing Rule 10.14 that can currently participate in the employee share option plan.

(f) Intended use of the funds raised

There is no intended use of funds as the Options are to be issued for no consideration.

In the event all Options to be issued pursuant to this resolution are exercised, the Company will raise \$300,000.

(g) Listing Rules 7.1 and 10.14

Subject to a number of exceptions, Listing Rule 7.1 limits the number of securities that the Company can issue without shareholder approval in any 12 month period to 15% of its issued securities. Shareholder approval of an issue of securities under an employee incentive scheme is an exception to Listing Rule



7.1. If approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

(h) Date of issue

Subject to obtaining Shareholder approval, the Company will issue the Options within one month of the date of this Annual General Meeting.

3.3 Corporations Act 2001 (Cth)

Chapter 2E of the Act prohibits a public company from giving a financial benefit to any of its related parties unless a relevant exception applies.

The term *financial benefit* is widely defined and includes the issue of securities such as options. The term *related party* includes a director of the Company.

The prohibition does not apply where a resolution is passed by the Company permitting the benefit to be given. Accordingly, this resolution is being proposed for the purpose of obtaining Shareholder approval for the purposes of Chapter 2E of the Act.

Section 219 of the Act requires the following information to be provided to Shareholders:

(a) Related Party

Mr Sheard is the Director of the Company and therefore the related party to whom a financial benefit will be given under this resolution.

(b) Nature of the Financial Benefit

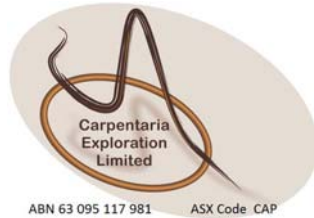
The financial benefit to be given to Mr Sheard pursuant to this resolution is 2,000,000 Options.

(c) Directors' Recommendation, Reasons for Recommendation and Directors' Interests

The Directors of the Company, other than Mr Sheard, recommend shareholders vote in favour of this resolution as the Options provide Mr Sheard with a cost effective incentive rather the payment of cash compensation.

(d) Independent Expert Report

The Company has commissioned Richmond Resources Pty Ltd to provide an Independent Expert Report in relation to the issue of Options proposed by this resolution. This Independent Expert Report is attached at Annexure A. These Explanatory Notes and the Independent Expert Report aim to provide Shareholders with all information that is reasonably required by Shareholders to



decide whether or not it is in the Company's interests to pass this resolution. In particular, the Independent Expert Report provides a valuation of the Options to be issued pursuant to this resolution.

(e) Trading History

At the close of trading on the date preceding the date of this Notice, the Share price of the Shares in the Company was \$0.15 cents. In the 12 months prior to the date of this Notice, the Shares in the Company traded at a high of \$0.17 cents on 23 September 2009 and a low of \$0.024 cents on 11 March 2009.

(f) Opportunity Cost

The Directors do not consider that there are any material opportunity costs to the Company or benefits foregone by the Company in issuing the Options pursuant to this resolution.

(g) Taxation Consequences

The Directors are not aware of any taxation consequences that will arise from the issue of Options pursuant to this resolution.

(h) Director's interest in the Shares of the Company

As at the date of this Notice, the capital structure of the Company is as follows:

| Capital | Number |
|-----------------|------------|
| Ordinary Shares | 55,178,410 |
| Options | 21,447,415 |

The table below illustrates the following:

- (i) the first row sets out Mr Sheard's relevant interest in the securities of the Company;
- (ii) the second row sets out the number of Options to be issued to Mr Sheard;
- (iii) the third row sets out the relevant interest held by Mr Sheard if the Options are issued pursuant to this resolution;
- (iv) the fourth row sets out that if the Options are issued to Mr Sheard and Mr Sheard exercises all of his Options (including the existing Options held by him) but none of the other Options on issue are exercised, the total



Shares on issue in the Company will increase from 55,178,410 to that number;

- (v) the fifth row sets out Mr Sheard's relevant interest percentage in the shares of the Company if he exercises his Options but none of the other Options on issue are exercised.

| | |
|--|--------------------------------------|
| Relevant interest | 230,000 shares 1,000,000 options |
| Options to be issued | 2,000,000 options |
| Relevant interest following issue of Options | 230,000 shares 3,000,000 options |
| Total Shares following exercise of all Options | 58,178,410 shares |
| Director's relevant interest following exercise of Options | 5.5519% of the total shares on issue |

(i) Dilution effect

If the Options are issued pursuant to this resolution and Mr Sheard elects to exercise all of his Options, the Company will have raised \$300,000 and the total Shares on issue will increase from 55,178,410 to 57,178,410 being an increase of 3.6246%, and accordingly each Shareholder's shareholding in the Company will be diluted.

If all the Options are issued pursuant to this resolution and each Director of the Company elects to exercise all their Options (including the existing Options held by the Directors), the total Shares on issue will increase from 55,178,410 to 58,178,410 being an increase of 5.4369%.

3.4 Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by:

- a Director of the Company; and
- an associate of a Director of the Company.



However the Company need not disregard a vote if:

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

GLOSSARY OF TERMS

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

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

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

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

"**Company**" or "**Carpentaria**" means Carpentaria Exploration Limited A.C.N. 095 117 981.

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

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

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

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

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

"**Listing Rules**" means the Listing Rules of ASX.

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

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

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

"**Share**" means an ordinary share in the Company.

"**Shareholder**" means a Carpentaria shareholder.

Annexure A (Independent Expert Report)



Richmond Resources Pty Ltd
Corporate Services
ACN: 008 646 839

Carpentaria Exploration Ltd
PO Box 1019
Spring Hill Qld 4000

7 October 2009

Attention: Chris Powell

Dear Chris

Re: Valuation of Employee Option Issue

Thank you for your instructions in relation to the valuation of Employee Options potentially to be issued by Carpentaria Exploration Ltd. The valuation methodology and assumptions are listed below.

Valuation Methodology

The valuation methodology is based on using a binomial option pricing model. The inputs into the model are as follows:

| | |
|-------------------------------------|----------|
| Current Share Price 6 October 2009: | 9 cents |
| Risk Free Return: | 3.25% |
| Option Exercise Price: | 15 cents |
| Term of Option: | 3 years |
| Annualized Volatility: | 177% |

Valuation of option at 6 October 2009 is 7.62 cents. Implied value of issuing 2,000,000 options would be \$152,400.

I have compared the valuation with the Black-Scholes pricing model which gives a useful approximation and it also valued the option at 7.62 cents.

Please contact me if you require any further information.

Regards,

A handwritten signature in black ink, appearing to read "R. Van der Laan".

Robert Van der Laan B.Bus CPA
Director



Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on their behalf.
Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A proxy need not be a member of the Company.
In the case of joint holders, signatures are required by the first named and one other joint holder.
3. Corporate shareholders should comply with the execution requirements as set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - two directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary, that director.For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Law, a document must appear to have been executed in accordance with section 129(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and confirm to the requirements of section 127(1) or (2), as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.
4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. For the purpose of section 1109 N of the Corporations Act, shares in the Company will be taken to be held by the persons who are registered holders at 3.00pm Eastern Standard Time on Tuesday 24 November 2009. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.
7. To be effective, this proxy (and the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof) must be lodged at the office of the Company, Ground Level, 55 Little Edward Street, Spring Hill, Queensland 4000, or sent by facsimile to (07) 3161 3786 or by email to info@capex.net.au not less than forty eight (48) hours before the time for holding the Annual General Meeting.