



CARBINE RESOURCES LIMITED

ABN: 81 122 976 818

**HALF-YEAR FINANCIAL REPORT
30 JUNE 2008**

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DIRECTORS' REPORT

The Directors present their report on Carbine Resources Limited for the half year ended 30 June 2008.

DIRECTORS

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

Robert James Shaw Brierley	Executive Chairman
Peter Patrick Torre	Non-Executive Director/Company Secretary
Dr Wolf Gerhard Martinick	Non-Executive Director
Ronald George Sayers	Non-Executive Director

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

COMPARATIVE PERIOD

The comparative period covers the period from incorporation on 4 December 2006 to 30 June 2007 for the income statement and statement of cash flows and 4 December 2006 to 31 December 2007 for the balance sheet.

RESULTS

The loss for the Company after income tax for the period was \$447,510 (2007 \$185,523).

REVIEW OF OPERATIONS

During the period under review, the Company continued its exploration efforts on both the its 100% owned Red Dam Project and the West Kalgoorlie Joint Venture (Carbine earning up to 70% from Cazaly Resources Limited) with particular attention to the latter. Details of all results are contained within the Company's quarterly reports lodged with the Australian Securities Exchange.

A feasibility study on mining of the Catherwood deposit contained within the JV tenements was completed during the period, estimating Ore Reserves at 178,000 tonnes at an average grade of 2.73 g/t gold for 15,600 contained ounces. The Mining Proposal was submitted to the Environment Division of the Department of Industry and Resources in March 2008 and the Company remains confident of gaining the necessary approvals.

Work also commenced on preparing a feasibility study for the mining of the Picante deposit, with the potential for this to dovetail with the completion of mining at Catherwood. However, the recent rise in fuel prices and other cost inputs has seen this work reduce in priority.

The Board of Carbine continued to assess acquisition opportunities throughout the period both overseas and in Australia.

After Balance Date Events

On 28 May 2008, Carbine Resources Limited announced a non renounceable 1 for 2 Entitlement Issue of shares at \$0.12 per share. The issue closed on 4 July 2008 with 76 percent take up of entitlements resulting in 14,123,236 new shares being allotted and funds of \$1,694,788 being raised.

The Entitlement Offer was underwritten by Allied Gold Limited, subject to the performance of sub-underwriters. Under the Underwriting Agreement, Carbine provided three months to finalise the sub-underwriting arrangements.

There have been no other material events subsequent to 30 June 2008.

Auditor's Independence Declaration

A copy of the auditors Independence Declaration as required under section 307C of the Corporations Act 2001 is attached to the Interim Financial Report.

Dated at Perth this 5th day of September 2008

Signed in accordance with a resolution of the Directors.



Robert Brierley
Executive Chairman

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**INCOME STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2008**

	Period Ended	
	30 June 2008	30 June 2007
	\$	\$
Revenues from continuing operations	-	-
Other income	66,744	42,950
Depreciation	(1,807)	(436)
Director and Employment Expenses	(166,121)	(123,370)
Share based payment expense	-	(47,540)
Other expenses	(96,126)	(57,127)
Joint Venture Management Fees	(250,200)	-
Loss before income tax	<u>(447,510)</u>	<u>(185,523)</u>
Income tax expense	<u>-</u>	<u>-</u>
Loss for the half year from continuing operations	(447,510)	(185,523)
Loss attributable to members of Carbine Resources Limited	<u>(447,510)</u>	<u>(185,523)</u>
	Cents	Cents
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the company.		
Basic earnings (loss) per share	(0.01)	(0.01)
Diluted earnings (loss) per share	N/A	N/A

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

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**BALANCE SHEET
AS AT 30 JUNE 2008**

	Half-Year ended 30 June 2008 \$	Period Ended 31 December 2007 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	813,405	2,793,833
Trade and other receivables	292,680	61,344
Other current assets	16,048	5,790
Total Current Assets	<u>1,122,133</u>	<u>2,860,967</u>
NON-CURRENT ASSETS		
Plant and Equipment	7,973	9,780
Exploration & Development Expenditure	4,917,433	2,169,003
Total Non-current Assets	<u>4,925,406</u>	<u>2,178,783</u>
Total Assets	<u>6,047,539</u>	<u>5,039,750</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	648,371	179,433
Interest Bearing Liability	500,000	-
Provisions	8,366	6,798
Total Current Liabilities	<u>1,156,737</u>	<u>186,231</u>
Total Liabilities	<u>1,156,737</u>	<u>186,231</u>
Net Assets	<u>4,890,802</u>	<u>4,853,519</u>
EQUITY		
Issued capital	6,032,130	5,547,337
Reserves	73,876	73,876
Accumulated losses	(1,215,204)	(767,694)
Total Equity	<u>4,890,802</u>	<u>4,853,519</u>

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

**CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2008**

	Half year ended	
	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of goods and services tax)	(399,224)	(176,803)
Exploration expenditure	(1,647,949)	(108,810)
Interest received	66,745	42,487
Net cash outflow from operating activities	<u>(1,980,428)</u>	<u>(243,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	-	(9,094)
Net cash outflow from investing activities	<u>-</u>	<u>(9,094)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of capital raising costs	-	3,147,946
Net cash provided by financing activities	<u>-</u>	<u>3,147,946</u>
Net increase/(decrease) in cash and cash equivalents held	(1,980,428)	2,895,726
Cash and cash equivalents at the beginning of the half year	2,793,833	-
Cash and cash equivalents at the end of the half-year	<u>813,405</u>	<u>2,895,726</u>

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

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE HALF-YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
Contributions of equity net of transactions costs	-	3,963,915
Issue of Equity pursuant to Farm-In and Joint Venture Agreement	484,793	
Share based payments	-	47,540
Net income recognised directly in equity	484,794	-
Loss for the half year	(447,510)	(185,523)
Total recognised income and expense for the half year	(447,510)	(185,523)

The above statement of recognised income and expenses should be read in conjunction with the accompanying notes.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2008**

1. BASIS OF PREPARATION

The financial report of Carbine Resources Limited for the half year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Board of Directors.. Carbine Resources Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The half-year financial report does not include all notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2007 and any public announcements made by Carbine Resources Limited during the interim financial reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

This general purpose financial report for the interim half-year reporting period ended 30 June 2008 has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The comparative period is from the Company's incorporation date being 4 December 2006 to 30 June 2007.

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 \$447,510, bringing accumulated losses to \$1,215,204. As at 30 June 2008 the Company has net assets of \$4,890,802 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 the intention of the Board to continue to explore, evaluate and develop the Company's areas of interest for which rights of tenure are current. In order to achieve this, further cash injections by way of equity, debt or other means will be necessary.

On 28 May 2008, Carbine Resources Limited announced a non renounceable 1 for 2 Entitlement Issue of shares at \$0.12 per share. The issue closed on 4 July 2008 with 76 percent take up of entitlements resulting in 14,123,236 new shares being allotted and funds of \$1,694,788 being raised.

The Entitlement Offer was underwritten by Allied Gold Limited, subject to the performance of sub-underwriters. Under the Underwriting Agreement, Carbine provided three months to finalise the sub-underwriting arrangements.

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

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

	Half year 2008 \$	Half year 2007 \$
2. EXPLORATION AND DEVELOPMENT EXPENDITURE		
Carrying amount at the beginning of the period	2,169,003	-
Issue of Shares pursuant to Farm-in and Joint Venture Agreement	484,793	-
Payment of part consideration pursuant to Farm and Joint Venture Agreement	500,000	-
Exploration Expenditure	1,863,637	1,285,842
Carrying amount at the end of the period	<u>4,917,433</u>	<u>1,285,842</u>

3. SEGMENT INFORMATION

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

4. ISSUED CAPITAL

	2008 Number of Shares	2008 \$	2007 Number of Shares	2007 \$
Ordinary Shares Fully Paid				
Balance at beginning of period	34,600,343	5,547,337	-	-
- Founder Share	-	-	1	-
- Issue of Promoter Shares – Dec 2006	-	-	5,500,000	27,500
- Issue of Seed Capital Shares – Jan 2007	-	-	5,000,000	250,000
- Issue of Shares to Acquire the Red Dam Project	-	-	4,020,000	804,000
- Issue of Shares pursuant to Prospectus dated 2 February 2007	-	-	15,000,000	3,000,000
- Issue of Shares as part consideration for services rendered	-	-	50,000	13,250
- Issue of Shares as part consideration for the West Kalgoorlie Farm-in and Joint Venture Agreement	2,423,966	484,793	-	-
Transaction Costs on the issue of shares	-	-	-	(130,835)
Balance at the end of the period	<u>37,024,309</u>	<u>6,032,130</u>	<u>29,570,000</u>	<u>3,963,915</u>

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

Category	No of Options	Exercise Price Cents per Share	Expiry Date
Unlisted Options	2,000,000	25	31 December 2009
Unlisted Options	400,000	35	30 June 2009

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5. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period

6. SUBSEQUENT EVENTS

On 23 May 2008, Carbine Resources Limited announced a non renounceable 1 for 2 Entitlement Issue of shares at \$0.12 per share. The issue closed on 4 July 2008 with 76% take up of entitlements resulting in 14,123,236 new shares being allotted and funds of \$1,694,788 being raised.

The Entitlement Offer was underwritten by Allied Gold Limited, subject to the performance of sub-underwriters. Under the Underwriting Agreement, Carbine provided three months to finalise the sub-underwriting arrangements.

There have been no other material events subsequent to 30 June 2008.

7. CONTINGENT LIABILITIES

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

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

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

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

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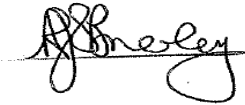
DIRECTORS' DECLARATION

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Cash Flow Statement Statement of Recognised Income and Expense and accompanying notes:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the entity's financial position as at 30 June 2008 and of its performance for the period ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Robert Brierley
Executive Chairman

Dated at Perth this 5th day of September 2008

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5 September 2008

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

Dear Sirs

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

As lead auditor for the review of Carbine Resources Limited for the half-year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Carbine Resources Limited.

BG McVeigh
Director

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

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

We have reviewed the accompanying half-year financial report of Carbine Resources Limited, which comprises the condensed balance sheet as at 30 June 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 30 June 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Carbine Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) giving a true and fair view of the disclosing entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to the matters discussed in Note 1. As a result of accumulated losses, a significant uncertainty exists regarding continuation as a going concern. The company will have to seek additional funding or complete the sale of assets if it is to continue its activities. If the company is unable to obtain additional funding or complete the sale of assets 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 extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

BDO Kendalls Audit & Assurance (WA) Pty Ltd



B.G McVeigh

Director

Perth, Western Australia

Dated this 5th day of September 2008

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