



CARBINE RESOURCES LIMITED

ABN: 81 122 976 818

**HALF-YEAR FINANCIAL REPORT
30 JUNE 2009**

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DIRECTORS' REPORT

The Directors present their report on Carbine Resources Limited for the half-year ended 30 June 2009.

DIRECTORS

The Directors of the Company in office during or since the end of the period are:

Robert James Shaw Brierley	Executive Chairman (Resigned 10 July 2009)
Peter Patrick Torre	Non-Executive Director/Company Secretary
Mr Gregory Hugh Steemson	Non-Executive Director
Ronald George Sayers	Non-Executive Director

The above Directors have been in office since the start of the period to the date of this report unless otherwise stated.

RESULTS

The loss for the Company after income tax for the period was \$198,534 (2008: \$447,510).

REVIEW OF OPERATIONS

The Company continued to assess project acquisition opportunities throughout the period, none of which warranted further investigation and finalisation by the Board.

The Company also continued to assess its current 100% owned Red Dam project with the aim of formulating a possible commercialisation strategy.

After Balance Date Events

On 28 July 2009, the Company announced that it had entered into an agreement to terminate the royalty arrangement between Cazaly Resources Ltd (**Cazaly**), Hayes Mining Pty Ltd and Carbine Resources Limited in consideration of the following:

1. Carbine undertaking a selective buy-back and cancellation of the 6,635,949 ordinary shares held by Cazaly in Carbine Resources Limited for nil consideration in accordance with Part 2J of the *Corporations Act 2001 (Cth)* (**Buy Back**); and
2. Cazaly issuing to Carbine such number of ordinary shares in the capital of Cazaly as have a value equivalent to \$200,000, calculated by reference to the Volume Weighted Average Price of Cazaly ordinary shares over a period of 5 trading days from the date Cazaly receives notice from Carbine that shareholder approval has been obtained.

The termination of the royalty agreement is conditional on the shareholders of Carbine passing a special resolution approving the Buy Back in accordance with Part 2J of the *Corporations Act 2001 (Cth)*.

The royalty agreement provided for a royalty to be paid on the following terms and conditions:

- Cazaly to pay Carbine a AUD\$40/oz gold royalty on the first 75,000oz of production from specified tenements. This royalty is to be paid quarterly in arrears.
- \$3,000,000 cash payment on gold production of a total of 140,000 ounces from specified tenements.
- Payments capped at \$6,000,000.

Carbine will proceed to call a general meeting of shareholders to obtain shareholder approval as set out above.

There have been no other material events subsequent to 30 June 2009.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is attached to the Half-Year Financial Report.

Dated at Perth this 10 day of September 2009

Signed in accordance with a resolution of the Directors.



Peter Torre
Director/Company Secretary

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

	Half Year Ended	
	30 June 2009	30 June 2008
	\$	\$
Revenues from continuing operations	-	-
Other income	13,054	66,744
Depreciation	(1,807)	(1,807)
Employee Benefit Expenses	(62,412)	(166,121)
Fringe Benefits Tax	(24,162)	-
Impairment Loss	(50,560)	-
Other Expenses	(72,647)	(96,126)
Joint Venture Management Fees	-	(250,200)
Loss before income tax	(198,534)	(447,510)
Income tax expense	-	-
Loss for the half-year from continuing operations	(198,534)	(447,510)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the half-year	(198,534)	(447,510)
Loss attributable to members of Carbine Resources Limited	(198,534)	(447,510)
Comprehensive loss attributable to members of Carbine Resources Limited	(198,534)	(447,510)
	Cents	Cents
Loss per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the company.		
Basic loss per share	0.002	0.01
Diluted loss per share	N/A	N/A

The above statement should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009**

	30 June 2009 \$	31 December 2008 \$
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	698,894	899,188
Other Receivables	5,631	-
Other Current Assets	16,337	7,572
Total Current Assets	<u>720,862</u>	<u>906,760</u>
NON-CURRENT ASSETS		
Plant and Equipment	4,336	6,143
Exploration & Development Expenditure	1,089,440	1,140,000
Total Non-current Assets	<u>1,093,776</u>	<u>1,146,143</u>
Total Assets	<u>1,814,638</u>	<u>2,052,903</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and Other Payables	13,333	53,904
Provisions	3,184	2,344
Total Current Liabilities	<u>16,517</u>	<u>56,248</u>
Total Liabilities	<u>16,517</u>	<u>56,248</u>
Net Assets	<u>1,798,121</u>	<u>1,996,655</u>
EQUITY		
Contributed Equity	7,711,029	7,711,029
Reserves	73,876	73,876
Accumulated Losses	(5,986,784)	(5,788,250)
Total Equity	<u>1,798,121</u>	<u>1,996,655</u>

The above statement should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

	Half year ended	
	30 June 2009	30 June 2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of goods and services tax)	(209,569)	(399,224)
Exploration expenditure	(3,779)	(1,647,949)
Interest received	13,054	66,745
	<u> </u>	<u> </u>
Net cash outflow from operating activities	<u>(200,294)</u>	<u>(1,980,428)</u>
Net decrease in cash and cash equivalents held	(200,294)	(1,980,428)
Cash and cash equivalents at the beginning of the half-year	899,188	2,793,833
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the half-year	<u>698,894</u>	<u>813,405</u>

The above statement should be read in conjunction with the accompanying notes.

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**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 January 2009	7,711,029	(5,788,250)	73,876	1,996,655
Loss for the half-year	-	(198,534)	-	(198,534)
Total comprehensive income for the half-year	-	(198,534)	-	(198,534)
Transactions with owners in their capacity as owners	-	-	-	-
Balance at 30 June 2009	7,711,029	(5,986,784)	73,876	1,798,121

	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 January 2008	5,547,337	(767,694)	73,876	4,853,519
Loss for the half-year	-	(447,510)	-	(447,510)
Total comprehensive income for the half-year	-	(447,510)	-	(447,510)
Transactions with owners in their capacity as owners	-	-	-	-
Issue of Equity pursuant to Farm- In and Joint Venture Agreement	484,793	-	-	484,793
Balance at 30 June 2008	6,032,130	(1,215,204)	73,876	4,890,802

The above statement should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2009**

1. BASIS OF PREPARATION

The financial report of Carbine Resources Limited for the half year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Board of Directors on 10 September 2009. Carbine Resources Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The half-year financial report does not include all notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2008 and any public announcements made by Carbine Resources Limited during the interim financial reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

This general purpose financial report for the interim half-year reporting period ended 30 June 2009 has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the following changes in accounting policy

Changes in Accounting Policy

Segment Reporting

The company has applied AASB 8 "Operating Segments" from 1 January 2009. AASB8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the period the Company incurred a loss of \$198,534, bringing accumulated losses to \$5,986,784. As at 30 June 2009 the Company has net assets of \$1,798,121 and sufficient cash to pay its debts as and when they fall due and to fund near term anticipated activities.

It is the intention of the Board to continue to explore, evaluate and develop the Company's areas of interest for which rights of tenure are current. In order to achieve this, further cash injections by way of equity, debt or other means will be necessary.

Subject to market conditions, the Company has the ability to raise additional equity and debt finance as required and at the time of this report, the Directors consider that the Company could raise cash by way of equity to fund anticipated activities.

The Directors will take the appropriate action to ensure these funds are available as and when they are required.

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Half-year 30 June 2009	Half-year 30 June 2008
\$	\$

2. EXPLORATION AND DEVELOPMENT EXPENDITURE

Carrying amount at the beginning of the period	1,140,000	2,169,003
Issue of Shares pursuant to Farm-in and Joint Venture Agreement	-	484,793
Payment of part consideration pursuant to Farm and Joint Venture Agreement	-	500,000
Exploration Expenditure	3,779	1,763,637
Exploration Expenditure Impairment	(54,339)	-
Carrying amount at the end of the period	1,089,440	4,917,433

3. SEGMENT INFORMATION

The Company operates within the mining exploration industry in Western Australia.

4. OPTIONS ON ISSUE

The following are the balances of options over fully paid ordinary shares at balance date:

Category	No of Options	Exercise Price Cents per Share	Expiry Date
Unlisted Options	2,000,000	25	31 December 2009

5. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period.

6. SUBSEQUENT EVENTS

On 28 July 2009, the Company announced that it had entered into an agreement to terminate the royalty arrangement between Cazaly Resources Ltd (**Cazaly**), Hayes Mining Pty Ltd and Carbine Resources Limited in consideration of the following:

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- \$3,000,000 cash payment on gold production of a total of 140,000 ounces from specified tenements.
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Carbine will proceed to call a general meeting of shareholders to obtain shareholder approval as set out above.

There have been no other material events subsequent to 30 June 2009.

7. CONTINGENT LIABILITIES

The Red Dam Tenements were acquired from Allied Gold Limited. On 18 June 2003 Allied Gold Limited entered into an agreement with Fortescue Metals Group (FMG) (formerly known as Allied Mining and Processing Ltd), the previous owners of the Red Dam Tenements, to be bound by and to perform and observe the obligations of Allied Mining and Processing Ltd under an agreement that it had with Plutonic Operations Limited (Plutonic).

This agreement provided that FMG, as part of its consideration in acquiring the tenements from Plutonic, would pay:

1. the payment of a gold royalty to Plutonic for the amount of 2.5% of the value of all gold produced from the Tenements; and
2. the payment to Plutonic of a 2.5% net smelter return royalty of:
 - (i) in respect to silver, the amount of the number of ounces or refined silver delivered or credited to the account of the company multiplied by the sale price; and
 - (ii) in respect to all other minerals other than gold and silver, the gross amount actually received by the Company for the products sold.

Carbine Resources Limited has entered into a deed of covenant with Allied Gold Limited covenanting to be bound by and to perform and observe the obligations of Allied Gold Limited under the aforementioned agreements.

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DIRECTORS' DECLARATION

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:



Peter Torre
Director/Company Secretary

Dated at Perth this 10 day of September 2009

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BDO Kendalls

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ABN 79 112 284 787

10 September 2009

Board of Directors
Carbine Resources Limited
Unit B9, 431 Roberts Road
SUBIACO WA 6008

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BRAD McVEIGH TO THE DIRECTORS OF
CARBINE RESOURCES LIMITED**

As lead auditor of Carbine Resources Limited for the half year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Brad McVeigh
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF CARBINE RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carbine Resources Limited, which comprises the statement of financial position as at 30 June 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 disclosing entity's financial position as at 30 June 2009 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 Carbine Resources 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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

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 Carbine Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 30 June 2009 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.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the interim financial report which indicates that Carbine Resources Limited will have to seek additional funds to enable the company to continue as a going concern. These conditions, indicate the existence of a material uncertainty which may cast significant doubt about the disclosing entity's ability to continue as a going concern, and in turn realise its assets and extinguish its liabilities at the values stated on the Balance Sheet.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
BM'Veigh

Brad McVeigh
Director

Dated this 10th day of September 2009
Perth, Western Australia