CARBINE RESOURCES

ABN: 81 122 976 818

ANNUAL FINANCIAL REPORT

31 DECEMBER 2009

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of Carbine Resources Limited ("the Company") for the year ended 31 December 2009 and the auditors report thereon.

DIRECTORS

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

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

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 Peter Patrick Torre ***Non-Executive Director/Company Secretary***
(Aged 37)

Mr Torre is a principal of Torre 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.

Mr Ronald George Sayers ***Non-Executive Director***
(Aged 57)

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

Mr Gregory Hugh Steemson ***Non-Executive Director***
(Aged 56)

Mr Steemson is a qualified geologist and geophysicist with extensive experience in exploration and the development and management of mining projects in Australia, Asia and Africa.

Mr Steemson is a Non-Executive Director of Allied Gold Limited and Managing Director of Mineral Commodities Limited, companies listed on the Australian Stock Exchange (ASX).

He has been associated with the mining and mineral exploration industries for in excess of 35 years and has particular experience in geology, geophysics and exploration project appraisals.

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	3	3
Peter Torre	3	3
Ron Sayers	3	3
Gregory Steemson	3	3

T**here have been other matters of Board business which have been resolved by circular resolutions of Directors, which are a record of decisions made at a number of informal meetings held to control, implement and monitor the Company's activities throughout the year.**

The Company does not presently have separate nomination, remuneration or audit committees as the Directors believe that the Company is not yet of a size, nor are its financial affairs of such complexity to justify these separate committees. All matters, which might be dealt with by such committees are subject to the full scrutiny of board meetings. This decision will be reviewed as the Company develops in the future. Notwithstanding this, it is the Boards responsibility to ensure that an effective internal framework exists within the entity.

PRINCIPAL ACTIVITIES

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

RESULTS

The profit of the Company after providing for income tax is $22,276 (2008: loss $5,020,556).

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared.

REVIEW OF OPERATIONS

This report and the accompanying financial statements cover the period from 1 January 2009 to 31 December 2009.

During the period, the Board continued to assess various project opportunities for the Company to pursue along with reviewing data on its 100% owned Red Dam project.

The Board of Carbine advised on 22 December 2009 that it had entered into an Earn in and Shareholders Agreement (Agreement) with Ampella Mining Limited in respect to Ampella's Madougou Gold Project in Burkina Faso, West Africa ("the Assets").

Carbine may earn a 51% interest in a newly established company which will hold the Assets by sole contributing the sum of AUD$3 million on exploration appraisal of the Assets within a period of 3 years from the commencement of the earn in period and will spend a minimum of $250,000 in the first year.

Carbine may increase its interest to 70% by sole contributing a further AUD$2 million within a period of 2 years from the end of the first earn in period and then increase to 80% by sole funding a pre-feasibility study.

The Commencement of the Earn-In was conditional upon and subject to the approval of Ampella shareholders which was obtained at a general meeting held on 29 January 2010.

Background to Madougou Project

The Madougou Project in Burkina Faso covers an area of 465 square kilometres over the Permits, known as Kandy to the southwest and Madougou to the northeast. It is accessed from the capital Ouagadougou by 180 kilometres of sealed highway to the nearby city of Ouahigouya and thereafter by unsealed all-weather roads. The area is underlain by Birimian greenstones associated with the Hounde Belt and is cut by the regional Ouahigouya Deformation Corridor.

Detailed regolith and geological mapping has been completed over the Madougou and Kandy Project areas and this has highlighted the extent of transported lateritic cover which will require future auger drilling programs on top of the recent soil geochemical surveys. It is only where significant topographic relief exists that the majority of the currently known gold prospects have been identified by past explorers and they highlighted a 10 kilometre long gold in soil anomaly at greater than 25 parts per billion gold. The Dore Prospect in the northwest area of the Madougou Project is an exception to the major soil anomalies as it was identified by artisanal miners working beneath 5 metres of transported laterite.

Ampella has only undertaken 1 minor drilling campaign of approximately 2,500m at the Madougou Project before it shifted its prime focus to the Batie West Project.

The Board of Carbine believes that the Madougou Project exhibits tremendous potential to host a significant gold resource and the next 12 month period will be used to implement specific well designed exploration programs to answer fundamental questions concerning the controls on gold mineralisation both at a prospect scale and under cover. Such programs should deliver both economic intersections and assist in identifying significant gold resources.

WEST KALGOORLIE JOINT VENTURE

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

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

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

A general meeting of shareholders was held on 29 October 2009 and shareholder approval was obtained to proceed with the buy-back of shares.

Carbine received the respective Cazaly shares, which have been divested immediately following the year end.

RED DAM PROJECT (CARBINE 100%)

Carbine Resources Ltd ("Carbine") owns 100% of the Red Dam project, which is situated approximately 45 kilometres north-west of Kalgoorlie, Western Australia. The project contains Indicated Resources of 683,000 tonnes @ 2.44 g/t gold and Inferred Resources of 1,187,000 tonnes @ 2.45 g/t gold for a Total Resource of 147,400oz of gold, when a 1 g/t gold lower cut-off grade is applied.

The Mineral Resources are contained within the northern most area of the project known as the Petrus deposit, where the vast majority of historical and recent exploration drilling has occurred. The mineralisation is part of a mineralised structure that extends onto adjacent tenements.

Activities for the period consisted of reviewing existing data with the aim of developing a commercialization strategy for the project.

Placement of Shares

As announced on 22 December 2009, Carbine proposed to issue and allot 27,500,000 shares to sophisticated investors at $0.04 per share and 13,750,000 options at $0.005 to raise approximately AUD$1.17 million before costs.
The options will have an exercise price of $0.15 and will be exercisable by 31 July 2011 (Options).

The Company has entered into a Heads of Agreement with Kingslane Pty Ltd (Kingslane) whereby Kingslane has agreed to subscribe for 12,500,000 shares and 10,000,000 options of the total proposed securities to be issued. The remainder of the shares will be placed to sophisticated investors.

The funds raised from the placement will be used to part fund the initial earn in under the Agreement.

Pursuant to Shareholder Approval received on 19 February 2010, the placement was completed on 12 March 2010.

Option Rights Issue

On 22 December 2009, Carbine announced that it intended to undertake a non-renounceable rights issue of options to existing shareholders. The options will be issued on the same terms and conditions as the Options issued as part of the Placement.

The Company announced details of the Entitlement Issue along with the Prospectus for the Issue on 21 January 2010. The Offer is a pro rata non-renounceable entitlement issue on the basis of 1 new option (**Option**) for every 2 shares held by shareholders at an issue price of $0.005 per Option, to raise up to approximately $118,879.

FINANCIAL POSITION

The net assets of the Company as at 31 December 2009 are $1,883,585 compared to $1,996,655 as at 31 December 2008.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In November 2009, the shareholders approved the issue of 1,000,000 shares each (3,000,000 in total) to the directors of the Company.

No other Significant changes to the Company's business operations and strategy during the year has occurred other than that explained under the Review of Operations.

SUBSEQUENT EVENTS

The following post balance date events have occurred:

Earn-In and Shareholder Agreement

The Commencement of the Earn-In was conditional upon and subject to the approval of Ampella shareholders which was obtained at a general meeting held on 29 January 2010.

Placement of Shares

Pursuant to Shareholder Approval received on 19 February 2010, the placement of 27,500,000 shares to sophisticated investors at $0.04 per share and 13,750,000 options at $0.005 was completed on 12 March 2010 to raise approximately AUD$1.17 million before costs.

Option Rights Issue

The Company announced details of the Entitlement Issue along with the Prospectus for the Issue on 21 January 2010. The Offer is a pro rata non-renounceable entitlement issue on the basis of 1 new option (**Option**) for every 2 shares held by shareholders at an issue price of $0.005 per Option, to raise up to approximately $118,879.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company will proceed to fulfil its obligations **under** the Joint Venture with Ampella Mining Ltd and commence exploration on the Madougou Project in Burkina Faso.

OPTIONS

The number of options for ordinary shares on issue at the date of this report is nil.

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

Date of Grant	No of Options
Opening Balance	2,100,000
• Options issued in the period	-
• Options exercised in the period	-
• Options forfeited and expired in the period	100,000
Balance at 31 December 2009	**2,000,000**

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
Peter Torre	-	2,250,000	-	-
Ron Sayers	-	3,000,000	-	-
Greg Steemson	-	1,500,000	-	-

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and other key management personnel of Carbine Resources Limited. These remuneration disclosures have been audited. The Company has no key management personnel other than the Directors of the Company.

Details of Key Management Personnel:

- Peter Torre – Non-Executive Director/Company Secretary
- Gregory Steemson – Non-Executive Chairman
- Ron Sayers – Non-Executive Director
- Robert Brierley – Executive Chairman (resigned 10 July 2009)

Compensation of Key Management Personnel:

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors. The entire Board acts as the remuneration committee. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of appropriately qualified Directors and executives. Presently there are no formalised arrangements which give rise to the payment of additional remuneration to Directors contingent on Company performance.

The Constitution and the ASX listing rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The Company has not yet amended its total aggregate remuneration from that disclosed in its prospectus in February 2007 of $200,000.

Given the size of the Company and its operations there is no relationship between remuneration and Company performance.

Non-Executive Director remuneration will be determined according to market practice for junior listed companies based on information obtained from industry analysts. The current Non-Executive Directors have chosen not to receive any Directors' fees whilst the Company is in its current development phase, however, to compensate for this, each of the Non-Executive Directors received 1,000,000 shares pursuant to shareholder approval at the 2009 Annual General Meeting.

During the period, fees were paid to the Company Secretary Mr Peter Torre for Corporate Secretarial and Administration services. Mr Gregory Steemson also received fees for additional work undertaken on the review of data associated with the Red Dam project and due diligence on the Joint Venture with Ampella Mining Limited.

Compensation of Key Management Personnel

2009	Short-Term Benefits	Post Employ-ment Benefits	Share-Based Payment		
Name	Cash Salary and Fees $	Superannuation $	Shares / Options $	Total $	% Performance Based
Non-Executive Directors					
Peter Torre	44,044	-	50,000	50,000	0%
Ron Sayers	0	-	50,000	50,000	0%
Greg Steemson	8,800	-	50,000	58,800	0%
Sub-total Non-Executive Directors	52,844	-	150,000	202,844	0%
Executive Directors					
Rob Brierley	57,402	-	-	57,402	0%
Specified Executive					
Mary-Ann Brierley	21,764	1,766	-	23,530	0%
Total	132,010	1,766	150,000	283.776	0%

2008	Short-Term Benefits	Post Employ-ment Benefits	Share-Based Payment		
Name	Cash Salary and Fees $	Superannuation $	Shares / Options $	Total $	% Performance Based
Non-Executive Directors					
Peter Torre	43,000	2,250	-	45,250	0%
Wolf Martinick	2,500	24,750	-	27,250	0%
Ron Sayers	25,000	2,250	-	27,250	0%
Greg Steemson	-	-	-	-	0%
Sub-total Non-Executive Directors	70,500	29,250	-	99,750	0%
Executive Directors					
Rob Brierley	188,500	2,250	-	190,750	0%
Specified Executive					
Mary-Ann Brierley	40,000	3,600	-	43,600	0%
Total	299,000	35,100	-	334,100	0%

Compensation Options

There were no compensation options granted during the period. No compensation options were exercised during the year.

Service Agreements

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 which mirror those set out within the Corporations Act 2001, including compensation, relevant to the office of Director.

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

Robert Brierley Executive Chairman and Managing Director (Resigned – 10 July 2009)
- 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.

No other remuneration arrangements were in place during the financial year ended 31 December 2009.

Share Based Payment Compensations

Details of shares of ordinary capital in the company provided as remuneration to each director of Carbine Resources Limited are set out below:

	2009 No shares issued	2008 No shares issued
Directors of Carbine Resources Limited		
Peter Torre	1,000,000	-
Gregory Steemson	1,000,000	-
Ron Sayers	1,000,000	-

The fair value of the shares was assess at Grant date base on observable fair market value. The shares issues are not subject to any escrow period.

[End of Remuneration Report (Audited)]

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 $8,497.

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 wilful 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 Unit B9, 431 Roberts Rd Subiaco WA 6008.

NON ASSURANCE SERVICES

There were no non-assurance services provided by the company's auditors during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 on page 41 forms part of the Directors' Report for the period ended 31 December 2009. 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.

Peter Torre
Director

Dated at Perth this 19 day of March 2010

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 $	2008 $
Revenue from continuing operations	2	534,329	112,471
Exploration and evaluation costs	8	(4,825)	(617,321)
Impairment of exploration assets	8	(50,559)	(3,821,920)
Depreciation	2	(3,614)	(3,637)
Share based payment expense	17	(150,000)	-
Employee, director and consultant expenses		(147,365)	(439,193)
General and administration expenses	2	(155,689)	(250,956)
Profit/(Loss) before income tax		22,276	(5,020,556)
Income tax expense	3	-	-
Profit/(Loss) after income tax from continuing operations		22,276	(5,020,556)
Other comprehensive income		-	-
Total comprehensive income/(loss)		-	-
Comprehensive income attributable to members of Carbine Resources Limited		22,276	(5,020,565)
Loss per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company.			
Basic earnings/(loss) per share cents	12	0.04	(10.0)
Diluted loss per share	12	0.04	n/a

This Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	2009 $	2008 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	564,217	899,188
Trade and other receivables	5	4,680	-
Other current assets	6	4,749	7,572
Total Current Assets		573,646	906,760
Non-Current Assets			
Plant and equipment	7	2,529	6,143
Exploration and evaluation expenditure	8	1,089,441	1,140,000
Financial assets	9	226,545	-
Total Non-Current Assets		1,318,515	1,146,143
Total Assets		1,892,161	2,052,903
LIABILITIES			
Current Liabilities			
Trade and other payables	10	8,576	53,904
Provisions		-	2,344
Total Current Liabilities		8,576	56,248
Total Liabilities		8,576	56,248
Net Assets		**1,883,585**	**1,996,655**
EQUITY			
Issued capital	11	7,425,683	7,711,029
Reserves	20	223,876	73,876
Accumulated losses		(5,765,974)	(5,788,250)
Total Equity		**1,883,585**	**1,996,655**

This Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Contributed Equity $	Accumulated Losses $	Share Based Payments Reserve $	Total Equity $
Balance at 1 January 2009	**7,711,029**	**(5,788,250)**	**73,876**	**1,996,655**
Total Comprehensive Income for the year				
Profit for the year	-	22,276	-	22,276
Total Comprehensive Income for the year	-	22,276	-	22,276
Transactions with owners in their capacity as owners:	-	-	-	-
Share buy-back	(285,346)	-	-	(285,346)
Share Based Payments	-	-	150,000	150,000
Balance at 31 December 2009	**7,425,683**	**(5,765,974)**	**223,876**	**1,883,585**

	Contributed Equity $	Accumulated Losses $	Share Based Payments Reserve $	Total Equity $
Balance at 1 January 2008	**5,547,337**	**(767,694)**	**73,876**	**4,853,519**
Total Comprehensive Income for the year				
Loss for the year	-	(5,020,556)	-	(5,020,556)
Total comprehensive income for the year	-	(5,020,556)	-	(5,020,556)
Transactions with owners in their capacity as owners	-	-	-	-
Contributions of equity net of transactions costs	2,163,692	-	-	2,163,692
Balance at 31 December 2008	**7,711,029**	**(5,788,250)**	**73,876**	**1,996,655**

This Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(357,409)	(594,114)
Exploration expenditure, prospects, management fees		-	(3,091,901)
Interest received		22,438	112,471
Other revenue		-	-
Net cash (outflow) from operating activities	18	(334,971)	(3,573,544)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		-	-
Net cash (outflow) from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of capital raising costs		-	1,678,899
Net cash inflow from financing activities		-	1,678,899
Net (decrease)/increase in cash and cash equivalents held		(334,971)	(1,894,645)
Cash and cash equivalents at the beginning of the period		899,188	2,793,833
Cash and cash equivalents at the end of the period	4	**564,217**	**899,188**

This Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These financial statements are general-purpose financial statements which have 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 statement, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards 'IFRS'.

The functional and presentation currency of the Company is Australian Dollars.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period. The adoption of revised standards affecting disclosure are as follows:

Presentation of financial statements

The Company has applied revised AASB 101 *Presentation of Financial Statements (2007),* which became effective as of 1 January 2009.

As a result, the Company presents in the statement of changes in equity, whereas all non-owner changes are presented in the statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the accounting policy only impacts presentation aspects, there is no impact on earnings per share

Segment Reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets

Change in Accounting Policy

The Company has adopted AASB 9 *Financial Instruments* and will apply the requirements of the new standard to financial assets for the year ended 31 December 2009.

As allowed by AASB 9, if early adopted, the Company has elected not to restate prior periods. Any adjustments between the previous carrying amounts and the carrying amount as restated have been recognised in the opening retained earnings at 1 January 2009.

Recognition

The Company recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified based on the objective of the Company's business model for managing the financial assets and the characteristics of the contractual cash flows.

The Company derecognises a financial asset when the contractual cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows such that substantially all the risks and rewards of ownership of the financial asset are transferred.
The Company has the following financial assets:

Financial assets at fair value

Financial assets at fair value are non-derivative financial assets. Financial assets at fair value are measured initially at fair value which includes transaction costs directly attributable to the acquisition of the financial asset. They are measured subsequently at fair value with movements in fair value being recognised in profit or loss. Dividends from equity investments are included in profit or loss. Profit or loss arising on the sale of equity investments is recognised in profit or loss.

Historical cost convention

The financial report has been prepared on an accruals basis and is based on historical costs, with the exception of financial assets at fair value.

(a) 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 Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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 Statement of Financial Position 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 there 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 Statement of Comprehensive Income 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 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.

(c) Mineral Exploration and Evaluation and Development Expenditure

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 Statement of Comprehensive Income.

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 continuing.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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 are 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.

(d) 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.

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 Statement of Comprehensive Income during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

The depreciation amount of all fixed 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.

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

Class of Fixed Asset	Depreciation Rate
Office Equipment	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position 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 Statement of Comprehensive Income.

(e) 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 Statement of Comprehensive Income.

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.

(f) Employee Benefits

A 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.

(g) Financial Instruments

At present, the Company does not undertake any hedging or deal in derivative instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition

The Company recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

Financial assets are classified based on the objective of the group's business model for managing the financial assets and the characteristics of the contractual cash flows.

The Company derecognises a financial asset when the contractual cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company has the following financial assets:

Financial assets at fair value

Financial assets at fair value are non-derivative financial assets that are not classified into the previous category.

Financial assets at fair value are measured initially at fair value which includes transaction costs directly attributable to the acquisition of the financial asset. They are measured subsequently at fair value with movements in fair value being recognised in profit or loss, unless:
- The financial asset is an equity investment, and
- The group has made an irrevocable election to present gains and losses on the financial asset in other comprehensive income. This election has been made on an individual equity basis.

Dividends from equity investments are included in profit or loss regardless of whether the election has been made to recognise movements in fair value in other comprehensive income.

Profit or loss arising on the sale of equity investments is recognised in profit or loss unless the election has been made to recognise fair value movements in other comprehensive income, in which case the profit or loss on sale is also recognised in other comprehensive income.

Impairment

Impairment losses on financial assets at fair value are recognised in profit or loss, unless the election has been made to recognise movements in fair value in other comprehensive income, in which case impairment losses are recognised in other comprehensive income.

Financial Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT 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.

(h) 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.

Interest income is recognised using the effective interest rate method.

(g) Earnings Per Share

Basic earnings per share

Basic earnings per share ("EPS") is calculated as net profit or loss attributable to ordinary shareholders of the company divided by the weighted average number of shares outstanding during the period.

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 operations, 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.

(h) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) Provisions

Provisions are recognised when the Company 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 Statement of Financial Position 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 recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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, including the estimates costs of extraction and the underlying forward gold price. See Note 8 in respect to impairment for Exploration and Development expenditure along with the account policy as disclosed in Note 1(e).

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. REVENUES AND EXPENSES

	2009 $	2008 $
(a) Revenue from continuing operations		
Interest revenue	43,033	112,471
Royalty revenue	491,296	-
Total revenue from continuing operations	534,329	112,471
(b) Depreciation		
Office Equipment	3,614	3,637
(c) General and administrative expenses		
Superannuation	1,765	44,183
Operating lease – rental	36,611	19,807
Other expenses	167,313	186,966
Total general and administrative expenses	205,689	250,956

3. INCOME TAX EXPENSE

The components of income tax expense comprise:

Current tax	-	-
Deferred tax	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

	2009 $	2008 $
Income tax benefit reported in the Statement of Comprehensive Income	-	-

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% (2008: 30%).

	2009	2008
Profit/(Loss) before income tax	22,276	(5,020,556)
At the Company's statutory income tax rate of 30%	6,683	(1,506,167)
Timing differences	-	-
Unrecognised DTA on losses	-	1,506,167
Utilisation of carried forward tax losses	(6,683)	-
Income tax attributable to entity	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
Tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur	1,697,253	1,703,936
Deferred tax assets		
- temporary differences		
- tax losses (operating losses)	1,697,253	1,703,936
- tax losses (capital losses)	-	-
	1,697,253	1,703,936

Deferred tax assets have not been recognised as it is not considered probable at this stage that they will be recovered.

4. CASH AND CASH EQUIVALENTS

	2009	2008
Cash at bank	564,217	899,188

The effective interest rate on short term bank deposit was 2.72% (2008: 6.62%).

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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

	2009 $	2008 $
Cash at bank	564,217	899,188

5. TRADE AND OTHER RECEIVABLES - CURRENT

Net GST refundable	4,680	-

6. OTHER CURRENT ASSETS

Prepayments	4,749	7,572

11. PLANT AND EQUIPMENT

Office equipment – at cost	11,885	11,885
Accumulated depreciation	(9,356)	(5,742)
Total plant and equipment	2,529	6,143

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

Carrying amount at beginning of period	6,143	9,780
Additions	-	-
Disposal	-	-
Depreciation	(3,614)	(3,637)
Carrying amount at end of period	2,529	6,143

12. EXPLORATION AND EVALUATION EXPENDITURE

Exploration expenditure – costs carried forward in respect of areas of interest in:

Exploration and evaluation phases	1,140,000	4,961,920
Less impairment	(50,559)	(3,821,920)
Total exploration and evaluation	1,089,441	1,140,000

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

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

	2009 $	2008 $
Carrying amount at beginning of year	1,140,000	4,961,920
Expenditure during the year	-	3,410,238
Impairment Loss	(50,559)	(3,821,920)
Exploration costs expensed in P&L	-	(617,321)
Carrying amount at end of year	1,089,441	1,140,000

Impairment Loss

During 2008 year end, the vast majority of the impairment loss relates to the West Kalgoorlie Joint Venture, which the Company withdrew from in November 2008. The entire carrying value of this Joint Venture has been written off, although the Company retains a royalty interest in any gold production from selected tenements that made up the JV area. The recoverable amount of these assets was determined by management based on value in use.

9. FINANCIAL ASSETS

Financial Assets at Fair Value	226,545	-
Total Financial Assets at Fair Value	226,545	-

All Financial assets have been valued based on quoted (unadjusted) market values.

The Company’s exposure to credit and interest rate risks related to financial assets is disclosed in Note 19.

10. TRADE AND OTHER PAYABLES – CURRENT

	2009 $	2008 $
Trade payables – unsecured	8,576	24,941
Other payables and accruals – unsecured	-	28,963
Total trade and other payables	8,576	53,904

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

11. ISSUED CAPITAL

	2009 Number of Shares	2009 $	2008 Number of Shares	2008 $
(a) Ordinary shares fully paid				
Balance at beginning of period	51,147,545	7,711,029	34,600,343	5,547,337
Issue of shares to directors in lieu of directors fees	3,000,000	-	-	-
Share buy-back	(6,635,949)	(285,346)	-	-
Issue of Shares Pursuant to Joint Venture Agreement	-	-	2,423,966	484,793
Issue of Shares Pursuant to a non-renounceable 1 for 2 offer	-	-	14,123,236	1,695,172
Costs of capital raising	-	-	-	(16,273)
Balance at end of period	47,511,596	7,425,683	51,147,545	7,711,029

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

(b) Options

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

Date and details of grant / exercise/forfeited	No. of Options	Exercise Price	Expiry Date
Opening balance	2,100,000	-	-
Forfeited July 2009	(100,000)	$0.35	30 June 2009
Balance at 31 December 2009	2,000,000		

12. EARNINGS PER SHARE

	2009 $	2008 $
Basic earnings/(loss) per share (cents per share)	0.04	(10)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

	2009 $	2008 $
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	50,800,900	51,147,545
Net profit/(loss) used in the calculation of basic earnings per share	22,276	(5,020,556)

There is no difference between basic and diluted earnings per share as there are no potentially dilutive shares on issue.

13. AUDITORS' REMUNERATION

	2009 $	2008 $
Remuneration of the auditor of the Company:		
Auditing or reviewing the financial report BDO Audit (WA) Pty Ltd	24,000	36,025

14. SEGMENT REPORTING

Management has determined that the company has one reportable segment at 31 December 2009, being mineral exploration in Australia. As the company is focused on exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. During the 31 December 2009 year, the company had only one area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

	2009 $	2008 $
Revenue from external sources	-	-
Reportable segment gain/(loss)	(55,384)	(4,439,241)
Reportable segment assets	1,089,441	1,140,000
Reportable segment liabilities	-	-

Reconciliation of reportable segment loss

	2009 $	2008 $
Reportable segment loss	(55,384)	(4,439,241)
Other revenues	534,329	112,471
Unallocated:		
- Corporate expenses	(501,221)	(693,786)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

	2009 $	2008 $
Profit/(Loss) before tax	22,276	(5,020,556)
Income Tax Expense	-	-
Profit/(Loss) after tax	22,276	(5,020,556)

15. RELATED PARTY TRANSACTIONS

There have not been any related party transactions during the year ended 31 December 2009 other than those with Key Management Personnel as disclosed in Note 16.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following people have been designated as Key Management personnel for the year:
- Peter Torre – Non-Executive Director/Company Secretary
- Gregory Steemson – Non-Executive Chairman
- Ron Sayers – Non-Executive Director
- Robert Brierley – Executive Chairman (resigned 10 July 2009)

Remuneration by Category

Key Management Personnel		
Short-term	110,246	299,000
Post-employment	-	35,100
Share-based payment	150,000	-
	260,246	334,100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

Option Holdings of Key Management Personnel

2009

Key Management Personnel	Balance at 1 Jan 09	Granted as Remuneration	Options Exercised	Other change	Balance at 31 Dec 09	Total Vested 31 Dec 09	Total Exercisable 31 Dec 09
Robert Brierley (resigned 10 July 2009)	2,000,000	-	-	(2,000,000)	-	-	-
Peter Torre	-	-	-	-	-	-	-
Ron Sayers	-	-	-	-	-	-	-
	2,000,000	-	-	(2,000,000)	-	-	-

2008

Key Management Personnel	Balance at 1 Jan 08	Granted as Remuneration	Options Exercised	Balance at 31 Dec 08	Total Vested 31 Dec 08	Total Exercisable 31 Dec 08
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

Shareholdings of Key Management Personnel

2009

Key Management Personnel	Balance at 31 Dec 08	Received as Remuner-ation	Options Exercised	Net Change (Other)	Balance at 31 Dec 09
Robert Brierley	3,375,002	-	-	(3,375,002)	-
Peter Torre	750,000	1,000,000	-	500,000	2,250,000
Greg Steemson	-	1,000,000	-	500,000	1,500,000
Ron Sayers	1,500,000	1,000,000	-	500,000	3,000,000
	5,625,002	3,000,000	-	(1,875,002)	6,750,000

2008

Key Management Personnel	Balance at 31 Dec 07	Received as Remuner-ation	Options Exercised	Net Change (Other)	Balance at 31 Dec 08
Robert Brierley	2,250,001	-	-	1,125,001	3,375,002
Peter Torre	500,000	-	-	250,000	750,000
Ron Sayers	1,000,000	-	-	500,000	1,500,000
Wolf Martinick	1,000,000	-	-	500,000	1,500,000
	4,750,001	-	-	2,375,001	7,125,002

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.

Loans to key management personnel

There were no loans to Key Management Personnel during the period.

Other transactions and balances with Key Management Personnel

There were no transactions or balances with Key Management Personnel.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

17. SHARE BASED PAYMENTS

At a General Meeting of Carbine Resources Limited on 29 October 2009, shareholders approved the issue of shares to the Directors of the company.

Each of Peter Torre, Gregory Steemson and Ron Sayers received 1,000,000 ordinary shares in the company as consideration for their service to the company. These shares are not subject to escrow.

The shares were valued at 5 cents per share which total $150,000. This amount has been expensed in the Statement of Comprehensive Income during the year (2008: nil)

No further options or shares have been issued as compensation during the year.

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

	2009 $	2008 $
(Profit)/Loss after income tax	(22,276)	5,020,556
-Depreciation	(3,614)	(3,637)
-Impairment loss	(50,559)	(3,821,920)
-Exploration expenditure capitalised	-	-
-Royalty Revenue	491,296	
-Fair value of investments	20,595	
-Share-based payments	(150,000)	-
Changes in assets and liabilities during the year:		
Increase/(decrease) in prepayments	(2,821)	-
Increase/(decrease) in receivables	4,680	(57,514)
(Increase)/decrease in payables and provisions	47,672	127,935
Net cash used in operations	334,971	3,573,544

19. FINANCIAL INSTRUMENTS

Financial Risk Management

The Company's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

Financial Risk

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

	2009	2008
Financial assets	$	$
Cash and cash equivalents	564,217	899,188
Financial Assets		
Trade and other receivables	4,750	-
Financial assets at fair value	226,545	-
	231,295	-
Financial Liabilities		
Trade and other payables	8,576	53,904
	8,576	53,904

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.

The Company does not have major funding in place. However, the Company continuously monitors forecast and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk.

Credit Risk

Credit risk refers to the risk that counterparties 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.

Banks and Financial Institutions are chosen only if they are independently rated parties with a minimum rating of 'A'.

NOTES TO THE FINANCIAL STATEMENTS
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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:

2009	Weighted Average Interest Rate %	Floating Interest Rate $	Fixed Interest Maturing in 1 Year or Less $	Non-Interest Bearing $	Total $
Financial Asset					
Cash and cash equivalents	2.72	564,217	-	-	564,217
Receivables	-	-	-	-	-
Financial Liabilities					
Payables	-	-	-	(8,576)	(8,576)
Net Financial Assets	-	564,217	-	(8,576)	555,641

2008	Weighted Average Interest Rate %	Floating Interest Rate $	Fixed Interest Maturing in 1 Year or Less $	Non-Interest Bearing $	Total $
Financial Asset					
Cash and cash equivalents	6.62	899,188	-	-	899,188
Receivables	-	-	-	-	-
Financial Liabilities					
Payables	-	-	-	(53,904)	(53,904)
Net Financial Assets	6.62	899,188	-	(53,904)	845,284

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

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

2009		**-1%**		**+1%**	
	Carrying Amount $	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Cash and cash equivalents	564,217	(5,641)	(5,641)	5,641	5,641
Trade receivables	4,680	-	-	-	-
Trade payables	(8,576)	-	-	-	-
Total increase/(decrease)	560,321	(5,641)	(5,641)	5,641	5,641

2008		**-1%**		**+1%**	
	Carrying Amount $	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Cash and cash equivalents	899,188	(8,992)	(8,992)	8,992	8,992
Trade receivables	-	-	-	-	-
Trade payables	53,904	-	-	-	-
Total increase/(decrease)	953,092	(8,992)	(8,992)	8,992	8,992

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 at the current market interest rate that is available to the Company for similar financial instruments.

Unrecognised Financial Instruments

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

Capital Management Risk

Capital is defined as the wealth owned or employed in the Company. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

In order to maintain or adjust the capital structure, the Company may issue new shares and sell it's financial assets held at fair value.

20. RESERVES

Share-Based Payment Reserve

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

	2009 $	2008 $
Movements		
Opening balance	73,876	73,876
Shares issued to Directors	150,000	-
Closing balance	223,876	73,876

21. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

Non-Cancellable operating leases contracted for but not capitalised in the financial statements:

Office premises due within 1 year	10,923	43,690
Office premises due greater than 1 year and less tha 5	-	10,923
Total	10,923	54,613

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

Exploration Commitments

Exploration commitments contracted for under the Joint Venture Agreement with Ampella Mining Limited but not capitalised in the financial statements:

Due within 1 year	250,000	0
Due greater than 1 year and less than 5	2,750,000	0
Total	3,000,000	0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009

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:

	2009 $	2008 $
Due within 1 year	-	163,500
Due greater than 1 year and less than 5	-	0
Total	-	163,500

There are no contingent liabilities.

22. SUBSEQUENT EVENTS

The following post balance date events have occurred:

Earn-In and Shareholder Agreement

The Commencement of the Earn-In was conditional upon and subject to the approval of Ampella shareholders which was obtained at a general meeting held on 29 January 2010. Details can be found in the Directors Report.

Placement of Shares

Pursuant to Shareholder Approval received on 19 February 2010, the placement of 27,500,000 shares to sophisticated investors at $0.04 per share and 13,750,000 options at $0.005 was completed on 12 March 2010 to raise approximately AUD$1.17 million before costs.

Option Rights Issue

The Company announced details of the Entitlement Issue along with the Prospectus for the Issue on 21 January 2010. The Offer is a pro rata non-renounceable entitlement issue on the basis of 1 new option (**Option**) for every 2 shares held by shareholders at an issue price of $0.005 per Option, to raise up to approximately $118,879.

DECLARATION BY DIRECTORS

The Directors of Carbine Resources Ltd declare that:

1. The financial statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the accompanying notes, are in accordance with the Corporations Act 2001, including:

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

    (b) giving a true and fair view of the financial position as at 31 December 2009 and of the performance for the period ended on that date of the company.

2. 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 6 to 9 of the directors' report for the year ended 31 December 2009 comply with Section 300A of the Corporations Act 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:

Peter Torre
Director

Dated at Perth this 19th day of March 2010

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Fax: +61 8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

19 March 2010

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

Dear Sirs

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

As lead auditor of Carbine Resources Limited for the year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

BM'V

Brad McVeigh
Director

BDO

BDO Audit (WA) Pty Ltd

Perth, Western Australia
Dated 19 March 2010

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Australia

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

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Carbine Resources Limited for the year ended 31 December 2009 included on Carbine Resources Limited's web site. The disclosing entity's directors are responsible for the integrity of Carbine Resources Limited's web site. We have not been engaged to report on the integrity of Carbine Resources Limited's web site. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying financial report of Carbine Resources Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the disclosing entity.

Directors' Responsibility for 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 opinions.

Independence

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

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 2009 and of their performance for the year ended on that date

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Carbine Resources Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
BM'Veigh.

Brad McVeigh
Director

Perth, Western Australia
Dated 19 March 2010