CARBINE RESOURCES

ABN: 81 122 976 818

ANNUAL FINANCIAL REPORT

31 DECEMBER 2007

DIRECTORS' REPORT

The Directors present their inaugural report, together with the financial report of Carbine Resources Limited ("the Company") for the period 4 December 2006 to 31 December 2007.

DIRECTORS

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

Robert James Shaw Brierley	Executive Chairman (Appointed 4 December 2006)
Peter Patrick Torre	Non-Executive Director (Appointed 13 December 2006)
Dr Wolf Gerhard Martinick	Non-Executive Director (Appointed 22 December 2006)
Ronald George Sayers	Non-Executive Director (Appointed 29 December 2006)
Antonino Galipo	Non-Executive Director (Appointed 4 Dec 2006, Resigned 13 Dec 2006)
Melanie Brierley	Non-Executive Director (Appointed 4 Dec 2006, Resigned 22 Dec 2006)

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

INFORMATION ON DIRECTORS

Mr Robert James Shaw Brierley ***Executive Chairman/Managing Director (Aged 42)***

Mr Brierley is a mining engineer educated at the Western Australian School of Mines in Kalgoorlie. He has experience across many commodity groups including coal, gold, nickel, copper, bauxite and iron ore and he has been involved in the design, operation and management of several major mining projects in Australia.

Mr Brierley completed a Graduate Diploma in Applied Finance and Investment in 1996 and worked for seven years in the stock broking industry. There he has spent the majority of his time as a research analyst, specializing in the resources sector including four years in the role of Director of Research for a national stock broking and financial services company.

He is a founding director of Carbine Resources and has been associated with the resources industry for over 15 years. Mr Brierley has particular experience in finance, project management, mining and valuation techniques and principles. He is a Graduate of the Australian Institute of Company Directors.

Mr Peter Patrick Torre ***Non Executive Director/Company Secretary (Aged 35)***

Mr Torre is a principal of Prospera Corporate and was previously a partner of an internationally affiliated firm of Chartered Accountants, where he also held the position of Chairman of the National Corporate Services Committee.

Mr Torre holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and a member of the Australian Institute of Company Directors. He has also completed a Graduate Diploma in Company Secretarial Practice.

Mr Torre is the Company Secretary of several ASX listed companies, is a Director of ORT Limited and is one of the founders of the charity organisation "A Better Life Foundation WA". Besides acting as a non executive director of the Company, Mr Torre is also the Company Secretary.

Dr Wolf Gerhard Martinick ***Non Executive Director (Aged 62)***

Dr Martinick is an environmental scientist with extensive experience in the mineral resource industry. He has been involved with mineral exploration and mining projects around the world, especially in Australasia, southern, central and northern Africa, China, India, and the former Soviet Union.

Dr Martinick is a non-executive director of Sun Resources NL, Windimurra Vanedium Limited, Azure Minerals Limited and Uran Limited, all companies listed on the Australian Stock Exchange (ASX). He is also the executive chairman and substantial shareholder of ASX-listed Ezenet Limited and a foundation director and chairman of Weatherly International PLC.

He has been associated with the exploration and mining industry for over 35 years, and has particular experience in environmental, water, land access and indigenous people issues. He has conducted due diligence on mining projects globally on behalf of international financial institutions and resource industry companies for a variety of transactions, including listings on international stock exchanges, mergers and debt financing. He is a Fellow of the Australian Institute of Mining and Metallurgy.

Mr Ronald George Sayers ***Non Executive Director (Aged 55)***

Mr Sayers is a founding director of Ausdrill Limited, a successful mining services organisation with operations in Australia and West Africa. He served as Managing Director from 1987 to 1997 after serving as the branch manager of a large mining supply group.

He was reappointed to the Managing Director position of Ausdrill in December 2000 and has guided the group through an initial period of consolidation followed by some major growth. Mr Sayers has presided over the company's growth in market capitalisation over the past seven years from less than $10 million to the current level of approximately $350 million.

Mr Sayers is a major shareholder of Ausdrill Limited and has been involved in the mining industry for in excess of 20 years.

As a junior exploration company the Board had not split out responsibilities to a sub committee in respect to Audit, Risk and Compliance during the year.

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the Directors of the Company during the financial period under review are:

	Meetings held	Meetings attended
Robert Brierley	11	11
Peter Torre	9	9
Wolf Martinick	8	5
Ron Sayers	8	7
Tony Galipo	2	2
Melanie Brierley	3	1

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was exploration for gold and other mineral resources.

RESULTS

The loss of the Company after providing for income tax is $767,694.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared.

REVIEW OF OPERATIONS

Carbine Resources Limited was incorporated on 4 December 2006. This report and the accompanying financial statements therefore cover the period from incorporation to 31 December 2007. As such, no comparative information is reported.

The Company entered into an agreement with Allied Gold Limited to acquire the Red Dam gold project tenements on 8 December 2006. The consideration for the project was equivalent to $809,000 comprising $5,000 of cash and the issue of 4,020,000 Carbine shares at a deemed issue price of $0.20 each.

The Company lodged its prospectus with the Australian Securities and Investments Commission (ASIC) on 2 February 2007, with the intent of raising $3 million through the issue of 15 million ordinary shares at an issue price of $0.20.

The Company closed the offer on the morning of 1 March 2007, well ahead of its scheduled closing date of 5pm WST 9 March 2007 and was subsequently admitted to the ASX and listed on Friday, 16 March 2007.

Mining Lease 16/344 was granted by the Minister for Resources after successful conclusion of all Native Title and Aboriginal Heritage issues. The Mining Lease overlays all known mineralisation of the Red Dam project.

During the period, the Company also signed a farm-in and joint venture agreement with Cazaly Resources Limited whereby the Company can earn a 50% stake, with an option to increase to 70%, in Cazaly's entire gold exploration and development portfolio in the Kunanalling, Ora Banda, Grants Patch, Carbine and Split Rocks regions.

The major features of the agreement are**:**

- Carbine will pay Cazaly a management fee of $41,700 per month over a period of 12 months commencing from the date that the agreement is formalised.

- Carbine will issue Cazaly with 2,000,000 ordinary fully paid shares in Carbine, with these shares voluntarily escrowed for a period of 6 months.

- On or before the first anniversary of the agreement, Carbine will pay a further $1,000,000 either, at Carbine's election, by cash or by 50/50 combined cash and Carbine shares, with the issue price of the shares being the 30-day volume weighted average price (30 day VWAP) as calculated on the day prior to payment date. This payment will give Carbine an initial 35% stake in the projects.

- Carbine undertakes to fund expenditure on the project areas equivalent to $4,500,000 over a period of no more than 36 months after the date of the agreement. On completion of this expenditure commitment, Carbine will have earned a 50% stake in the projects.

- Carbine has the once-off option, on completion of its 50% earn-in obligations, to increase its stake in the projects to a combined 70% by paying Cazaly $2,000,000 in cash. This option must be exercised within 90 days of falling due, otherwise it expires.

- Any mine developments on the project areas will be funded entirely by Carbine. Carbine will then be entitled to recoup its investment (included accumulated interest charges) before sharing operating cash flows on a 50/50 basis with Cazaly.

- Carbine will assume the role of Manager of the joint venture on completion of the payments noted above. To that end it has undertaken to use the professional services of Cazaly's existing geology team and has agreed to reimburse Cazaly direct costs plus 12 percent management fee for these services.

- Any proceeds from the agreed sale, transfer or relinquishment of tenements in the project areas during the period up to completion of the earn-in commitments, shall be shared 50% Cazaly, 50% Carbine.

These Cazaly tenements subject to the Joint Venture cover approximately 533 square kilometres and contain mineral resources of 612,400 ounces of Gold.

On 24 July 2007, the Company announced that it had completed a placement of 3,030,342 ordinary fully paid shares at $0.33 cents each to select investors.

During the period, the Company undertook various drilling programs on both its 100% owned Red Dam project and on the tenements subject to the Joint Venture with Cazaly Resources Limited. Results of the programs were the subject of separate stock exchange releases throughout the period along with details contained in the Company's quarterly reports.

FINANCIAL POSITION

The net assets of the Company as at 31 December 2007 are $4,853,519. The increment from the time of listing on the Australia Securities Exchange is mainly attributable to an additional capital raising to provide further funding to the company's exploration efforts and to provide additional working capital.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Capital Raisings

In March 2007 the Company completed an initial public offering (IPO) to raise $3 million by issuing 15 million shares at an IPO price of $0.20. The IPO followed initial seed capital raisings for a total $250,000 through the issue of 5,000,000 shares at $0.05

In July 2007, the Company raised a further $1 million through the placement of 3,030,342 shares at $0.33 to sophisticated investors.

In November 2007, the Company issued 2,000,000 shares to Cazaly Resources Limited as part consideration to enter into the farm-in and joint venture agreement.

SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2007 that has significantly affected, or may significantly affect:

(a) the Company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Company's state of affairs in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The company is proceeding with its exploration program under the Joint Venture with Cazaly Resources Limited.

In addition to this, the Company is pursuing opportunities on current granted tenements which could see it moving into small scale production during the course of 2008.

The Directors will continue to seek other projects of a larger scale in the interest of maximizing shareholder value.

In the opinion of the Directors it may prejudice the interests of the Company to provide additional information in relation to likely developments in the operations of the Company and the expected results of those operations in subsequent financial periods.

OPTIONS

The number of options for ordinary shares on issue at the date of this report is 2,400,000 unlisted options. Options do not entitle the holder to receive a dividend paid to ordinary shareholders, to a vote at shareholder meetings or to participate in any future share issues.

New issues of options and options exercised in the period are as follows:

Date of Grant	No of Options	Exercise Price	Expiry date
Opening Balance	-	-	-
- Options issued in the period	2,000,000	$0.25	31 December 2009
- Options issued in the period	400,000	$0.35	30 June 2009
- Options exercised in the period	-	-	-
Balance at 31 December 2007	**2,400,000**		

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company shown in the Register of Directors' Shareholdings as at the date of this report is:

DIRECTOR	ORDINARY SHARES FULLY PAID		OPTIONS	
	Direct	Indirect	Direct	Indirect
Robert Brierley	200,001	2,050,000	-	2,000,000
Peter Torre	-	500,000	-	-
Wolf Martinick	-	1,000,000	-	-
Ron Sayers	-	1,000,000	-	-

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration.
B. Details of remuneration
C. Service Agreements
D. Share-based compensation
E. Additional Information.

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporation Regulations 2001 which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

In order to retain and attract executives of sufficient caliber to facilitate the efficient and effective management of the Company's operations, the board reviews the remuneration packages of all directors and employees on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors.

REMUNERATION REPORT (continued)

Remuneration packages may contain the following key elements:

(a) Directors Fees;
(b) Salary & Consultancy;
(c) Benefits – including provision of motor vehicle, superannuation;

Fees payable to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-Executive directors' fees and payments are reviewed annually by the Board.

Executives are offered a competitive base pay that consists of fixed components. Base pay for senior executives is reviewed annually to ensure the executives pay is competitive with the market. Total Base Pay can be structured as a total employment package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Remuneration is not directly related to company performance or key performance indicators.

The directors are not required to hold any shares in the company under the constitution of the company; however, to align director's interests with shareholders interests the directors are encouraged to hold shares in the company.

B. Details of Remuneration (audited)

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Carbine Resources Limited are set out in the following tables.

The key management personnel of Carbine Resources Limited includes the directors as per page 1 above. There are no other key management personnel as defined in AASB 124 Related Party Disclosures.

All elements of remuneration are not directly related to performance.

Key Management Personnel of Carbine Resources Limited

2007	**Short-term benefits**	**Post employment benefits**	**Share-based payment**		**% Performance Based**
Name	**Cash Salary and fees**	**Superannuation**	**Shares / Options**	**Total**	
	$	**$**	**$**	**$**	
Non-Executive Directors					
Peter Torre	53,500	2,250	-	55,750	0%
Wolf Martinick	-	27,250	-	27,250	0%
Ron Sayers	25,000	2,250	-	27,250	0%
Antonino Galipo	-	-	-	-	
Melanie Brierley	-	-	-	-	
Sub-total non-executive directors	78,500	31,750	-	110,250	0%
Executive Directors					
Rob Brierley	161,250	2,250	47,540	211,040	0%
Total	239,750	34,000	47,450	321,290	0%

REMUNERATION REPORT (continued)

C. Service Agreements (audited)

There were formal service agreements with directors and key management personnel. On appointment to the Board, all non-executive directors enter into a service agreement with the company, in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Executive Chairman/Managing Director, is also formalized in a contract, the major provisions of which are set out below:

Robert Brierley Executive Chairman and Managing Director
- Term of 3 years ending on 4 December 2009.
- Base Payments of $150,000 per annum to be reviewed annually by the Board.
- Contract can be terminated by either party subject to certain notice periods.

D. Share Based Compensation (audited)

Options

Options were granted by the Company to Mr Robert Brierley in December 2006 for no consideration. In addition, options were granted under the Carbine Resources Limited Employee Option Plan which was approved by shareholders at a general meeting held in November 2007. All full time employees, part time employees, consultants and Directors of the Company are eligible to participate in the plan at the absolute discretion of the Board.

Options are granted under the plan for no consideration and are at terms stipulated at the discretion of the Board.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Date Exercisable
13 December 2006	31 December 2009	$0.25	$0.023	100% after 16 March 2008
12 November 2007	30 June 2009	$0.35	$0.065	50% after 12 November 2007
				50% after 12 November 2008

- Options granted carry no dividend and voting rights
- When exercisable, each option is convertible into one ordinary share in Carbine Resources Limited.

Details of options over ordinary shares in the company provided as remuneration to each director or Carbine Resources Limited and each of the key management personnel of the Company are set out below.

Name	Number of options granted during the period	Number of options vested during the period
	2007	2007
Rob Brierley	2,000,000	2,000,000
Peter Torre	-	-
Wolf Martinick	-	-
Ron Sayers	-	-
Antonino Galipo	-	-
Melanie Brierley	-	-

REMUNERATION REPORT (continued)

The assessed fair value at grant date of options to the individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for the options granted during the period ended 31 December 2008 included:

Robert Brierley

(a) options were granted for no consideration
(b) exercise price of $0.25
(c) grant date 13 December 2006
(d) expiry date 31 December 2009
(e) share price at grant date $0.20 (assumed IPO Price)
(f) expected price volatility of the company's shares 75%
(g) risk free interest rate 6.00%

Employee Share Option Scheme

(h) options were granted for no consideration
(i) exercise price of $0.35
(j) grant date 12 November 2007
(k) expiry date 30 June 2009
(l) share price at grant date $0.285
(m) expected price volatility of the company's shares 75%
(n) risk free interest rate 6.35%

Shares provided on exercise of remuneration options

There were no shares provided on exercise of remuneration options during the period.

E. Additional Information (unaudited)

It would be impractical to provide a measure of executive reward over the performance of the Company to date as the Company is currently a junior explorer. More meaningful comparisons can be made once the Company moves into full scale production.

	Cash bonus		Options					
Name	**Paid %**	**Forfeited %**	**Year Granted**	**Vested %**	**Forfeited %**	**Financial Years in which the option may vest**	**Minimum total value of grant yet to vest**	**Maximum total value of grant yet to vest**
Rob Brierley	-	-	2006	100	-	2006	-	-
Peter Torre	-	-	-	-	-	-	-	-
Wolf Martinick	-	-	-	-	-	-	-	-
Ron Sayers	-	-	-	-	-	-	-	-
Antonino Galipo	-	-	-	-	-	-	-	-
Melanie Brierley	-	-	-	-	-	-	-	-

REMUNERATION REPORT (continued)

Share based payments = Options
Further details relating to options are set out below

Name	A Remuneration consisting of options	B Value at grant date	C Value at exercise date	D Value at lapse date	E Total of Columns B-D
Rob Brierley	14.76%	$47,540	-	-	$47,450
Peter Torre	-	-	-	-	-
Wolf Martinick	-	-	-	-	-
Ron Sayers	-	-	-	-	-
Antonino Galipo	-	-	-	-	-
Melanie Brierley	-	-	-	-	-

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in Column B.
B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

SCHEDULE OF MINING TENEMENTS

Mining Tenements currently held by the Company are:

Tenement	Percentage Holding
P16/2078	100%
M16/344	100%

ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration activities the Company adheres to environmental regulations imposed upon it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Company has complied with all material environmental requirements up to the date of this report.

INSURANCE OF DIRECTORS AND OFFICERS

During the year, the Company has paid an insurance premium in respect of a contract indemnifying the Company's directors and officers. The total premium paid was $7,577.

The Liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings

The company was not a party to any such proceedings during the year.

OTHER INFORMATION

The registered office and principal place of business is Level 1 17 Ord Street West Perth WA 6005.

NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non - audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants.

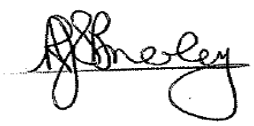
The following fees for non – audit services were paid/payable to the external auditors during the period ended 31 December 2007

Independent Accounts Report BDO Consultants (WA) Pty Ltd	$7,007

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 on page 11 forms part of the Directors' Report for the period ended 31 December 2008. This relates to the audit report, where they state that they have issued an independent declaration.

Signed in accordance with a resolution of the Directors.



Robert Brierley
Executive Chairman

Dated at Perth this 25th day of March 2008

BDO Kendalls

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ABN 79 112 284 787

25th March 2008

The Directors
Carbine Resources Ltd
Level 1, 17 Ord Street
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF CARBINE RESOURCES LIMITED

As lead auditor of Carbine Resources Limited for the period ended 31 December 2007, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

BDO Kendalls

BG McVeigh
Director

B. McVeigh

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

INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2007

	Note	2007 $
Revenue from continuing operations	2	139,338
Exploration and evaluation costs		(125,100)
Impairment of Exploration Assets	8	(250,000)
Depreciation		(2,105)
Share based payment expense	17	(73,876)
Employee, Director and Consultant Expenses		(302,768)
General & administration expenses	2	(153,183)
Loss before income tax		(767,694)
Income tax expense	3	-
Loss after income tax attributable to members of the parent entity		(767,694)
Basic loss per share	12	$0.03

The income statement is to be read in conjunction with the notes to the financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	2007 $
CURRENT ASSETS		
Cash and cash equivalents	4	2,793,833
Trade and other receivables	5	61,344
Other current assets	6	5,790
Total Current Assets		2,860,967
NON-CURRENT ASSETS		
Plant and equipment	7	9,780
Exploration and evaluation expenditure	8	2,169,003
Total Non-Current Assets		2,178,783
Total Assets		5,039,750
CURRENT LIABILITIES		
Trade and other payables	10	179,433
Provisions		6,798
Total Current Liabilities		186,231
Total Liabilities		186,231
NET ASSETS		**4,853,519**
EQUITY		
Issued capital	11	5,547,337
Reserves	20	73,876
Accumulated losses		(767,694)
TOTAL EQUITY		**4,853,519**

The balance sheet is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2007

	2007 $
Total equity at the beginning of the period	-
Transactions with equity holders in their capacity as equity holders	
Contributions of equity net of transactions costs	5,547,337
Share based payments	73,876
Loss for the period	(767,694)
Total Recognised Income and Expense for the period	(765,077)
Total equity at the end of the period	**4,853,519**

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2007

	Note	Period Ended 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(603,105)
Exploration expenditure		(860,602)
Interest Received		139,338
Net cash outflow from operating activities	18	(1,324,369)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment		(11,885)
Net cash outflow from investing activities		(11,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of capital raising costs		4,130,087
Net cash provided by financing activities		4,130,087
Net increase/(decrease) in cash and cash equivalents held		2,793,833
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	4	**2,793,833**

The cashflow statement is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

1. SUMMARY OF ACCOUNTING POLICIES

(a) Statement of significant accounting policies

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, Australian Accounting Interpretations and other mandatory professional reporting requirements.

Carbine Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards 'IFRS'.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

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 $767,694, bringing accumulated losses to $767,694. As at 31 December 2007 the Company has net assets of $4,853,519 and sufficient cash to pay its debts as and when they fall due and to fund near term anticipated activities.

Carbine Resources Limited listed on the ASX on 16 March 2007 on the back of a $3,000,000 capital raising. The IPO was underpinned by the acquisition of the Red Dam Tenements from Allied Gold Limited. The proceeds from the IPO were to be used primarily to fund exploration of the Red Dam Tenements, and administration costs over a three year period. Since the IPO, Carbine entered into a Farm-In and Joint Venture Agreement (Agreement) with Cazaly Resources Limited (Cazaly) whereby the Company can earn a 50% stake, with an option to increase to 70%, in Cazaly's entire gold exploration and development portfolio in the Kunanalling, Ora Banda, Grants Patch, Carbine and Split Rocks regions.

It is expected that certain tenements contained within the Joint Venture could be in production in the short term which will provide positive cash flow to the Company. 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 or debt may 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 Diretcors 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.

Reporting basis and conventions

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007**

SUMMARY OF ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretation

Australian Accounting Standards that have recently been issued or amended but are not yet effective for the Company and have not been adopted for the reporting period ended 31 December 2007 are as follows:

AASB reference	Title and Affected Standard(s):	Summary	Application date:	Impact on Group Financial Report	Application date for Group
AASB 8 (issued Feb 2007)	Operating Segments	Replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting.	Periods commencing on or after 1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Company'svfinancial report.	1 July 2009
AASB 2007-3 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amendments arise from the release of AASB 8 *Operating Segments*	Periods commencing on or after 1 January 2009	See Above	1 July 2009
AASB 123 (revised Jun 2007)	Borrowing Costs	Revised standard requiring the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	Periods commencing on or after 1 January 2009	Unless the Company engages on this type of transactions in future periods, there will be no impact on the amounts included in the Company's financial statements.	1 July 2009
AASB 2007-6 (issued Jun 2007)	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Consequential amendments to a number of standards and interpretations arising from the amendments to AASB 123 that remove reference to the expensing option.	Periods commencing on or after 1 January 2009	See Above	1 July 2009

AASB reference	Title and Affected Standard(s):	Summary	Application date:	Impact on Group Financial Report	Application date for Group
AASB 2007-7 (issued Jun 2007)	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Makes editorial amendments to six Standards, removes the encouragement in AASB 107: Cash Flow Statements to adopt a particular format for the cash flow statement and deletes superseded implementation guidance accompanying AASB 4 Insurance Contracts.	Periods commencing on or after 1 July 2007	This amendment will have no direct impact on the amounts included in the Company's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Company's financial report.	

The Company has elected to early adopt AASB 2007-4: Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments for the financial report commencing 4 December 2006. These amendments are mandatory for annual reporting periods commencing on or after 1 July 2007. The amendments to the standards make changes to 34 standards as a result of an AASB decision that, in principal, all options that currently exist under IFRS should be included in AIFRS, and additional Australian disclosures initially required should be eliminated, other than those considered particularly relevant in the Australian reporting environment or those that would be in conflict with the Corporations Act. Early adoption has had no effect on any amounts recognized in the financial report, but has effected the presentation of amounts and disclosures made as follows:

- Cash flows are now reported on an indirect basis, instead of using the direct basis of preparation, as the Company considers that this basis is a better presentation for the Company's activities;
- A numerical reconciliation between the average effective tax rate and the applicable tax rate has been presented in Note 3, instead of a numerical reconciliation of amounts;
- Other minor wording changes which have not significantly affected any note disclosures.

The Company has elected to early adopt the revised version of AASB 1: Presentation of Financial Statements for the financial reporting period commencing 4 December 2006. The revised standard is mandatory for annual reporting periods commencing on or after 1 January 2007. The amendments result from a AASB decision that, in principle, all options that currently exist under IFRS should be included in AIFRS, and additional Australian disclosures initially required should be eliminated, other than those now considered particularly relevant in the Australian reporting environment of those which would be in conflict with the Corporations Act. Early adoption of the revised standard has had no effect on any amounts recognized in the financial report but certain disclosures which are no longer required have been omitted.

(c) Statement of compliance

Application date is for the annual reporting periods beginning on or after the date shown in the above table.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

SUMMARY OF ACCOUNTING POLICIES (continued)

(e) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where this is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

(f) Mineral Exploration and Evaluation and Development Expenditure

Mineral exploration expenditures and acquisition costs in relation to areas of interest have been written off in the period in which they are incurred on projects except where exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) The expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
(ii) Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

SUMMARY OF ACCOUNTING POLICIES (continued)

When production commences, carried forward exploration and evaluation costs are transferred to mine development cost at carrying value, and are amortised from the date on which commercial production begin.

Restoration costs expected to be incurred are provided for as part of exploration & evaluation phases that give rise to the need for restoration.

When rights to tenure are held and expenditures have been expected to be recouped through development and economic exploitation of the area of interest, the exploration costs are capitalised and amortised against the estimated economical mine life once mining commences.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs will be determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(g) Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Company will include the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Depreciation

The depreciation amount of all fixed assets including building and capitalised lease assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rate used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	33%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

SUMMARY OF ACCOUNTING POLICIES (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Impairment of Assets

At each reporting date, the Company reviews the carrying values of tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Financial Instruments

At present, the Company does not undertake any hedging or deal in derivative instruments. Some of the following policies are in place are will be applied in future years when applicable.

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value though profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Income statement in the period in which they arise. Assets in this category are classified as current assets

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

SUMMARY OF ACCOUNTING POLICIES (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. They are included in current assets, except for those maturities greater than 12 months after the balance sheet date which are classified as non current assets.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. They are classified as non current unless management intends to dispose of the investment within 12 months of the balance date.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principle payments and amortisation.

Derivative Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company will designate certain derivatives as either:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge),

  Or
- Hedges of the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges)

The Company will document at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company will also document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognized in the income statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk.

The gain or loss relating to the ineffective portion is recognized in the income statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within “finance costs”. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognized in the income statement within “sales”. However, when the forecast transaction that is hedged results in the recognition of non-financial assets (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement and are included in other income or other expenses.

Derivative Instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

SUMMARY OF ACCOUNTING POLICIES (continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instructions and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(k) Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the Company has passed control of the goods or other assets to the buyer.

Revenue from the rental of plant is recognised on an accruals basis.

Interest income is recognised when it is credited by the relevant financial institution.

(l) Earnings per share

Basic earnings per share

Basic earnings per share ("EPS") is calculated as net profit or loss, rather than excluding extraordinary items.

Diluted earnings per share

Diluted EPS earnings is calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather that the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average price.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations, not net profit or loss before extraordinary items and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

(m) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR DECEMBER 31 DECEMBER 2007

SUMMARY OF ACCOUNTING POLICIES (continued)

(n) Comparative Figures

The Company was incorporated on 4 December 2006. The financial reporting period covers the period from incorporation to 31 December 2007. Given this is the first financial report for the Company, there are no comparative figures being reported.

(o) Share-based payment transactions

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Details of plans currently in place to provide these benefits are as follows:

- the Employee Option Incentive Scheme (EOIS), which provides benefits to employees in the form of options to subscribe for shares subject to vesting periods.

The cost of these equity-settled transactions with directors and employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at balance date. No expense is recognised for awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(p) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR DECEMBER 31 DECEMBER 2007

SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Fair Value Estimates

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(r) Contributed Equity

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Joint Venture Operations

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in Note 9.

(t) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates – Impairment

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007**

2. REVENUES AND EXPENSES

	2007 $
(a) Revenue from continuing operations	
Interest revenue	
- interest other persons	139,338
Total Interest	139,338
(c) Depreciation	
Office Equipment	2,105
(d) General and administrative expenses	
ASIC/ASX and Share Registry Fees	44,922
Office Expenses	46,187
Other expenses	62,074
General & administrative expenses	153,183

3. INCOME TAX EXPENSE

	2007 $
The components of income tax expense comprise:	
Current tax	-
Deferred tax	-
Income tax benefit reported in the income statement	-

	2007 $
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:	
Prima facie tax payable on profit/ (loss before income tax at 30%	
Loss before income tax	(767,694)
At the Group's statutory income tax rate of 30%	(230,308)
Permanent Differences	15,525
Unrecognised DTA on Losses	214,783
Income tax attributable to entity	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

The applicable weighted average effective tax rates are as follows:		n/a
Tax assets not brought to account, the benefits of which will only be realized if the conditions for deductibility set out in note 1 occur		
Deferred tax assets		
- temporary differences		16,814
- tax losses	- operating losses	197,769
	- capital losses	-
		214,783

The total value of unused tax losses and other timing differences not brought to account, the benefits of which would only be realized if the conditions of deducibility occur, is $1,337,978.

	2007 $
4. CASH AND CASH EQUIVALENTS	
Cash at bank	793,833
Bank bills and term deposits	2,000,000
	2,793,833
The effective interest rate on short term bank deposit was 6.62%; Bank Bills Mature on 30 day basis.	
Reconciliation of Cash	
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:	
Cash and cash equivalents	2,793,833
5. TRADE AND OTHER RECEIVABLES - CURRENT	
Net GST refundable	61,344
6. OTHER FINANCIAL ASSETS – CURRENT	
Prepayments	5,790
7. PLANT AND EQUIPMENT	
Office Equipment – at cost	11,885
Accumulated depreciation	(2,105)
Total property, plant and equipment	9,780

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current and previous financial period.

Plant and equipment	
Carrying amount at beginning of period.	-
Additions	11,885
Disposal	-
Depreciation	(2,105)
Carrying amount at end of period	9,780

8. EXPLORATION AND EVALUATION EXPENDITURE

Exploration expenditure – costs carried forward in respect of areas of interest in:	**2007** **$**
Exploration and evaluation phases	2,419,003
Less Provision for Impairment	(250,000)
Total Exploration and Evaluation	2,169,003

The ultimate recoupment of such costs is dependant on successful development and commercial exploitation, or alternatively sale of the exploration areas.

Reconciliation of the carrying amount of mining tenements at the beginning and end of the current and the previous financial year:

Carrying amount at beginning of year	-
Expenditure during the year	2,544,103
Impairment Loss	(250,000)
Exploration costs expensed in P&L	(125,100)
Carrying amount at end of year	2,169,003

(a) Impairment Loss

The impairment loss relates to the tenements contained within the Red Dam Project. The whole amount was recognized in the income statement. The recoverable amount of these assets was determined by management and external consultants based on value in use. These calculations use cash-flow projections based on financial estimations covering the potential mine life of the assets. Key assumptions used in the value in calculations are as follows:

Life of Mine:	less than 1 year
Gold Price:	AUD$850 per ounce
Cost of Mining:	AUD$100 per tone of ore
Discount rate:	0%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

Management and external consultants determined costs of mining based on industry standards. The discount rate used reflects specific risks relating to the relevant assets.

If the gold price used in the cash flow projections was AUD$900 per ounce instead of AUD$850 per ounce, the recoverable amount of these assets would equal or be in excess of its carrying amount. Management does not consider a change in any other key assumptions to be reasonably possible.

9. INTEREST IN JOINT VENTURES

In May 2007, the Company entered into a farm-in and joint venture agreement with Cazaly Resources Limited ("Cazaly",) whereby the Company will earn a 50 percent stake, with an option to increase to 70 percent, in Cazaly's entire gold exploration and development portfolio in the Kunanalling, Ora Banda, Grants Patch, Carbine and Split Rocks regions. These tenements cover approximately 533 square kilometres and contain mineral resources of 612,400 ounces of gold.

The major features of the agreement are:

(i) The Company will pay Cazaly a management fee of $41,700 per month over a period of 12 months commencing from the date that the agreement is formalised.

(ii) The Company will issue Cazaly with 2,000,000 ordinary fully paid shares in Carbine, with these shares voluntarily escrowed for a period of 6 months.

(iii) On or before the first anniversary of the agreement, The Company will pay a further $1,000,000 either, at Carbine's election, by cash or by 50/50 combined cash and Carbine shares, with the issue price of the shares being the 30-day volume weighted average price (30 day VWAP) as calculated on the day prior to payment date. This payment will give Carbine an initial 35% stake in the projects.

(iv) Carbine undertakes to fund expenditure on the project areas equivalent to $4,500,000 over a period of no more than 36 months after the date of the agreement. On completion of this expenditure commitment, Carbine will have earned a 50% stake in the projects.

(v) Carbine has the once-off option, on completion of its 50% earn-in obligations, to increase its stake in the projects to a combined 70% by paying Cazaly $2,000,000 in cash. This option must be exercised within 90 days of falling due, otherwise it expires.

(vi) Any mine developments on the project areas will be funded entirely by Carbine. Carbine will then be entitled to recoup its investment (included accumulated interest charges) before sharing operating cash flows on a 50/50 basis with Cazaly.

(vii) Carbine will assume the role of Manager of the joint venture on completion of the payments mentioned in item 1. To that end it has undertaken to use the professional services of Cazaly's existing geology team and has agreed to reimburse Cazaly direct costs plus 12 percent management fee for these services.

(viii) Any proceeds from the agreed sale, transfer or relinquishment of tenements in the project areas during the period up to completion of the earn-in commitments, shall be shared 50% Cazaly, 50% Carbine.

As at 31 December 2007, the Company had incurred $438,270 on exploration expenditure on the Joint Venture and is included in the total amount of exploration and evaluation expenditure disclosed in the Balance Sheet. There are no liabilities of contingent liabilities within the Joint Venture.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

10. TRADE AND OTHER PAYABLES – CURRENT	**2007 $**
Trade payables – unsecured	165,408
Other payables and accruals – unsecured	14,025
Total Trade and Other Payables	179,433

11. ISSUED CAPITAL	**2007 Number of shares**	**2007 $**
(a) *Ordinary shares fully paid*		
Balance at beginning of period	-	-
Issue of Founder share	1	-
Issue of Promoter shares in Dec 2006 at $0.005	5,500,000	27,500
Issue of Shares on Acquisition of Red Dam Tenement	4,020,000	804,000
Issue of Seed Capital Shares at $0.05	5,000,000	250,000
Issue of Shares Pursuant to IPO at $0.20 in March 2007	15,000,000	3,000,000
Issue of Shares Pursuant to Native Title Agreements in May 2007	50,000	13,250
Issue of Shares Pursuant to a Placement in July 2007 at $0.32	3,030,342	1,000,013
Issue of Shares Pursuant to Joint Venture Agreement	2,000,000	600,000
Costs of capital raising	-	(147,426)
Balance at end of period	34,600,343	5,547,337

Fully paid ordinary shares entitle the holder to participate in dividends and to one vote per share.

(b) Options

Options granted and exercised during the period, and on issue at balance date are as follows.

Date and details of grant / exercise	**No. of Options**	**Exercise Price**	**Expiry Date**
Opening balance	-	-	-
December 2006	2,000,000	$0.25	31 December 2009
November 2007	400,000	$0.35	30 June 2009
Balance at 31 December 2007	2,400,000		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

12. EARNINGS PER SHARE

	2007
Basic loss per share (cents per share)	($0.03)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	23,134,147
Net loss used in the calculation of basic earnings per share	(767,694)

Dilutive earnings per share is not calculated as the Company incurred a loss for the year and there are no potential ordinary shares.

13. AUDITORS' REMUNERATION

	2007 $
Remuneration of the auditor of the parent entity:	
Auditing or reviewing the financial report BDO Kendalls Audit and Assurance (WA) Pty Ltd formerly BDO	6,611
Other services –	
Investigating Accountants Report	
BDO Consultants (WA) Pty Ltd	7,007
	13,618

14. SEGMENT REPORTING

During the period, the Company operated solely has a mining exploration company in Australia.

15. RELATED PARTY TRANSACTIONS

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

Other related parties

- Ausdrill Limited a company in which Mr Ron Sayers is a Director and Major Shareholder provides the Company with drilling exploration services including. The total amount charged for the period for these services was $460,969. These services are provided at commercial rates on an arms length basis.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

Mr Rob Brierley : Executive Chairman
Mr Peter Torre : Non Executive Director / Company Secretary
Mr Ron Sayers : Non Executive director
Mr Wolf Martinick : Non Executive Director

There were no changes to key management personnel between the reporting date and the date the financial report was authorised for issue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

(b) Key Management Personnel Compensation

The Company has applied the exemption under Corporations Amendments Regulation 2006 (no 4) which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 *Related Party Disclosures*. These remuneration disclosures are provided in the Remuneration Report of the Directors' Report designated as audited.

Remuneration by category

	2007 $
Key Management Personnel	
Short-term	239,750
Post-employment	34,000
Share-based payment	47,540
	321,290

(c) Option holdings of key management personnel

2007

Key Management Personnel	Balance at 4 Dec '06	Granted as remuneration	Options exercised	Balance at 31 Dec 2007	Total vested 31 Dec '07	Total exercisable 31 Dec '07
Robert Brierley	-	2,000,000	-	2,000,000	2,000,000	2,000,000
Peter Torre	-	-	-	-	-	-
Ron Sayers	-	-	-	-	-	-
Wolf Martinick	-	-	-	-	-	-
	-	2,000,000	-	2,000,000	2,000,000	2,000,000

* Whilst these options are exercisable, they are subject to escrow until the expiry of 24 months from listing on the Australian Stock Exchange, which was 16 March 2007.

(d) Shareholdings of key management personnel

2007

Director	Balance at 4 December '06	Received as remuneration	Options exercised	Net change other	Balance 31 Dec '07
Robert Brierley	-	-	-	2,250,001	2,250,001
Peter Torre	-	-	-	500,000	500,000
Ron Sayers	-	-	-	1,000,000	1,000,000
Wolf Martinick	-	-	-	1,000,000	1,000,000
				4,750,001	4,750,001

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable that those the Company would have adopted if dealing at arm's length.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

(e) Loans to key management personnel

There were no loans to key management personnel during the period.

(f) Other transactions and balances with key management personnel

There were no transactions or balances with key personnel other than those disclosed in the remuneration report of the Director's Report.

17. SHARE BASED PAYMENTS

The following share based payment arrangements existed at 31 December 2007.

400,000 options were granted under the Carbine Resources Limited Employee Option Plan on 22 November 2007. The options have an exercise price of $0.35 and with an expiry date of 30 June 2009. The Carbine Resources Limited Employee Option Plan was approved by shareholders at a general meeting of shareholders in November 2007. All full time employees, part time employees and Directors of the Company are eligible to participate in the plan at the absolute discretion of the Board.

The directors were issued options during the year. Details of which can be found in the Directors Remuneration Report.

Options are granted under the plan for no consideration and are at terms stipulated at the discretion of the Board.

The options hold no voting or dividend rights and are not transferable.

All options granted to key management personnel (KMP) and employees are ordinary shares in Carbine Resources Limited, which confer a right of 1 ordinary share for every option held.

	KMP Number of Options	**Other**	**Total**
Outstanding at the beginning of the period	-	-	
Granted	2,000,000	400,000	2,400,000
Forfeited	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding at period end	2,000,000	400,000	2,400,000
Exercisable at period end	-	200,000	200,000

The weighted average exercise price was $0.25 and full details are shown below.

Employee Share Option Scheme

(a) options were granted for no consideration
(b) exercise price of $0.35
(c) grant date 12 November 2007
(d) expiry date 30 June 2009
(e) share price at grant date $0.285
(f) expected price volatility of the company's shares 75%
(g) risk free interest rate 6.35%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

SHARE BASED PAYMENTS (continued)

Directors Option Scheme

(a) options were granted for no consideration
(b) exercise price of $0.25
(c) grant date 13 December 2006
(d) expiry date 31 December 2009
(e) share price at grant date $0.20 (assumed IPO Price)
(f) expected price volatility of the company's shares 75%
(g) risk free interest rate 6.00%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is $73,876, and relates, in full, to equity-settled share-based payment transactions.

18. RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH LOSS AFTER INCOME TAX

	2007 $
Loss after income tax	767,694
Depreciation	(2,105)
Impairment Loss	(250,000)
Exploration expenditure capitalised	1,001,753
Share-based payments	(73,876)
Changes in assets and liabilities during the year:	
Increase (decrease) in receivables	67,134
(Increase) decrease in payables	(186,231)
Net cash used in operations	1,324,369

Non-cash Investing and Financing activities

During the period, the Company issued 4,020,000 fully paid ordinary shares at the IPO notice of $0.20 to Allied Gold Limited to acquire the Red Dam Project. In addition, 2,000,000 fully paid ordinary shares were issued to Cazaly Resources Limited pursuant to the Farm-in and Joint Venture Agreement at an issue price of $0.30

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

19. FINANCIAL INSTRUMENTS

Financial Risk Management

The Company's activities are exposed to a variety of financial risks: market risk (including cash flow interest rate risk, credit risk and liquidity risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. Risk management is carried out by the Board.

Financial Risk

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

Liquidity Risk and Liquidity Risk Management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability if funding through an adequate amount of credit facilities or other fund raising initiatives.

Management monitors rolling forecasts of the Company's liquidity on the basis of expected cash flow. Forecasted liquidity reserve as of 31 December 2007 is as follows:

	31 December 2008
Opening Balance for the Period	2,793,833
Operating outflows	500,000
Exploration outflows	2,000,000
Cash outflow from investments	900,000
Financing proceeds (capital raisings)	2,000,000
Closing Balance for the period	1,393,833

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

FINANCIAL INSTRUMENTS (continued)

2007 Financial Assets	Weighted Average interest rate	Floating interest rate	Fixed interest maturing in 1 year or less	Non-interest bearing	Total
	%	$	$	$	$
Cash & cash equivalents	6.62	793,833	2,000,000	-	2,793,833
Receivables	-	-	-	61,344	61,344
Financial Liabilities					
Payables	-	-	-	(179,433)	(179,433)
Net financial assets		793,833	2,000,000	(118,089)	2,675,744

The following table summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk:

31 December 2007	Carrying Amount	Interest Rate Risk			
	$	-1%		+1%	
		Profit $	Equity$	Profit $	Equity$
Cash and Cash Equivalents	2,793,833	(27,938)	(27,938)	27,938	27,938
Trade Receivables	61,344	-	-	-	-
Trade Payables	179,433	-	-	-	-
Total increase/Decrease		(27,938)	(27,938)	27,938	27,938

(a) Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows a the current market interest rate that is available to the Company for similar financial instruments.

(b) Unrecognised financial instruments

The Company and controlled entities do not have any unrecognised financial instruments.

Capital Management Risk

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits of other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007**

FINANCIAL INSTRUMENTS (continued)

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as show in the balance sheet plus net debt. As the Company is a junior mineral explorer, the gearing ratio has been maintained throughout the year at 0%.

20. RESERVES

(a) Share-based Payments Reserve

This reserve is used to record the value of options provided as payment for services received.

Movements

	2007
	$
Balance 4 December 2006	-
Options issued to Director	47,540
Options issued to Employees	26,336
Balance 31 December 2007	73,876

During the period, 2,000,000 options were issued to a Director of the Company exercisable at $0.25 on or before 31 December 2009 and 400,000 options were issued to employees under the Employee Incentive Option Scheme at an exercise price of $0.35 on or before 30 June 2009. The total value of these options attributable to the 2007 reporting period was $47,540 and $26,336 respectively, being the fair value of the options using the Black-Scholes option pricing model.

21. COMMITMENTS AND CONTINGENCIES

(a) Operating Lease Commitments

Non Cancellable Operating Leases Contracted for but not capitalised in the Financial Statements	**2007** **$**
Office premises due within 1 year	43,690
Office premises due greater than 1 year and less than 5	54,613
Total	98,303

The operating leases are rental agreements for the Company's office premises in West Perth expiring in April 2010.

(b) Exploration Commitments

Exploration Commitments Contracted for under the Joint Venture Agreement with Cazaly Resources Limited but not capitalised in the Financial Statements	**2007** **$**
Due within 1 year	837,030
Due greater than 1 year and less than 5	
Total	837,030

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

COMMITMENTS (continued)

The committed expenditure noted above represents the balance of the minimum expenditure committed to under the Joint Venture and Farm in Agreement with Cazaly Resources Limited, coupled with the balance of the monthly management fee payable under the Agreement.

In addition to the expenditure noted above, the Company is required to pay $1,000,000 to Cazaly Resources Limited on or before the first anniversary date in May 2008 either, at the Company's election, by cash or 50/50 combined cash and issue of shares to earn an initial 35% stake in the Joint Venture Projects.

(c) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognized as liabilities, payable:	**2007** **$**
Within 1 year	163,500
Greater than 1 year and less than 5	163,500
Total	327,000

There are no contingent liabilities.

22. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2007 that has significantly affected, or may significantly affect:

(a) the Company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Company's state of affairs in future financial years.

DECLARATION BY DIRECTORS

The Directors of Carbine Resources Ltd declare that:

1. The financial statements comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001, and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the financial position as at 31 December 2007 and of the performance for the period ended on that date of the company.

2. On the basis of the matters referred to in Note 1a, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. The audited remuneration disclosures set out on pages 5 to 8 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001.*

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

Signed in accordance with a resolution of the Directors:

Robert Brierley
Executive Chairman

Dated at Perth this 25th day of March 2008

BDO Kendalls

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

Directors' Responsibility for the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors Report

We have audited the accompanying financial report of Carbine Resources Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001,* the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures,* under the heading "Remuneration Report" in pages 5 – 8 of the directors' report and not in the financial report.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

BDO Kendalls

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Carbine Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the period ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Going Concern

Without qualifying our audit opinion, we draw attention to the matters discussed in Note 1a, the company will have to seek additional funding if it is continue its exploration and evaluation activities. If the company is unable to obtain additional funding it may cast significant doubt about the company's ability to continue as a going concern and whether it will be able to realise its assets and liabilities at the values carried in the balance sheet.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

BG McVeigh
Director

Perth, Western Australia
Dated this 25th day of March 2008