



CARBINE RESOURCES
LIMITED

ABN 81 122 976 818

FINANCIAL REPORT FOR THE HALF-YEAR ENDED
30 JUNE 2012

CORPORATE DIRECTORY

Directors	Mr Peter Sheehan Mr Evan Cranston Dr Paul Kitto Mr Grant Mooney	(Managing Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director)
Company Secretary	Mr Grant Mooney	
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Share Registry	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Telephone: Facsimile:	(08) 9315 2333 (08) 9315 2233
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008	
Legal Advisor	Hardy Bowen Level 1, 28 Ord Street West Perth WA 6005 Telephone: Facsimile:	(08) 9211 3600 (08) 9211 3690
ASX Code	CRB	

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CARBINE RESOURCES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Carbine Resources Limited and the entity it controlled ("the Group" or "Carbine") at the end of, or during, the half-year ended 30 June 2012.

DIRECTORS

The name of Directors who held office during or since the end of the half-year and until the date of the date of this report period is set out below. Directors were in office for the entire period unless otherwise stated.

Mr Evan Cranston	Non-Executive Director	
Dr Paul Kitto	Non-Executive Director	
Ms Aoife McGrath	Executive Director - Exploration	(Resigned 18 January 2012)
Mr Grant Mooney	Non-Executive Director	(Appointed 18 January 2012)
Mr Peter Sheehan	Managing Director	(Appointed 22 February 2012)

REVIEW OF OPERATIONS

The loss for the half-year after income tax for the period was \$2,412,637 (30 June 2011: \$3,322,476).

Exploration Activities – Ouahigouya Gold Project, Burkina Faso

The Ouahigouya Gold Project is located in the Hounde Greenstone Belt in northwest Burkina Faso (West Africa) and consists of a contiguous land holding of 1,870 km² comprising ten granted Exploration Permits; Madougou, Kandy, Lossa, Dere, Dabinyan I, Ban, Koumbri, Madougou 2, Nongodoum, and Magel (Figure 1 & Table 1). Additionally, there are two pending permit applications at Siliga and Ingara.

The Permits are located on a major northeast trending crustal scale shear zone, the Ouahigouya Deformation Corridor. Numerous gold occurrences are located along this deformation corridor with a large number of both major and minor artisanal fields either historically or currently being mined.

Madougou & Kandy Permits (Ampella Joint Venture)

During the half year 12,203m of shallow aircore (for geochemical analysis) and 22,077m of aircore drilling to refusal were drilled on the Kandy and Madougou Permits (Table 2). During this time 12,653 samples were submitted to the laboratory in Ouagadougou. This work related to:

- **Goussirdou deep aircore drilling:** 79 holes for 4,123m and 2,242 samples were completed at Goussirdou from 18 to 28 March 2012. The program targeted two trends; the interpreted intersection of the northeast trending Nazala mineralised structure (to the southwest) with the north-south trending Goussirdou mineralisation; and anomalous geochemistry east of the Goussirdou. Best results included 2m at 6.55g/t Au from 16m (GSAC137), 10m at 0.72g/t Au from 32m (GSAC186), and 2m at 1.58g/t Au from 26m (GSAC166). Results show little evidence for 'bonanza' grades at the interpreted intersection. There are several intercepts which suggest parallel loads to the east but they are narrow (2m width). No follow up is planned at this stage.
- **Nimbo pit sampling and deep aircore drilling:** Previous RC drilling at Nimbo intercepted some narrow, extremely high grade veins in sediments. Additionally there were several large, low grade intercepts (<1g/t Au) in a felsic intrusive at the contact with the sediments. A considerable number of fresh artisanal workings on this mineralised contact, extending up to 200m south of RC drilling were mapped and sampled (41 grab samples) during February. Best grab sample results were 7.18g/t, 4.46g/t, 2.50g/t, and 1.22g/t Au (all in

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massive quartz vein material). Subsequently 39 aircore drilling holes for 1,622m and 876 samples were completed from 30 March to 04 April 2012. Drilling was carried out on three sections spaced 200m apart, testing an additional 400m of strike on this mineralised contact. Best results included 2m at 1.46g/t Au from 26m (NBAC101), 2m at 1.15g/t Au from 24m (NBAC113), and 2m at 0.91g/t Au from 0m (NBAC106). Logging confirms that the sections effectively tested the lithologic contact. As narrow, low grade intercepts were encountered, no follow up is planned on the southern extension to Nimbo.

- **Foufaka deep aircore:** 305 holes for 16,332m and 8,639 samples were completed at Foufaka from 10 January to 10 February 2012. Drilling targeted a strong geochemical anomaly (approximately 2km in strike, >40 ppb, up to 997 ppb), supported by low-moderate grade trench results in the north, including 5m at 0.73g/t Au. Drilling was carried out on six drill sections at 200m spacing, targeting mineralisation in shallowly dipping, northeast-southwest trending quartz veins observed in the trenches. Best results include 4m at 2.02g/t Au from 36m (KDAC018), 11m at 1.17g/t Au from 34m (KDAC057), 14m at 0.86g/t Au from 30m (KDAC054), 6m at 2.37g/t Au from 22m (KDAC168), 10m at 3.5g/t Au from 12m (KDAC216), 10m at 1.02g/t Au from 12m (KDAC241), 32m at 0.73g/t Au from 2m (KDAC283), and 4m at 6.4g/t Au from 12m (KDAC304). Drilling identified multiple mineralised zones of quartz veining and shearing within sediments, which is interpreted from observed geology and aeromagnetics to trend northeast-southwest. The mineralisation is defined over greater than 600m, with several intersections still open to the northeast and southwest. The positive results at Foufaka confirm the need for testing of several other similar sized gold geochemistry anomalies on the Kandy Prospect.

Carbine also received results on the following advanced prospects during the half year:

- **Goussirdou Prospect:** 33 RC drill holes for 4,393m were completed in November and December 2011. Drilling targeted two previously identified distinct gold mineralised intervals (the first up to 30m wide) on three sections spaced 200m apart, around north-south striking lithological contacts with associated quartz veining and shearing. Results showed a strong correlation at depth in the primary geochemistry of these previously identified gold zones in aircore drilling. Of particular encouragement is the continued large widths observed in the RC, including 5m at 50.37g/t Au from 13m (GSRC027), 11m at 2.91g/t Au from 60m (GSRC001), 32m at 1.00g/t Au from 100m (GSRC006), 7m at 1.23g/t Au from 105m (GSRC011), 6m at 1.15g/t Au from 107m (GSRC014), 14m at 0.85g/t Au from 112m (GSRC018), and 5m at 2.23g/t Au from 19 and 6m at 1.88g/t Au from 69m (GSRC028). The north-northwest striking mineralisation is now defined with RC drilling over approximately 600m, and still has no drilling to the north or south. More RC drilling is required to define the full extent of gold mineralisation prior to any resource definition drilling on the area.
- **Dore Prospect:** 14 RC drill holes for 2,366m were completed in November 2011. The program was designed based on a revised geological model to explain the extent and nature of gold mineralisation around previous good results such as 56m at 1.6g/t Au from 94m (DORC034). Whilst eleven of the fourteen holes intersected mineralisation, the zones were generally narrow. Best results included 1m at 7.33g/t Au from 36m (DORC036), 2m at 3.98g/t Au from 126m (DORC041), 2m at 4.41g/t Au from 107m (DORC042), 2m at 3.27g/t Au from 68m (DORC044), 1m at 4.18g/t Au from 61m (DORC047), and 1m at 35.75g/t Au from 17m (DORC048). A detailed review of the Prospect is required prior to any more drilling to ascertain the remaining potential of the large mineralised zones previously intersected in RC drilling.
- **Nazala Prospect:** 50 RC drill holes for 7,485m were completed in December 2011 and early January 2012. Drilling targeted previous gold mineralised intersected in aircore drilling in several sub parallel zones over 1.6km in strike. Mineralised intercepts included 12m at 1.70g/t Au from 48m (NZRC051), 6m at 8.59g/t Au from 98m (NZRC053), 5m at 1.14g/t Au from 55m and 5m at 4.04g/t Au from 119m (NZRC008), 4m at 1.09g/t Au from 50m (NZRC009), 4m at 1.08g/t Au from 54m (NZRC031), 2m at 8.80g/t Au from 18m and 1m at 2.37g/t Au from 65m (NZRC016), and 2m at 6.34g/t Au from 56m and 1m at 9.16g/t Au from 119m (NZRC007). Whilst down hole widths of mineralisation are generally not as wide as earlier aircore intercepts, the drilling confirms the presence of primary mineralisation in the fresh rock on seven sections, over a strike length

greater than 1km. Mineralisation is still open for another 500m to the northeast (approaching the Goussirdou Prospect) and 300m to the southwest. More RC drilling is required to define the full extent of gold mineralisation prior to any resource definition drilling on the area.

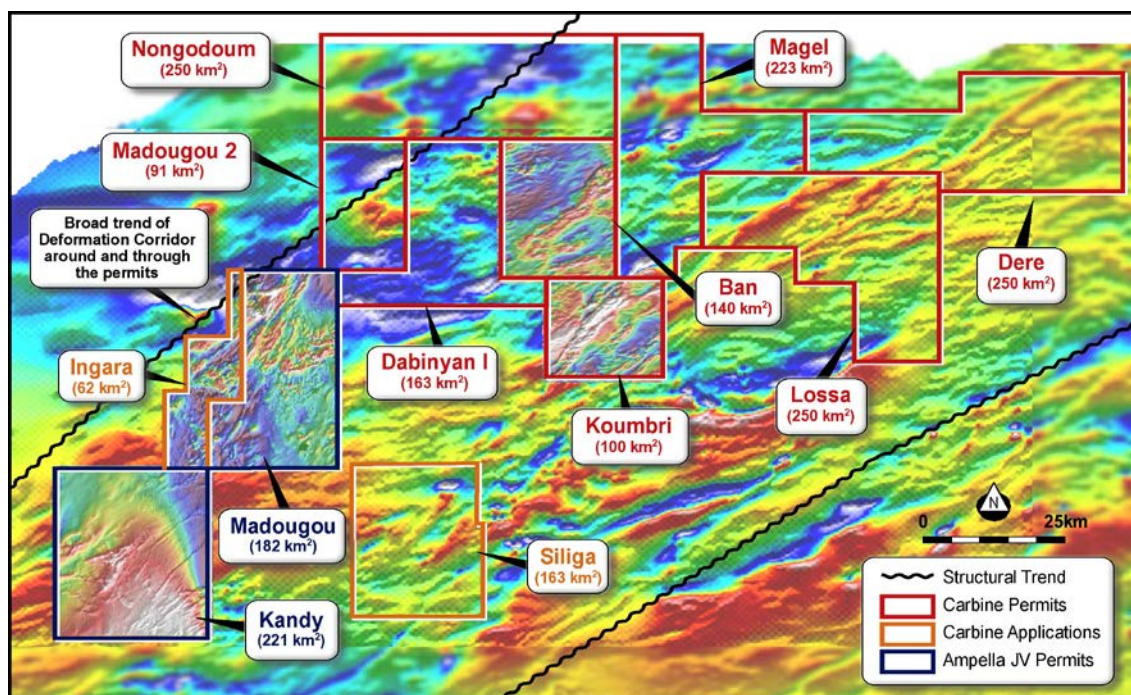


Figure 1 Location and area of Carbine Permits on reduction to the pole (RTP) magnetics image

Table 1 Schedule of Exploration Permits at 30 June 2012

Permit	Number	Area (km ²)	Interest
Madougou	12-162	182	Earning 80% (Ampella JV)
Kandy	10-100	221	Earning 80% (Ampella JV)
Lossa	09-030	250	Option to Acquire 100%
Dere	09-036	250	Option to Acquire 100%
Dabinyan I	09-233	163	Option to Acquire 100%
Ban	08-092	140	Option to Acquire 100%
Koumbri	08-090	100	Option to Acquire 100%
Madougou 2	11-052	91	Option to Acquire 100%
Nongodoum	11-213	250	100% Carbine
Magel	11-214	223	100% Carbine
Total Granted		1,870	
Siliga	application	163	Option to Acquire 100%
Ingara	application	62	100% Carbine
Total Applications		225	

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Table 2 Ouahigouya Gold Project - Exploration Activities during first half year 2012

Exploration Activity	Holes	Metres	Samples
Reconnaissance sampling			239
Reconnaissance mapping			~1,450 km ²
Trenching	-	-	-
Auger	-	-	-
Aircore drilling_shallow (geochem)	855	12,203	855
Aircore drilling_deep (to refusal)	423	22,077	11,757
Reverse Circulation (RC) drilling	-	-	-
Total	1,278	34,280	12,841

Regional Permits (CRB 100% or Options to acquire 100%)

Assessment of the regional permits to generate new prospects for geochemical sampling and drilling is a priority for 2012. During the first half of 2012, work concentrated on a broad spaced multi-element regional geochemical survey (streams-lag), reconnaissance mapping and sampling, and follow up detailed mapping.

- **Reconnaissance Sampling:** Approximately 60 samples were collected in a Stream Sediment/Surface Lag sampling program on Carbine's regional permits, which have previously seen very little exploration. This survey was completed in January 2012 and samples were submitted to ALS Laboratories in Ouagadougou for analysis of 25 elements using ICP-MS & ICP-AES. The multi-element data has been forwarded to an external geochemist for analysis and interpretation. This particular geochemist has expertise in using multi-element geochemistry as a vector to large ore bodies in Achaean lode-style gold deposits such as those Carbine are exploring for at Ouahigouya. This report is pending.
- **Reconnaissance and Detailed Mapping:** Reconnaissance mapping and grab sampling of over 1,450 km² was carried out during the first half of 2012 on regional permits at Lossa, Dere, Dabinyan I, Ban, Koumbri, Madougou 2, Nongodoum, Magel, and Siliga (Figure 2). A total of 198 grab samples were collected and submitted to the laboratory in Ouagadougou for gold analysis. Best results to date are from Madougou 2 Permit with individual grab samples including 8.26g/t, 4.43g/t, 3.30g/t, 1.88g/t, 1.72g/t and 1.26g/t Au. Results for the majority of samples are still pending. Follow up detailed geologic mapping of the regional permits began in June and was completed in mid-July. Whilst outcrop in most areas is minimal, preliminary findings indicate significant areas of prospective greenstone stratigraphy previously shown on government maps as being granite. The final maps and report are pending.

Pending the report on multi-element geochemistry and geological maps, Carbine will prioritise regional permits for more detailed geochemistry sampling in our quest to generate additional advanced prospects for drilling.

SUBSEQUENT EVENTS

Red Dam Project, Western Australia

Subsequent to the end of the period, the Group announced that it has completed the sale of tenement M16/344 known as Red Dam to Phoenix Gold Limited for the following consideration:

- \$50,000 non-refundable cash deposit paid on signing formal agreement (October 2011);
- \$50,000 cash paid at settlement (August 2012);

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- 8 million fully paid ordinary PXG shares currently trading at \$0.215 (13 August 2012), which makes Carbine the second largest shareholder of Phoenix Gold Limited and with voting power of 5.476%; and
- \$10 per ounce gross production royalty.

Phoenix Gold Limited and Carbine have completed the conditions precedent in the Formal Sale Agreement.

Ouahigouya Gold Project, Burkina Faso

Subsequent to the end of the period, the Group received the final maps and report for the detailed regional mapping over all permits of the project.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is attached to this half-year financial statement.

Dated at Perth this 13th day of September 2012.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'E. Cranston', with a long horizontal flourish extending to the right.

Evan Cranston

Director

CARBINE RESOURCES LIMITED*HALF-YEAR FINANCIAL REPORT***CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2012**

		HALF-YEAR	
	Notes	June 2012	June 2011
		\$	\$
Revenue from continuing operations		161,870	259,384
Other Income		50,000	-
Exploration & evaluation costs	2	(1,897,710)	(3,063,721)
Depreciation		(67,341)	(54,969)
Share based payment expenses		(60,157)	(65,000)
Employee, director and consultant expenses		(201,092)	(70,566)
General and administration expenses		(176,033)	(132,998)
Foreign exchange loss		(44,811)	(1,085)
Impairment of receivable	8	(177,363)	(193,521)
Loss before income tax expense		(2,412,637)	(3,322,476)
Income Tax Expense		-	-
Loss after income tax from continuing operations attributable to members of Carbine Resources Limited		(2,412,637)	(3,322,476)
Loss attributable to members of Carbine Resources Limited		(2,412,637)	(3,322,476)
Other comprehensive income			
Exchange difference on translation of foreign operations		(17,045)	(26,046)
Total other comprehensive loss		(17,045)	(26,046)
Total comprehensive loss attributable to members of Carbine Resources Limited		(2,429,682)	(3,348,522)
Loss per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company		Cents	Cents
Basic loss per share		(1.74)	(4.14)
Diluted loss per share		n/a	n/a

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

CARBINE RESOURCES LIMITED*HALF-YEAR FINANCIAL REPORT***CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2012**

	Notes	30 June 2012 \$	31 December 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		4,512,904	7,493,248
Trade and other receivables	8	39,443	118,067
Other current assets		12,131	38,223
TOTAL CURRENT ASSETS		4,564,478	7,649,538
NON-CURRENT ASSETS			
Plant and equipment		241,047	306,330
Exploration and evaluation expenditure	2	-	-
TOTAL NON-CURRENT ASSETS		241,047	306,330
TOTAL ASSETS		4,805,525	7,955,868
CURRENT LIABILITIES			
Trade and other payables		283,356	1,064,925
Provisions		4,053	3,302
TOTAL CURRENT LIABILITIES		287,409	1,068,227
TOTAL LIABILITIES		287,409	1,068,227
NET ASSETS		4,518,116	6,887,641
EQUITY			
Issued Capital	4	22,636,442	22,636,442
Reserves		2,487,609	2,444,497
Accumulated losses		(20,605,935)	(18,193,298)
TOTAL EQUITY		4,518,116	6,887,641

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 January 2012	22,636,442	(18,193,298)	2,277,680	166,817	6,887,641
Total comprehensive income/(loss) for the year	-	(2,412,637)	-	-	(2,412,637)
Exchange difference on translation of foreign operations	-	-	-	(17,045)	(17,045)
Total comprehensive income/(loss) for the year	-	(2,412,637)	-	(17,045)	(2,429,682)
Transactions with owners in their capacity as owners:					
Transaction costs on issue of fully paid ordinary shares and options (net of tax)	-	-	-	-	-
Cancelled options	-	-	(281,736)	-	(281,736)
Share based payments	-	-	341,893	-	341,893
	-	-	60,157	-	60,157
Balance at 30 June 2012	22,636,442	(20,605,935)	2,337,837	149,772	4,518,116

	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 January 2011	17,448,904	(11,181,560)	2,126,310	197,495	8,591,149
Total comprehensive income/(loss) for the year	-	(3,322,476)	-	-	(3,322,476)
Exchange difference on translation of foreign operations	-	-	-	(26,046)	(26,046)
Total comprehensive income/(loss) for the year	-	(3,322,476)	-	(26,046)	(3,348,522)
Transactions with owners in their capacity as owners:					
Issue of 3,749,959 ordinary shares from exercised options	562,410	-	-	-	562,410
Transaction costs on issue of fully paid ordinary shares and options (net of tax)	-	-	-	-	-
Share based payments	-	-	65,000	-	65,000
	562,410	-	65,000	-	627,410
Balance at 30 June 2011	18,011,314	(14,504,036)	2,191,310	171,449	5,870,037

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

CARBINE RESOURCES LIMITED*HALF-YEAR FINANCIAL REPORT***CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE HALF-YEAR ENDED 30 JUNE 2012**

	HALF-YEAR	
	30 June 2012	30 June 2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(459,168)	(171,773)
Exploration expenditure, prospects, management fees	(2,769,338)	(3,042,709)
Interest received	161,870	259,384
Net cash (outflow) from operating activities	(3,066,636)	(2,955,098)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from/(payment for) plant and equipment	45,072	(60,319)
Proceeds from sale of tenement	41,255	-
Net cash (outflow) from investing activities	86,327	(60,319)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of capital raising costs	-	524,909
Net cash inflow from financing activities	-	524,909
Net decrease in cash and cash equivalents held	(2,980,309)	(2,490,508)
Cash and cash equivalents at the beginning of the period	7,494,280	8,499,520
Differences in foreign exchange	(1,067)	698
Cash and cash equivalents at the end of the period	4,512,904	6,009,710

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

These general purpose interim financial statements of Carbine Resources Limited and its controlled entity (the Group) for the half-year reporting period ended 30 June 2012 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half-year report was authorised for issue in accordance with a resolution of the Board of Directors on 10 September 2012. Carbine Resources Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The interim financial statements do not include all notes of the type normally included within the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by Carbine Resources Limited during the interim financial reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

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

There are no new Accounting Standards or Interpretations that have had an impact on the financial position or performance of the Group.

The Group has not elected to adopt any new Accounting Standards or Interpretations prior to their applicable date of implementation.

2. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2012	30 June 2011
	\$	\$
Exploration expenditure during the year	1,897,710	3,063,721
Exploration costs expensed	(1,897,710)	(3,063,721)
Total exploration and evaluation	-	-

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3. SEGMENT INFORMATION

The Group operates in the gold mining exploration industry in Burkina Faso, West Africa. For management purposes, given the scope and size of the Group's current activities together with its main focus now on the West African gold mining permits, the Group is organised into one operating segment. Accordingly all of the Group's operations together with discrete financial information are reported to the Board (collectively the chief operating decision makers) as one segment, and all significant operating decisions are based upon analyses of the Group as one segment. Financial results thereon are therefore equivalent to the financial statements disclosed by the Group as a whole.

Key segment information provided to the Board for the half-year ended 30 June 2012 is as follows:

	Exploration operations	
	West Africa	Total
	\$	\$
Half-year 2012		
Total segment revenue	-	-
Inter segment revenue	-	-
External revenue	-	-
Adjusted EBITDA	(1,896,244)	(1,896,244)
Half-year 2011		
Total segment revenue	-	-
Inter segment revenue	-	-
External revenue	-	-
Adjusted EBITDA	(64,639)	(64,639)
Segment assets		
30 June 2012	12,078	12,078
30 June 2011	12,568	12,568

The strategic steering committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

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3. SEGMENT INFORMATION (CONTINUED)

A reconciliation of adjusted EBITDA to operating loss before income tax is provided as follows:

	HALF-YEAR	
	2012	2011
	\$	\$
Adjusted EBITDA	(1,897,710)	(3,063,721)
Intersegment eliminations	-	-
Interest revenue	161,870	259,384
Depreciation	(67,341)	(54,969)
Share-based payments	(60,157)	(65,000)
Other-corporate	(549,299)	(398,171)
Loss from continuing operations before tax	<u>(2,412,637)</u>	<u>(3,322,477)</u>

4. ISSUED CAPITAL

	2012	2011	HALF-YEAR	
			2012	2011
	No. of Shares	No. of Shares	\$	\$
<i>(a) Ordinary Shares fully paid</i>				
Balance at beginning of period	140,017,394	103,842,436	22,636,442	17,448,904
Issue of shares from exercise of option	-	17,265,783	-	2,589,782
Issue of shares from underwriting of options	-	18,909,175	-	2,836,376
Cost of Capital raising				(238,621)
Balance at end of period	140,017,394	140,017,394	22,636,442	22,636,442

	2012	2011
	Options	Options
<i>(b) Unlisted Options</i>		
Balance at beginning of period	9,375,000	44,474,958
Options granted in the period	8,000,000	1,075,000
Options exercised	-	(17,265,783)
Options underwritten	-	(18,909,175)
Options cancelled on failure to vest	(1,350,000)	-
	<u>16,025,000</u>	<u>9,375,000</u>

5. CONTINGENCIES

The Group had no contingent liabilities or contingent asset as at 30 June 2012 (31 December 2011: None).

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6. RELATED PARTY TRANSACTIONS

The Group continues to lease its office premises located at Suite 23, 513 Hay Street in Subiaco. The owner of these premises is the J W Cranston Family Trust, who is a related entity of Evan Cranston, a non-executive Director of the Group.

7. EVENTS OCCURRING AFTER THE REPORTING DATE

Sale of Red Dam Project Western Australia

Subsequent to the end of the period, Carbine announced that it had completed the sale of tenement M16/344 known as Red Dam to Phoenix Gold Limited for the following consideration:

- \$50,000 non-refundable cash deposit paid on signing formal agreement (October 2011);
- \$50,000 cash paid at settlement (August 2012);
- 8 million fully paid ordinary PXG shares currently trading at \$0.215 (13 August 2012), which makes Carbine the second largest shareholder of Phoenix Gold Limited; and
- \$10 per ounce gross production royalty.

Phoenix Gold Limited and Carbine have completed the conditions precedent in the Formal Sale Agreement.

8. TRADE AND OTHER RECEIVABLES

	HALF-YEAR	
	30 June 2012	31 December 2011
	\$	\$
Current		
Trade and other receivables	39,443	118,067
VAT receivable	710,842	533,479
Impairment of VAT (note a)	(710,842)	(533,479)
	39,443	118,067

a. Impaired VAT Receivable

As at 30 June 2012 the Group had VAT receivable in Burkina Faso of \$710,842 (2011: \$533,479). The VAT is recoverable against generation of revenue for which the Group would be required to remit VAT. The Group determined that at this stage of exploration it was not yet probable that it would generate this revenue and the whole of the VAT receivable has been treated as impaired.

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9. KEY MANAGEMENT PERSONAL DISCLOSURES

The following Options were issued to Directors during the half year:

11 June 2012	2,000,000	Directors option	Directors Options expiring 11 June 2015 at \$0.075 each
11 June 2012	2,000,000	Directors option	Directors Options expiring 11 June 2015 at \$0.10 each
11 June 2012	1,000,000	Directors option	Directors Options expiring 11 June 2015 at \$0.115 each
11 June 2012	3,000,000	Directors option	Directors Options expiring 11 June 2015 at \$0.20 each

a. Issue of options during the half year

Directors	No. of options	Share-based payments \$
Peter Sheehan	2,000,000	68,000
Peter Sheehan	2,000,000	60,000
Peter Sheehan	1,000,000	28,000
Evan Cranston	1,000,000	21,000
Paul Kitto	1,000,000	21,000
Grant Mooney	1,000,000	21,000
	<hr/>	
	8,000,000	219,000

CARBINE RESOURCES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 17 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Carbine Resources Limited 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 directors.



Evan Cranston

Director

Dated at Perth this 13th day of September 2012

13 September 2012

The Directors
Carbine Resources Limited
Suite 23, 513 Hay Street
SUBIACO WA 6008

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF
CARBINE RESOURCES LIMITED**

As lead auditor of Carbine Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Carbine Resources Limited and the entities it controlled during the period.



WAYNE BASFORD
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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 consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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*, which has been given to the directors of Carbine Resources Limited, would be in the same terms if given to the directors as at the time 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 consolidated entity's financial position as at 30 June 2012 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 Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford'. Above the signature, the letters 'BDO' are written in a simple, hand-drawn style.

Wayne Basford
Director

Dated this 13th day of September 2012
Perth, Western Australia