



CARBINE RESOURCES LIMITED

ABN 81 122 976 818

**HALF-YEAR FINANCIAL REPORT
30 JUNE 2007**

DIRECTORS' REPORT

The Directors present their report on Carbine Resources Limited for the period of 4 December 2006 to 30 June 2007.

DIRECTORS

The Directors of the Company in office during or since the end of the 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)

RESULTS

The loss of the Company after income tax for the period was \$185,523.

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 30 June 2007.

The Company entered into an agreement with Allied Gold 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.

During the period, the Company commenced a reverse circulation drilling program with the aim of expanding and increasing the confidence level in the current 141,971 ounce inferred gold resources at the Petrus prospect. Petrus is located at the northern end of the Red Dam project Mining Lease 16/344.

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.

Encouraging high grade intercepts were encountered adjacent to and along strike from previously identified mineralisation. The most significant intercepts were 5 metres at 44.07 g/t gold from a down-hole depth of only 32 metres; 18 metres at 4.88g/t from 76 metres; and 14 metres at 8.27 g/t from 97 metres.

During the period, the Company also signed a farm-in and joint venture Heads of 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 exploration 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.

Carbine has also offered its Red Dam project into the joint venture (JV). If this option is accepted it will reduce the consideration referred to in item 3 above by \$700,000 from \$1,000,000 to \$300,000. This would enhance the synergies between the two groups and increase mineral resources held by the JV by 23% to 754,000 ounces.

These Cazaly tenements cover approximately 533 square kilometres and contain mineral resources of 612,400 ounces of Gold. As at the date of this report, the Company is still working to finalise the formal agreements.

After Balance Date Events

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.

The Company has also continued to further expedite the finalisation of the formal Farm-In and Joint Venture Agreements with Cazaly Resources Limited.

There have been no other material events subsequent to 30 June 2007.

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 15th day of August 2007

Signed in accordance with a resolution of the Directors.



Robert Brierley
Executive Chairman

**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2007**

		Period Ended 30 June 2007 \$
Revenues	2	42,950
Depreciation		(436)
Director and Employment Expenses		(123,370)
Share bases payment expense		(47,540)
General and other expenses		(57,127)
Loss before income tax		(185,523)
Income tax expense		-
Loss for the half year from continuing operations		(185,523)
Loss attributable to members of Carbine Resources Limited		(185,523)
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company.		
Basic earnings (loss) per share (cents)		(0.01)
Diluted earnings (loss) per share (cents)		N/A

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

CONDENSED BALANCE SHEET
AS AT 30 JUNE 2007

	Half-Year ended 30 June 2007 \$
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	2,895,726
Trade and other receivables	50,554
Other Current Assets	8,969
Total Current Assets	<u>2,955,249</u>
NON-CURRENT ASSETS	
Property, Plant and Equipment	8,080
Exploration & Development Expenditure	1,285,842
Total Non-current Assets	<u>1,293,922</u>
Total Assets	<u>4,249,171</u>
LIABILITIES	
CURRENT LIABILITIES	
Trade and Other Payables	422,856
Short Term Provisions	384
Total Current Liabilities	<u>423,240</u>
Total Liabilities	<u>423,240</u>
Net Assets	<u>3,825,931</u>
EQUITY	
Issued Capital	3,963,914
Reserves	47,540
Accumulated Losses	(185,523)
Total Equity	<u>3,825,931</u>

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

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2007**

	Half year ended 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers and employees	(176,803)
Exploration expenditure	(108,810)
Interest Received	42,487
	(243,126)
Net cash outflow from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment for plant and equipment	(9,094)
	(9,094)
Net cash outflow from investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares, net of capital raising costs	3,147,946
	3,147,946
Net cash provided by financing activities	
Net increase/(decrease) in cash and cash equivalents held	2,895,726
Cash and cash equivalents at the beginning of the period	-
	-
Cash and cash equivalents at the end of the half-year	2,895,726
	2,895,726

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

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2007**

	2007
	\$
Total equity at the beginning of the half year	-
Transactions with equity holders in their capacity as equity holders	
Contributions of equity net of transactions costs	3,963,915
Share based payments	47,540
Loss for the half year	(185,523)
Total Recognised Income and Expense	<u>(185,523)</u>
Total equity at the end of the half year	<u>3,825,931</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2007**

1. BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 30 June 2007 has been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The period being reported is from the Company's incorporation date being 4 December 2006 to 30 June 2007. As this is the first financial report of the Company, below are the significant accounting policies adopted in the preparation of the financial information. It is recommended that this financial report be read in conjunction with any public announcements made by Carbine Resources Limited during the period in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

This interim report does not include all the notes of the type normally included in an annual financial report.

(a) Basis of preparation

The financial report has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal groups held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

This half year financial report is the Company's first financial report and is prepared in accordance with AIFRS. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(b) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying value amount of the financial asset.

(c) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

(d) Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(e) Cash and Cash Equivalents

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade and Other Receivables

Trade receivables are initially recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Trade receivables are due for settlement no more than 30 days from the date of recognition. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(g) Investments and Other Financial Assets

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. 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. The policy of management is to so designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(h) Contributed 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of an asset are not included in the cost of the acquisition as part of the purchase consideration.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

(j) Employment Benefits*Share Based Payments*

Share based payments may be provided to directors, employees, consultants and other advisors.

The fair value of options granted (determined using the Binomial Option Valuation model) is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which option holders become unconditionally entitled to the options.

Wages and Salaries, annual leave and Long Service Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in short term provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

(k) Earnings Per Share*Basic Earnings Per Share*

Basic earnings per share is calculated dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(l) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economical recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

	Half year 2007 \$
2. REVENUE	
Revenue from operating activities:	
Interest – other persons	42,950
Total Revenue	<u>42,950</u>
3. EXPLORATION AND DEVELOPMENT EXPENDITURE	
Carrying amount at the beginning of the period	-
Expenditure	1,285,842
Carrying amount at the en of the period	<u>1,285,842</u>

4. SEGMENT INFORMATION

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

5. ISSUED CAPITAL

	2007 Number of Shares	2007 \$
Ordinary Shares Fully Paid		
Balance at beginning of period	-	
- 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
Transaction Costs on the issue of shares	-	(130,835)
Balance at the end of the period	<u>29,570,001</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

6. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel.

A director, Mr Ronald Sayers, is a director and shareholder of Ausdrill Limited. During the period, Carbine Resources Limited engaged Ausdrill Limited to provide exploration drilling services to the Company. The value of the services provided was \$299,106. The amount charged was based on normal commercial terms and conditions.

As at 30 June 2007, there was an amount payable to Ausdrill Limited in relation to the services of \$299,106. This amount was paid subsequent to the period end.

7. SUBSEQUENT EVENTS

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.

The Company has also continued to further expedite the finalisation of the formal Farm-In and Joint Venture Agreements with Cazaly Resources Limited.

There have been no other material events subsequent to 30 June 2007.

8. 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 Limited (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.

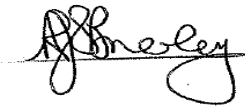
DIRECTORS' DECLARATION

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 Changes in Equity and accompanying notes:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the entity's financial position as at 30 June 2007 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 15th day of August 2007



BDO Kendalls

BDO Kendalls Audit & Assurance (WA)
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

15 August 2007

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

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS OF CARBINE RESOURCES LIMITED

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.

Yours faithfully

BDO Kendalls Audit & Assurance (WA)

BG McVeigh
Partner



BDO Kendalls

BDO Kendalls Audit & Assurance (WA)
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carbine Resources Limited, which comprises the condensed balance sheet as at 30 June 2007, 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 description of accounting policies, other selected explanatory notes and the directors' declaration (in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission).

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 2007 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Carbine Resources Limited on 15 August 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.

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 2007 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.

BDO Kendalls Audit & Assurance (WA)

BDO Kendalls
BG McVeigh

BG McVeigh
Partner

Perth, Western Australia
Dated this 15th day of August 2007