



**CARBINE RESOURCES**  
LIMITED

ABN 81 122 976 818

**ANNUAL REPORT**  
**2011**



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# CORPORATE DIRECTORY

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## Directors

Mr Peter Sheehan	(Managing Director)
Mr Evan Cranston	(Non-Executive Director)
Dr Paul Kitto	(Non-Executive Director)
Mr Grant Mooney	(Non-Executive Director)

## Company Secretary

Mr Grant Mooney

## Principal & Registered Office

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## Auditor

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

## Legal Advisers

Hardy Bowen  
Level 1, 28 Ord Street  
West Perth WA 6005

## ASX Code

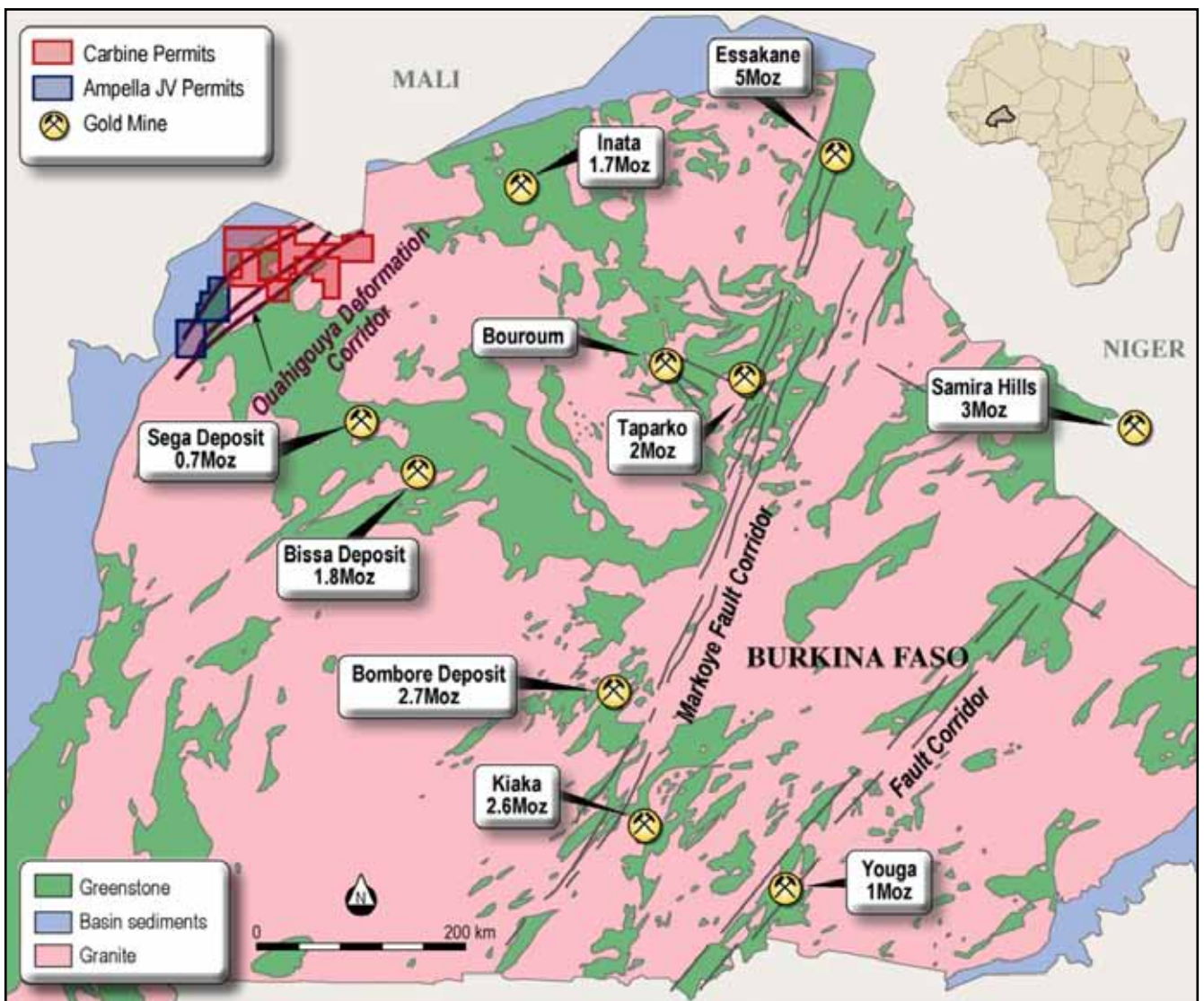
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## BURKINA FASO

In 2011 Carbine focused on gold exploration in the northwest of Burkina Faso, West Africa at the Madougou Project. The project is located in the Hounde Greenstone Belt in northwest Burkina Faso, West Africa. It consists of a contiguous land holding of 1,932 km<sup>2</sup> comprising 10 granted Exploration Permits; Madougou, Kandy, Lossa, Dere, Dabinyan I, Ban, Koumbri, Madougou 2, Nongodoum, and Magel. Additionally there is one Permit pending application at Siliga (Figure 1 & 2, Table 2). The Permits are located on a major northeast trending crustal scale shear zone, the Ouahigouya Deformation Corridor (Figure 2). 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.



**Figure 1.** Diagram showing the location of the Madougou Project in Burkina Faso, overlain on geology map showing known greenstones.

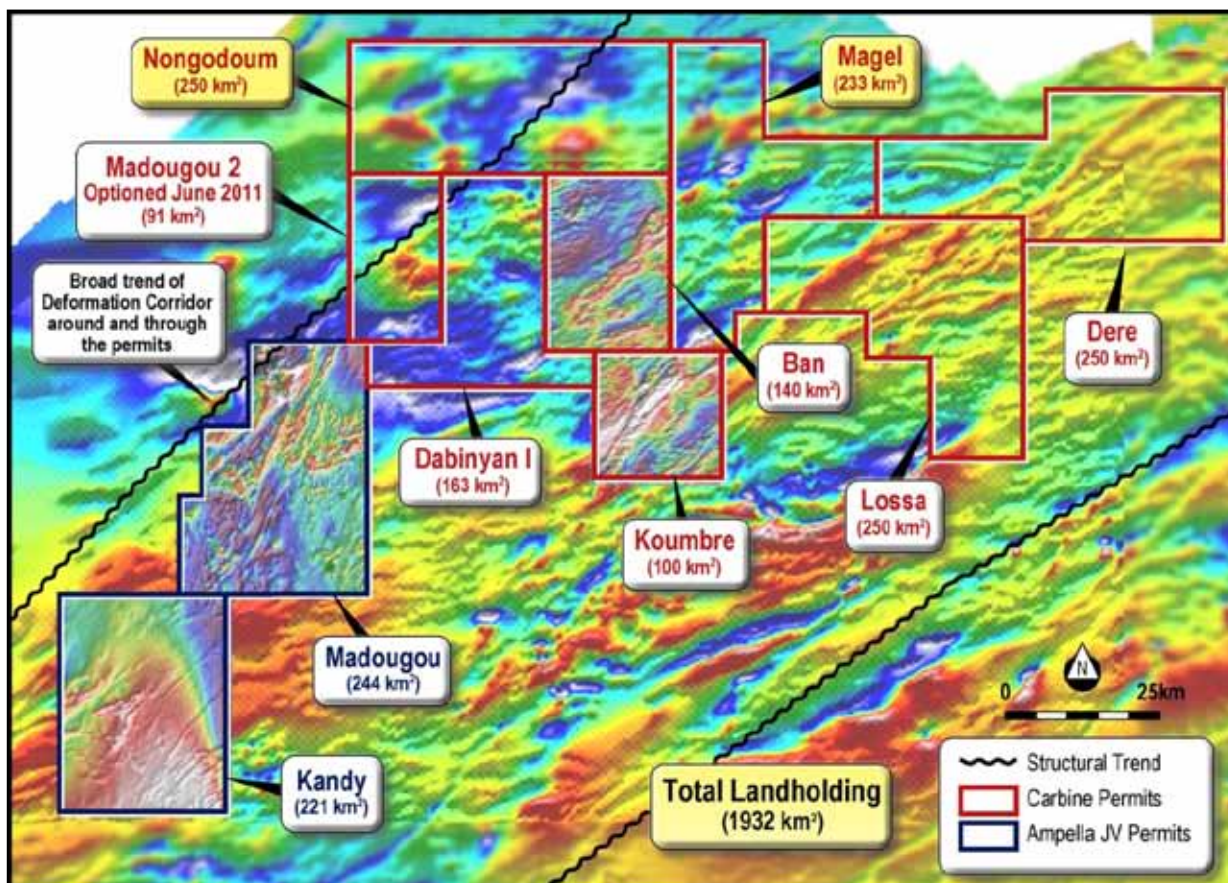
A total of \$6.6M was spent on exploration and evaluation during 2011. These costs were divided between; salaries and overheads, regional reconnaissance sampling, geochemical sampling, drilling, assaying, geophysical surveys, and option payments (Table 1).

# REVIEW OF OPERATIONS

**Table 1 Madougou Project Exploration Activities - Summary table.**

Exploration Activity	Holes	Metres	Samples
Reconnaissance sampling			494
Trenching	6	457	457
Auger drilling	2,517	18,838	2,517
Aircore drilling_shallow (geochem)	7,326	88,680	7,097
Aircore drilling_deep (to refusal)	767	44,036	22,532
Reverse Circulation (RC) drilling	97	14,244	14,712
<b>Total</b>	<b>10,713</b>	<b>166,255</b>	<b>47,809</b>
<b>Line kilometres</b>			
Airborne Geophysics Survey (Magnetics & Radiometrics)			3,500

The 2011 exploration programs successfully achieved several stated aims, namely; conduct a comprehensive evaluation of the Ampella Joint Venture permits (Madougou and Kandy), outline and drill one advanced prospect and assess its potential to contain a JORC compliant resources, expand exploration and begin assessing surrounding permits to replenish the exploration pipeline with prospects for possible geochem follow up and drilling in 2012, and increase our strategic landholding in the area.



**Figure 2.** Location and area of Carbine Permits overlain on a regional geophysical image.



**Table 2 Schedule of Exploration Permits.**

Project	Licence Number	Area (square kilometres)	Interest
Burkina Faso			
Madougou	09-156	244	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	233	100% Carbine
Siliga	application	163	Option to Acquire 100%
Australia			
Red Dam	M16/344		Divested in October 2011

During the year the total land holding increased from to 1,373 km<sup>2</sup> to 1,932 km<sup>2</sup> with an Option Agreement signed on Madougou 2 and the grant of exploration permits at Nongodoum and Magel.

The Permits of the Madougou Project are covered by three broad commercial agreement types (Table 2):-

1. Joint Venture Agreement with Ampella (Carbine earning up to 80% by sole funding prefeasibility within 7 year period) – 2 permits;
2. Options to acquire individual permits (generally requiring annual payments, minimum expenditures, and balloon payment) – 7 permits; and
3. 100% owned by Carbine SARL (Burkina Faso subsidiary) – 2 permits.

# REVIEW OF OPERATIONS

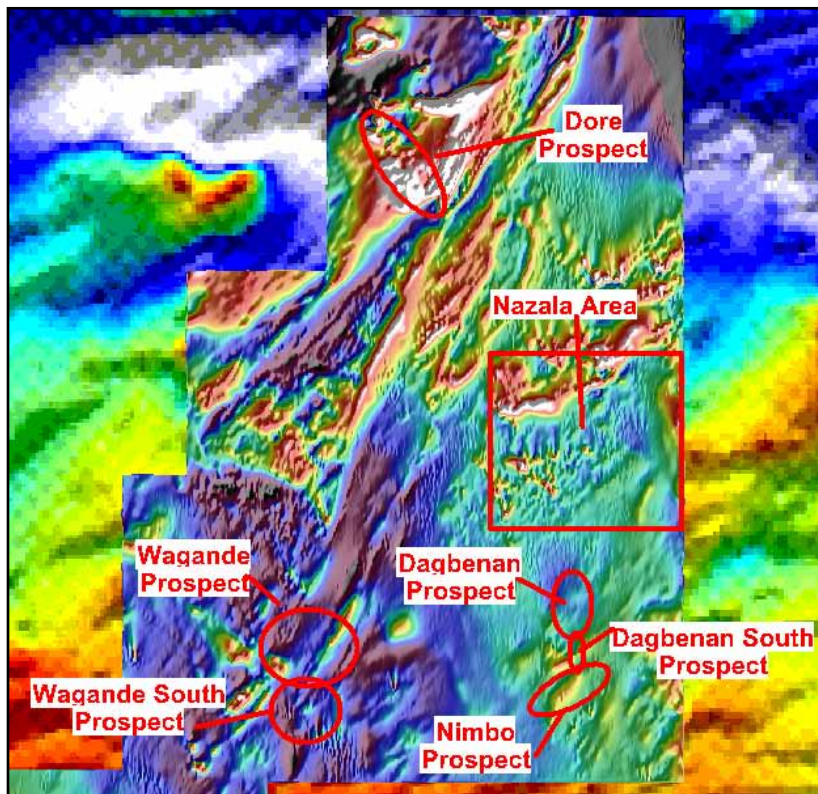
## MADOUGOU AND KANDY PERMITS (CARBINE EARNING UP TO 80%)

In 2011 exploration was carried out on eight Prospects; Dagbenan, Dagbenan South, Nimbo, Nazala, Goussirdou, Dore, Wagande and Wagande South Prospects (Figure 3).

### Madougou Permit

- **Nazala Prospect**

Infill geochemical sampling programs on a 100m x 50m grid early in 2011 confirmed two strong anomalies of up to 6,025 ppb Au (6.03g/t Au), and totalling 3.8km combined strike length. Follow up Aircore drilling (to blade refusal) in April-June of 334 holes for 19,308m identified numerous gold zones (both narrow high grade gold intercepts and wider low grade zones), each up to 1.6km strike length (Figure 4). Zones identified in the Aircore were generally coincident with those observed in geochem sampling.



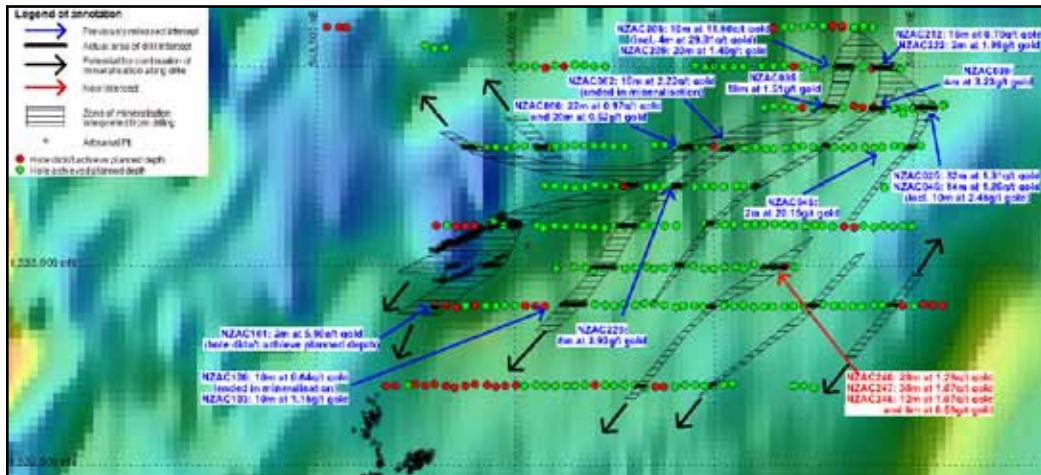
**Figure 3.** Map of the Madougou Permit showing the locations of individual Prospects. The six Prospects over which gold geochemical anomalies have been defined are the Dagbenan, Dagbenan South, Nimbo, Nazala, Wagande and Wagande South Prospects.

Dominant structural trends are interpreted from airborne magnetics to be east-northeast in the central and southern area (known as Nazala Prospect), and more north-northwest in the northern portion (known as Goussirdou Prospect). Aircore drilling shows mineralisation is associated with quartz veining on or close to sheared and possibly folded lithological contacts, with sub-parallel zones striking up to 1.6km. Best results include: NZAC025 - 32m at 1.31g/t Au, NZAC045 - 10m at 1.5g/t Au, NZAC062 - 15m at 2.3g/t Au, NZAC066 - 22m at 1.0g/t Au, NZAC208 - 10m at 11.9g/t Au, NZAC209 - 20m at 1.40g/t Au, NZAC229 - 8m at 3.9g/t Au, NZAC246 - 28m at 1.3g/t Au, and NZAC247 - 30m at 1.1g/t Au.

As a follow up to these extremely positive drill results a Reverse Circulation drilling program was carried out at Nazala during December 2011 and January 2012. A total of 50 holes for 7,485m was drilled. Final results are pending.

- **Goussirdou Prospect**

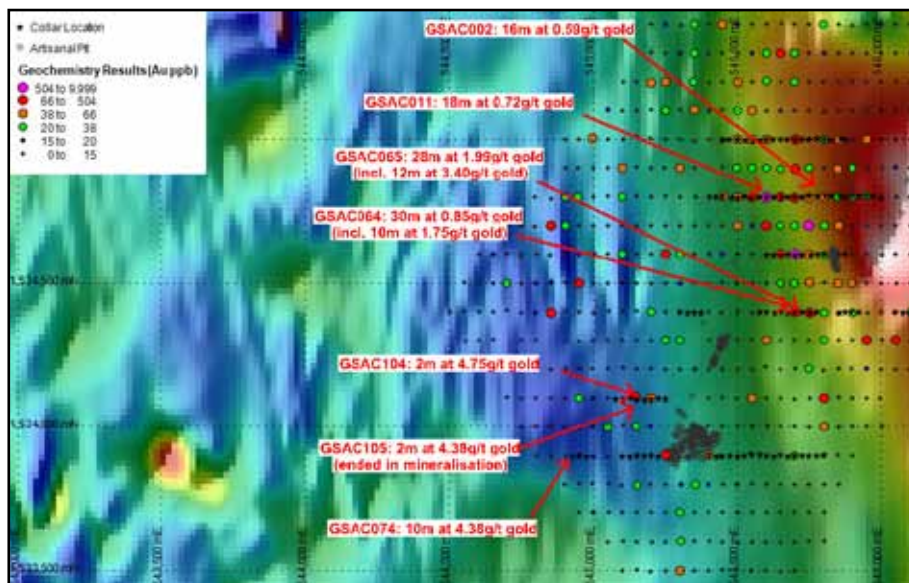
A total of 107 holes for 5,569m of Aircore drilling were completed over Goussirdou to test the nature of the extensive geochem anomalism described above. Holes were drilled on six sections between 200m and 300m apart, over a strike length of 1.1kms (Figure 5).



**Figure 4.** Zones of mineralisation interpreted from drilling results over the Nazala Main Prospect. Holes which didn't achieve planned depth are denoted by the red collar symbol and those that did by a green collar symbol. Also shown are the locations of individual drill intersections. All data is overlain on an aeromagnetic image.

Two distinct mineralised zones have been intersected; the first is a wide zone (up to 30m true width) showing grades of just under 2g/t gold. The second is a narrower (potentially 6m true width) but higher grade zone averaging over 4g/t gold. Mineralisation is associated with shearing and quartz veining on lithologic contacts, and is striking north-northwest. Best intersections include; GSAC011 - 18m at 0.7g/t Au, GSAC064 - 30m at 0.9g/t Au, GSAC065 - 28m at 2.0/t Au, GSAC074 - 10m at 4.4g/t Au, and GSAC105 - 3m at 4.4g/t Au.

As a follow up to these extremely positive drill results a Reverse Circulation drilling program was carried out at Goussirdou during December 2011. A total of 33 holes for 4,393m were drilled. Final results are pending.



**Figure 5.** Geochemistry results over the Goussirdou Prospect overlain on an aeromagnetic image. Also shown are the collar locations of recent Aircore drill holes with best intersections highlighted in red.

# REVIEW OF OPERATIONS

- **Dagbenan & Dagbenan South**

Regional and subsequent infill geochemical surveys through several metres of transported laterite delineated a > 25ppb gold anomaly over 4.5km strike length at Dagbenan, Dagbenan South and Nimbo Prospects (Figure 6). Assisted by high-resolution geophysics, field mapping, and grab sampling, Aircore drilling was undertaken over the anomaly on 200m spaced sections to enable complete east-west coverage of geology and any mineralisation.

Eighty seven Aircore holes for 5,503m were drilled over the Dagbenan and Dagbenan South Prospects. Drilling identified only several mineralised quartz veins along the 1,200m strike length (Figure 6). The most encouragement was obtained in the north of the anomaly at Dagbenan where mineralisation is associated with quartz veining in a sheared mafic host. Best intersections include; DGAC014 - 8m at 3.14g/t Au, DGAC017 - 2m at 11.13g/t Au, DGAC046 6m at 2.01g/t Au, and DGAC050 - 10m at 1.5g/t Au.

The lack of continuity in the Aircore results limits the potential of this prospect. Further work will be done mapping the artisanal workings to confirm the source of the gold prior to a final decision being made on any further drilling.

- **Nimbo**

Aircore drilling was conducted at Nimbo in response to anomalous geochem data, significant artisanal pits (up to 30m long), and as a follow up to reconnaissance RC drilling in June 2010 (NBRC008 - 5m at 7.8g/t Au and 4m at 9.6g/t Au). A total of 99 Aircore holes for 5,640m were drilled in two campaigns. The drilling was done on seven sections over 520m strike length. Drilling identified quartz veining in sediments, as well as in a sheared granodiorite near the contact with sediments. Best intersections included; NBAC023 - 2m at 19.23g/t Au, NBAC024 - 2m at 8.01g/t Au, NBAC083 - 2m at 73.2g/t Au, NBAC085 - 8m at 12.4g/t Au, and NBAC095 - 11m at 4.9g/t Au.

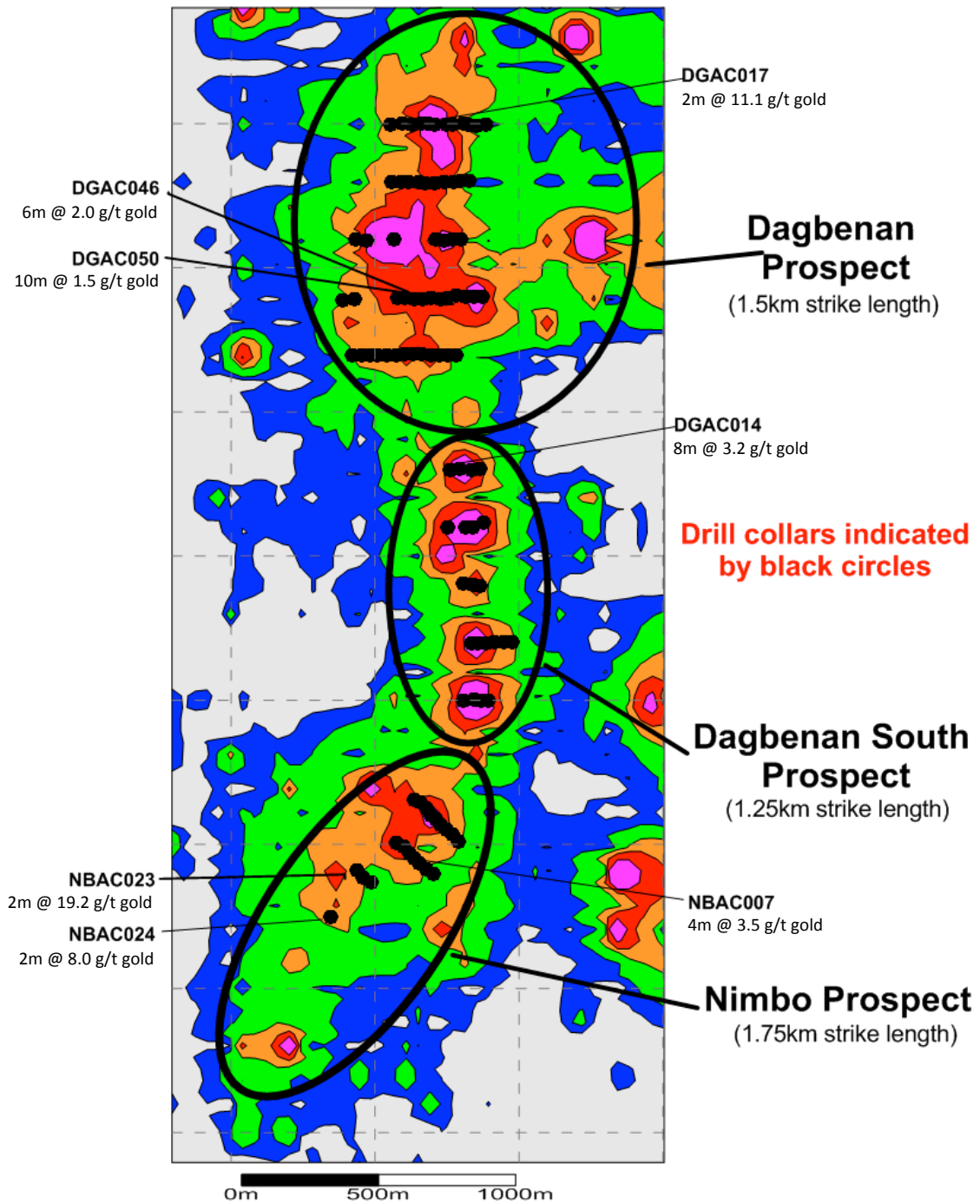
Gold mineralisation occurs in three sub-parallel lodes:

1. The main zone associated with shearing and quartz-carbonate-pyrite alteration along the contact between a granodiorite and sediments. This zone appears to have best size potential but is low grade (~1g/t Au) where currently intersected;
2. Quartz veins within the upper sediment and mafic volcanoclastic. These veins can be extremely high grade (2m at 73.2g/t Au) but are generally narrow (2-3 metres wide); and
3. In shears (+/- quartz veining) within the granodiorite.

All units strike in a north-east direction and dip 40-45 degrees to the south east (Figure 7).

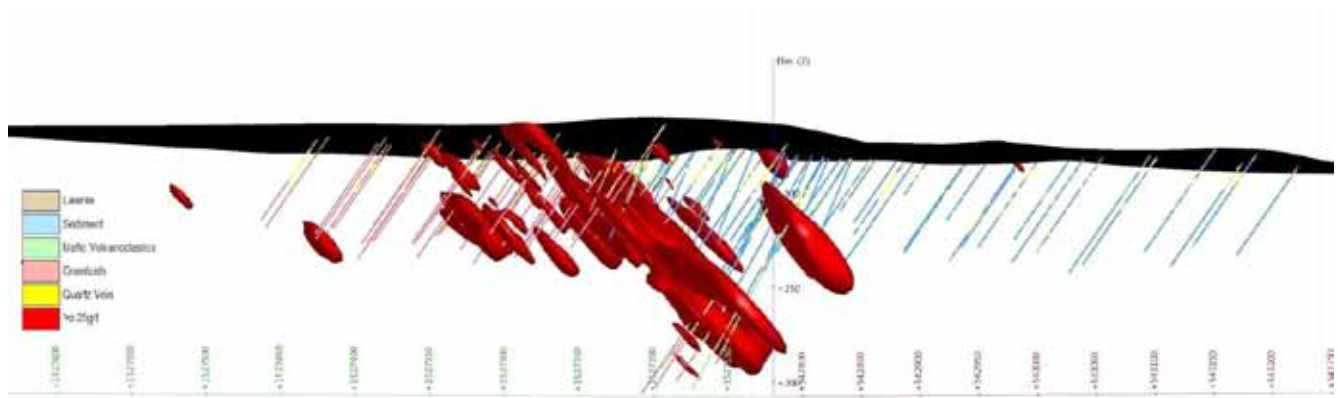
Mineralisation of varying width and grade has been intersected over a strike length of 360m and is still open to the northeast and southwest. Additional aircore drilling is planned to test the strike extensions at Nimbo prior to further RC drilling.

## Completed Drill Sections



**Figure 6.** Map showing collar locations and best intercepts from Aircore drilling at Dagbenan, Dagbenan South and Nimbo Prospects.

# REVIEW OF OPERATIONS



**Figure 7.** Zones of mineralisation (>0.25g/t gold) at Nimbo (looking northeast). Drill holes are colour coded according to rock type. Blue = sediments, Green = mafic volcaniclastics, Yellow = quartz veins, Pink = granitoid. Mineralisation is hosted mainly along the contacts between granitoids and sediments / mafic volcaniclastics but also within quartz veins within the upper sedimentary – volcaniclastic package and along shears within the granitoid.

- **Dore Prospect**

The Dore prospect occurs in the northwest of the Madougou Permit and contains the most extensive artisanal workings on the Madougou Project, which are still active. Whilst inspection of some of the pits shows the mining of quartz gravels at the base of the transported laterite, a large proportion of the pits can be observed to reach >20m, well into the in-situ material. Eighteen RC drill holes were drilled by Ampella in 2007 with encouraging results including; DORC002 – 6m at 3.39g/t Au, and DORC003 – 10m at 1.62g/t Au. An additional 17 RC holes were drilled by Carbine in 2010 with best results including; DORC022 – 7m at 0.86g/t Au, and DORC034 – 56m at 1.57g/t Au.

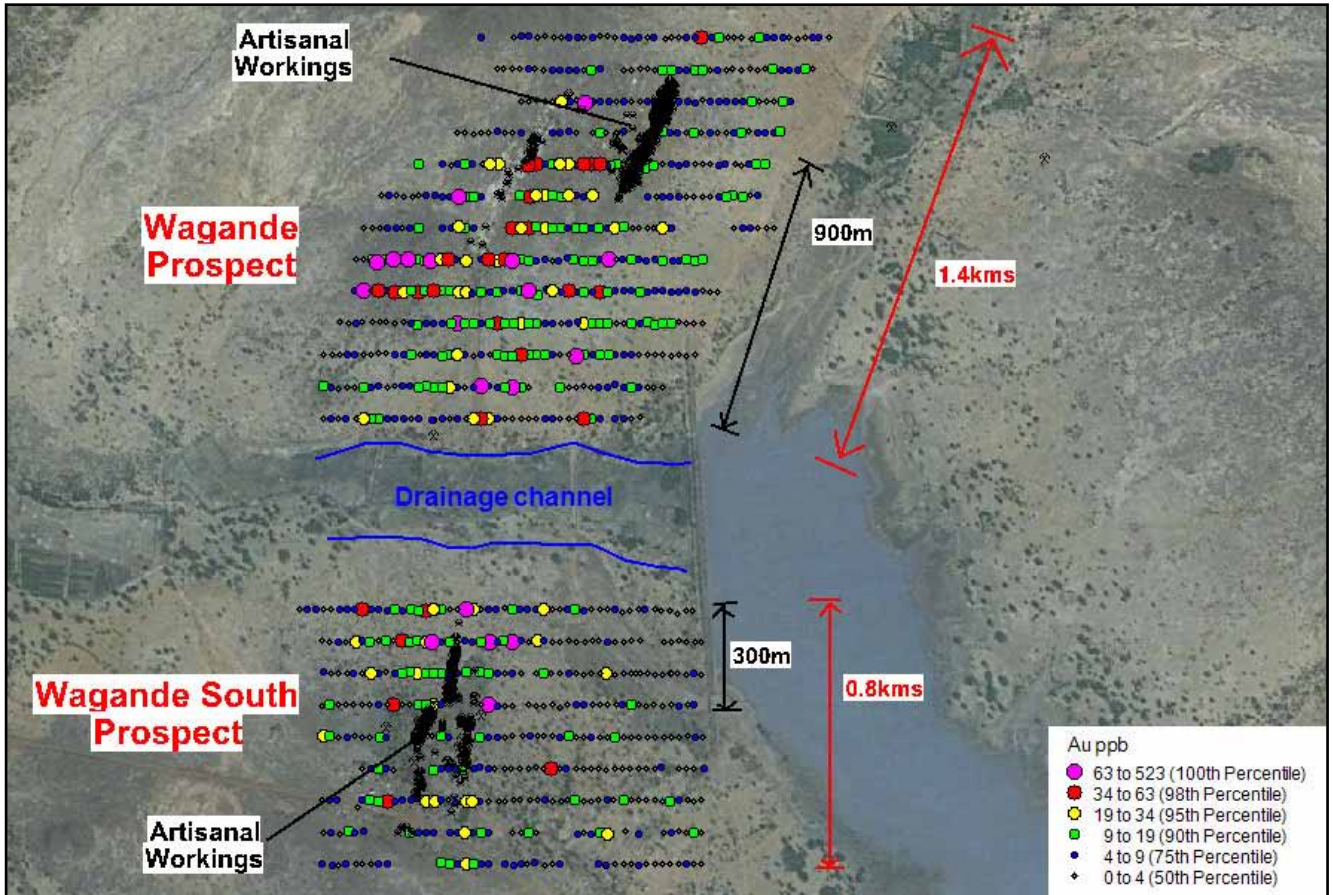
A revised geologic model was put together early in 2011 after re-logging of old RC drilling and re-mapping of the artisanal workings at Dore Prospect. To support further RC drill planning a deep geochemistry survey of 300 holes for approximately 5,000m was carried out in May. The broad anomalism observed in this survey supported the geologic model of mineralisation associated with a northwest trending thrust fault. Subsequently forty-four (44) Aircore holes for 2,493m were completed in June-July to confirm the presence of primary mineralisation below the geochem anomalism. Best intercepts include; DOAC002 – 10m at 0.61g/t Au, DOAC013 – 2m at 3.35g/t Au, DOAC024 – 2m at 2.32g/t Au, DOAC025 – 2m at 14.78g/t Au, DOAC033 – 4m at 8.78g/t Au, DOAC034 – 2m at 2.65g/t Au, and DOAC043 – 2m at 2.62g/t Au.

Finally, in November 2011, 14 RC drill holes for 2,366m were completed on the prospect. Whilst 11 of the 14 holes intersected mineralisation, the zones were generally narrow. Best results included; DORC036 – 1m at 7.33g/t Au, DORC037 – 8m at 0.66g/t Au, DORC041 – 2m at 3.98g/t Au, DORC042 – 2m at 4.41g/t Au, DORC044 – 2m at 3.27g/t Au, DORC047 – 1m at 4.18g/t Au, and DORC048 – 1m at 35.75g/t Au.

Drilling seems to suggest that mineralisation is potentially controlled by shearing observed on the lithologic contacts, and trending north-south, as opposed to the geologic model for mineralisation which suggested it was northwest. 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.

- **Wagande and Wagande South Prospects**

Two geochem anomalies totaling 1.2km combined strike length were delineated by artisanal workings, geochem sampling on a 100m by 25m grid (up to 523 ppb), and eight grab samples > 0.50g/t Au (maximum 14.1g/t Au). There is potential for mineralization to continue beneath a minor drainage channel that sits between the Prospects (Figure 8).



**Figure 8.** Aerial photograph of Wagande and Wagande South Prospects showing locations of deep geochemical survey points, artisanal workings and the drainage channel between the deposits. The strike length of the >19ppb anomaly is shown by the black arrows and of the lower tenor >9ppb anomaly is shown by the red arrows.

The anomalies are associated with large north-northeast trending structures and their interpreted intersection with north-south and west-northwest trending structures.

An Aircore program consisting of 96 holes for 5,523m to investigate beneath these anomalies was drilled in May 2011. At Wagande, two lines were drilled 300m apart. Drilling intersected generally narrow zones of mineralisation with the exception of WGAC012. Best results included; WGAC012 - 12m at 1.83g/t Au, WGAC017 - 2m at 2.72g/t Au, and WGAC019 - 2m at 2.82g/t Au. At Wagande South, two lines were drilled 200m apart. Again, drilling intersected generally narrow zones of mineralisation. Best results included; WGAC071 - 4m at 3.99g/t Au, WGAC072 - 2m at 3.36g.t Au, and WGAC092 - 2m at 6.85g/t Au.

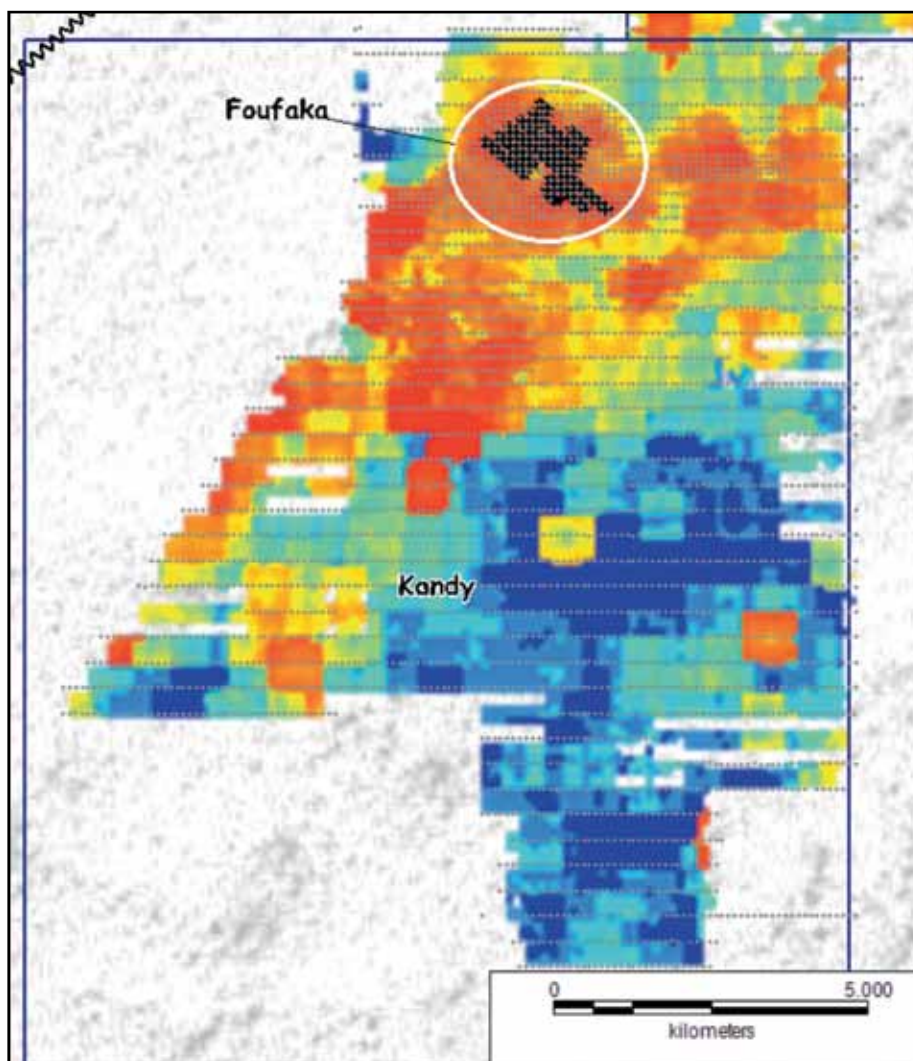
Potential still exists to join these two anomalies together beneath the channel, however the generally narrow intercepts have downgraded the potential of this area. Further work will concentrate on the channel between the prospects before a final decision is made on any further drilling.

# REVIEW OF OPERATIONS

## Kandy Permit

An extensive geochem sampling program was undertaken beginning late 2010 on the Kandy exploration permit using a combination of Aircore (to penetrate below the transported laterite in areas of deep cover), and mechanical auger. A total of 3,228 Aircore holes for 35,153m, and 482 auger holes for 4,117m were drilled from January to July 2011. Sampling was initially on a 400m x 100m grid with infill surveys to 100m x 100m carried out in anomalous areas.

Results from the northeast corner of the Permit were highly encouraging (Figure 9). Anomalous values of greater than 25ppb gold (highest value of 444ppb) cover an area of approximately 2.5 square kilometres at Foufaka. Gold anomalism on the Kandy Permit looks to follow the same structural trends as Madougou, dominantly northeast. Approximately 15,000m of Aircore drilling on 200m spaced sections was designed to test the anomaly. This drilling was completed in early 2012. Results are pending.



**Figure 9.** Kandy Exploration Permit. Image of 2011 geochem results contoured, showing large Foufaka anomaly in northeast and subsequent Aircore drilling collars (results pending).

There is also significant anomalism south of Foufaka which needs follow up with systematic Aircore. Planning will be aided by results from Foufaka (recognising mineralised structures) and should occur in the second quarter of 2012.



## REMAINING EXPLORATION PERMITS (OPTION TO ACQUIRE 100% OR CARBINE 100%)

A regional stream sediment/lag sampling program took place from December 2011 to February 2012 (Figure 10). The survey covered all Carbine's permits except Madougou and Kandy (where we already have detailed geochem). The samples have been submitted to Analytical Laboratory Services (ALS) and will be assayed for a multi-element suite by ICP-MS (Au and 41 other elements). The results from this work, combined with regional mapping should identify the most prospective parts of our landholding, and enable us to focus exploration on those areas/permits. For prospective areas, the exploration program will include high resolution aeromagnetic and radiometric surveys.

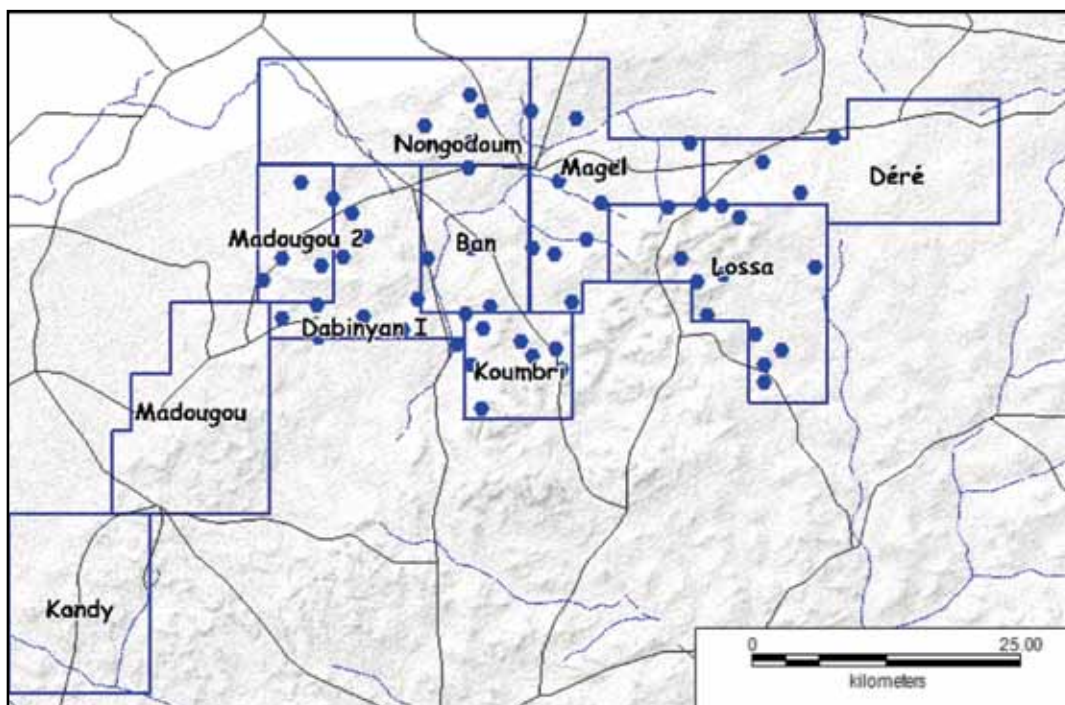
### Koumbri and Ban Permits

A high-resolution aeromagnetic and radiometric survey was completed over Ban and Koumbri Permits early in 2011. Flight line separation was 100m and the survey was flown at an altitude of 30m. Final processed images will be used to refine both geological and structural interpretations that can then help to target areas associated with gold mineralisation.

Regional mapping and grab sampling continues over these permits. Contingent on identifying suitable geology and some expressions of primary mineralisation, surface/auger geochemistry will be designed and completed in the first half 2012.

### Madougou 2 Permit

Similar lithologies, alteration and deformation to those seen on the Madougou Permit have been identified on the Madougou 2 Permit during preliminary reconnaissance mapping. The Permit is underlain by a mixture of Birimian Greenstones (volcanics and sediments) and granitoids. Recent sediments cover the western extremities of the Permit. Two large artisanal mining fields are located on the Madougou 2 Permit. In the 1990's Channel Resources conducted some regional soil geochemistry and drilled two scout RC holes over the southern half of the Permit intersecting 4m at 1.9g/t gold and 2m at 4.9g/t gold adjacent to the one of the present day artisanal mining sites.



**Figure 10.** Location of Regional Stream Sediment/Lag samples on Carbine permits.



# DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Carbine Resources Limited and the entity it controlled ("the Group") for the year ended 31 December 2011 and the Auditor's report thereon.

## DIRECTORS

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

<b>Mr Evan Cranston</b>	Non-Executive Director	
<b>Dr Paul Kitto</b>	Non-Executive Director	
<b>Mr Grant Mooney</b>	Non-Executive Director and Company Secretary	(Appointed 18 January 2012)
<b>Mr Peter Sheehan</b>	Managing Director	(Appointed 22 February 2012)
<b>Mr Ronald Sayers</b>	Non-Executive Director	(Resigned 31 May 2011)
<b>Ms Aoife McGrath</b>	Executive Director - Exploration	(Resigned 18 January 2012)

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was exploration for gold in the northwest of Burkina Faso (West Africa).

## RESULTS

The loss for the financial year after income tax was \$7,011,738 (31 December 2010: \$5,415,586).

## DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared.

## FINANCIAL POSITION

The net assets of the Group as at 31 December 2011 are \$6,887,641 compared to \$8,591,149 as at 31 December 2010.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

### Madougou Project, Burkina Faso

During the 2011 financial period the Group increased its landholding in Burkina Faso by approximately 574km<sup>2</sup> to 1932km<sup>2</sup> by entering into agreements to acquire 3 new permits, Madougou 2, Nongodoum and Magel.

During the year, the Group progressed its Earn-In and Shareholder Agreement with Ampella Mining Ltd (Ampella) in relation to the Madougou Gold Project in Burkina Faso, West Africa.

Under the Agreement, the Group will be issued shares in an entity into which the Madougou Project will be transferred. The Group may earn its 80% interest in accordance with the following:

- An initial 51% interest by sole contributing \$3 million on exploration and appraisal of the Project within a period of 3 years from commencement of the first earning period, with a binding commitment to spend \$250,000 within a period of 12 months from commencement of the first earning period;

# DIRECTORS' REPORT

- A further 19% interest by sole contributing a further \$2 million within a period of 2 years from commencement of the second earning period; and
- A further 10% interest by completing and sole funding a pre-feasibility study within a period of 2 years from commencement of the third earning period.

## Red Dam Project, Western Australia

In October 2011 Carbine announced that it had entered into an agreement with Phoenix Gold Limited in which Phoenix has agreed to purchase tenement M16/344 known as Red Dam for the following consideration:

- \$50,000 non-refundable cash deposit on signing formal agreement;
- \$50,000 cash payable at settlement;
- 8 million fully paid ordinary PXG shares representing 7.2% of the issued capital of Phoenix at a deemed price of \$0.23 per Phoenix share; and,
- \$10 per ounce gross production royalty.

The divestment of Red Dam will allow Carbine to focus 100% of its efforts on the Madougou Project in Burkina Faso, West Africa where it is aiming to establish its maiden JORC compliant resource within the next 12 months. The divestment will increase Carbine's current cash and liquid assets to approximately \$11 million to fund ongoing exploration.

## Corporate

The Group held its annual general meeting on 31 May 2011. All resolutions were passed, including the adoption of the remuneration report; re-election of Evan Cranston; and adoption of the new Constitution.

During the financial period 36,174,958 listed options were exercised raising a total of \$5,426,159 (before costs).

## Capital Raisings during the Year

During the year, the Company entered into an Underwriting Agreement with Patersons Securities Limited for the underwriting of options expiring on 31 July 2011.

Pursuant to the Underwriting Agreement, a total of 18,909,175 shares were issued as a result of the shortfall of options unexercised at an issue price of \$0.15 each.

## Shares issued due to the exercise of options

The following ordinary shares of Carbine Resources Limited were issued during the year ended 31 December 2011 on the exercise of listed options granted:

Date options granted	Issue price of shares	Number of shares issued
26 February 2010	\$0.15	17,265,783
		<u>17,265,783</u>

No further shares have been issued since the exercise date of the options. No amounts are unpaid on any of the shares. Funds raised from the underwriting of options will be applied toward the Group's exploration initiatives at the Madougou Gold Project in Burkina Faso, West Africa and general working capital.

## Issue of options

The following Options were issued to Employees during the year pursuant to the Group's employee option plan:

4 April 2011	350,000	Employee option	175,000 options vesting 12 months from issue and 175,000 options vesting 24 months from issue, expiring 1 April 2014 at \$0.38 each
4 April 2011	500,000	Employee option	250,000 options vesting 12 months from issue and 250,000 options vesting 24 months from issue, expiring 1 April 2014 at \$0.38 each
4 April 2011	75,000	Employee option	37,500 options vesting 12 months from issue and 37,500 options vesting 24 months from issue, expiring 1 April 2014 at \$0.38 each
4 April 2011	100,000	Employee option	Exercisable at \$0.38 on or before 1 April 2014
24 June 2011	50,000	Employee option	25,000 options vesting 12 months from issue and 25,000 options vesting 24 months from issue, expiring 23 June 2014 at \$0.16 each

## OPTIONS

The Company has no listed options and 9,375,000 unlisted options for ordinary shares were on issue at the date of this report.

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

Date of Grant	No. of Options	
	2011	2010
Opening Balance	44,474,958	-
Options issued in the period		
• Listed	-	37,505,798
• Unlisted	1,075,000	8,300,000
Options exercised in the period	(17,265,783)	(1,330,840)
Options underwritten in the period	(18,909,175)	-
<b>Balance at 31 December</b>	<b>9,375,000</b>	<b>44,474,958</b>

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 18 January 2012 the Group announced the resignation of Aoife McGrath as Executive Director – Exploration and the appointment of Grant Mooney as Non-Executive Director.

On 22 February 2012 the Group appointed Peter Sheehan to the Board as Managing Director.

# DIRECTORS' REPORT

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company has proceeded to fulfil its obligations under the Joint Venture with Ampella Mining Ltd and progress exploration on the Madougou Project in Burkina Faso.

## INFORMATION ON DIRECTORS

### Mr Peter Sheehan

### Managing Director

Mr Sheehan is a geologist with over 17 years' experience on three continents (Australia, Africa and America) in different facets of resources industry including; exploration management, evaluations/acquisitions, resource development, and open pit and underground mining.

Mr Sheehan holds a Bachelor of Science (Honors) from Monash University majoring in Geology as well as a Graduate Diploma in Applied Finance and Investment from Securities Institute of Australia.

Mr Sheehan has not held directorship in any listed companies during the past three financial years.

### Mr Evan Cranston

### Non-Executive Director

Mr Cranston is a lawyer specialising in corporate and mining law. He has extensive experience in the areas of public listed entities including capital raisings, initial public offerings and liaison with market analysts and potential investors, together with Corporate Governance, the Australian Securities Exchange's Listing Rules and the Corporations Act.

His experience in mining law extends to tenement acquisition agreements, mineral right agreements, joint ventures and mergers and acquisitions.

He holds both a Bachelor of Commerce and Bachelor of Laws.

Mr Cranston is currently a Non Executive Director of Cradle Resources and was previously an Executive Director of Ampella Mining Limited after resigning in April 2012.

Mr Cranston has not held directorship in any other listed companies during the past three financial years.

### Dr Paul Kitto

### Non-Executive Director

Dr Kitto's successful international exploration career extends over of 22 years experience within a range of major mining companies spanning a wide range of gold and base metal ore deposit types. He was previously Africa Exploration Manager for Gold Fields Limited. He has successfully negotiated, managed and co-ordinated exploration programs, joint ventures and project generation initiatives worldwide from grassroots through to advanced resource definition projects. He has either led or been a team member of successful exploration companies which have resulted in multi-million ounce gold resources in Africa, Australia and Papua New Guinea.

He holds a Doctorate in Geochemistry and Structural Geology from the Centre for Ore Deposit Research at the University of Tasmania where he was also employed as a Research Fellow. Dr Kitto is currently the Managing Director and CEO of Ampella Mining Limited.

Dr Kitto has not held directorship in any other listed companies during the past three financial years.

## Mr Grant Mooney

## Non-Executive Director and Company Secretary

Mr Mooney is a member of the Institute of Chartered Accountants and is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd.

Mr Mooney has gained extensive experience in the areas of corporate and project management since commencing Mooney & Partners in 1999. His experience extends to advice on capital raisings, mergers and acquisitions and corporate governance.

Currently, Mr Mooney serves as a director and company secretary to ASX listed mineral exploration companies Attila Resources Limited, Barra Resources Limited, Phosphate Australia Limited and Wild Acre Metals Limited, and renewable energy company Carnegie Wave Energy Limited.

## DIRECTORS' MEETINGS

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

	Meetings held	Meetings attended while in office
Aoife McGrath (Resigned 18 January 2012)	4	4
Evan Cranston	4	4
Dr Paul Kitto	4	3
Ronald George Sayers (Resigned 31 May 2011)	3	-

There 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 Group's activities throughout the year.

## 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
Mr Evan Cranston	-	-	2,000,000	-
Dr Paul Kitto	-	*3,200,000	2,000,000	-
Mr Grant Mooney	-	**135,000	-	***750,000
Mr Peter Sheehan	-	-	-	-

\*shares and options held by Dr Paul Kitto are held in the name of Mr Paul Anthony Kitto & Mrs Ruth Elizabeth Shepherd <Kitto and Shepherd Super Fund A/C

\*\*shares held by Mr Grant Mooney are held by Mooney & Partners Pty Ltd

\*\*\*options held by Mr Grant Mooney are held by Ocean Flyers Pty Ltd (The S&G Mooney Super Fund A/C)

# DIRECTORS' REPORT

## 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 Group has no key management personnel other than the Directors and Company Secretary of the Company.

Details of Key Management Personnel:

<b>Mr Evan Cranston</b>	Non-Executive Director
<b>Dr Paul Kitto</b>	Non-Executive Director
<b>Mr Grant Mooney</b>	Non Executive Director and Company Secretary (appointed 18 January 2012)
<b>Ms Aoife McGrath</b>	Executive Director – Exploration (resigned 18 January 2012)
<b>Mr Ron Sayers</b>	Non-Executive Director (resigned 31 May 2011)

## Compensation of Key Management Personnel

The Remuneration Committee comprised of Directors, Dr Paul Kitto and Mr Evan Cranston with Mr Grant Mooney acting as Secretary. The Committee 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. The Committee reports to the Board of Directors on these findings and in turn makes recommendations in relation to remuneration standards. Presently there are no formalised arrangements which give rise to the payment of additional remuneration to Directors contingent on Group 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 Group 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 Group and its operations there is no relationship between remuneration and Group performance and shareholder wealth other than options issued as remuneration.

Non-Executive Directors' remuneration will be determined according to market practice for junior listed companies based on information obtained from industry analysts. Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration Committee.

## The short term incentives ('STI')

The STI are designed to align the targets of the business units with the targets of those Executives in charge of meeting those targets. The STI paid to Directors and Executives are based on market rates for comparable companies for time, commitment and responsibilities.

## Long term incentives ('LTI')

The LTI are granted to reward the Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. The LTI includes share based payments (i.e options). Options over shares are granted to the Directors and certain employees at the discretion of the Board and no individual has a contractual right to participate or to receive any guaranteed benefits. The issue of options is not linked to performance conditions because by setting the option price at a level above current share price at the time the options are granted; provides incentive for management to improve the Company's performance.



# DIRECTORS' REPORT

2011	Short-Term Benefits	Post Employment Benefits	Share-Based Payment		
Name	Cash Salary and Fees \$	Super-annuation \$	Shares / Options \$	Total \$	% Performance Based
<b>Non-Executive Directors</b>					
Mr Evan Cranston	96,868	-	-	96,868	0%
Dr Paul Kitto	88,870	7,998	-	96,868	0%
Mr Ron Sayers (resigned 31 May 2011)	-	-	-	-	0%
<i>Sub-total Non-Executive Directors</i>	185,738	7,998	-	193,736	0%
<b>Executive Directors</b>					
Ms Aoife McGrath (resigned 18 January 2012)	202,086	-	-	202,086	0%
<b>Specified Executive</b>					
Mr Grant Mooney	60,000	-	-	60,000	0%
<b>Total</b>	<b>447,824</b>	<b>7,998</b>	<b>-</b>	<b>455,823</b>	<b>0%</b>

2010	Short-Term Benefits	Post Employment Benefits	Share-Based Payment		
Name	Cash Salary and Fees \$	Super-annuation \$	Shares / Options \$	Total \$	% Performance Based
<b>Non-Executive Directors</b>					
Mr Evan Cranston	-	-	458,927	458,927	0%
Dr Paul Kitto	-	-	458,927	458,927	0%
Mr Peter Torre (Resigned 22 March 2010)	27,540	-	-	27,540	0%
Mr Ron Sayers	-	-	-	-	-
Mr Greg Steemson (Resigned 22 March 2010)	-	-	-	-	-
<i>Sub-total Non-Executive Directors</i>	27,540	-	917,854	945,394	0%
<b>Executive Directors</b>					
Ms Aoife McGrath	133,000	-	459,368	592,368	0%
<b>Specified Executive</b>					
Mr Grant Mooney	17,851	-	168,023	185,874	0%
<b>Total</b>	<b>178,391</b>	<b>-</b>	<b>1,545,245</b>	<b>1,723,636</b>	<b>0%</b>

# DIRECTORS' REPORT

## Compensation Options

The Key Management Personnel did not receive any compensation options during the financial year ended 31 December 2011.

## Service Agreements

The Group terminated a Service Agreement with Ms Aoife McGrath, Executive Director Exploration on her resignation on 18 January 2012. The agreement provided for an annual salary of \$180,000, reviewed annually and increased to \$230,000 effective 1 July 2011, and was for an indefinite period and was severable by either party provided that three months written notice was given.

On appointment to the Board, all Non-Executive Directors enter into a letter agreement with the Group which summarises the Board policies and terms which mirror those set out within the Corporations Act 2001, including compensation, relevant to the office of Director.

No other remuneration arrangements were in place during the financial year ended 31 December 2011.

## Share Based Payment Compensations

There was no Share Based Payment compensations given to the Key Management Personnel during the financial year ended 31 December 2011.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Carbine Resources Limited and each of the key management personnel of the Group are set out in Notes 16 and 17 to the financial statements. When exercisable, each option is convertible into one ordinary share of Carbine Resources Limited.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Value at exercise date*
			\$
<b>Non-Executive Directors</b>			
Mr Evan Cranston	-	-	-
Dr Paul Kitto	10 August 2011	1,000,000	-
Mr Ron Sayers (resigned 31 May 2011)	-	-	-
<b>Executive Directors</b>			
Ms Aoife McGrath (resigned 18 January 2012)	-	-	-
<b>Other company and group executives</b>			
Mr Grant Mooney	-	-	-

## “End of the Remuneration Report (Audited)”

## ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration activities the Group 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 Group has complied with all material environmental requirements up to the date of this report.

## INSURANCE OF DIRECTORS AND OFFICERS

During the year, the Group has paid an insurance premium in respect of a contract indemnifying the Group's Directors and officers. The total premium paid was \$13,375 (2010: \$10,500).

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 Group 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 Group. 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 Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

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

## OTHER INFORMATION

The registered office and principal place of business is Suite 23, 513 Hay Street Subiaco WA 6008.

## NON ASSURANCE SERVICES

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

# DIRECTORS' REPORT

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## 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 full year financial statement.

Dated at Perth this 30th day of March, 2012

Signed in accordance with a resolution of the Directors



**Mr Evan Cranston**  
*Director*

## Competent Person's Statement

The information in this report that relates to exploration results is based on information compiled by Peter Sheehan who is a member of the Australian Institute of Mining & Metallurgy. Peter Sheehan is employed by Carbine Resources Ltd. Peter Sheehan has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". He consents to the inclusion of the matters based on information in the form and context in which it appears.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

		CONSOLIDATED	
	Notes	2011	2010
		\$	\$
<b>Revenue from continuing operations</b>	2	470,256	212,685
Exploration & evaluation costs	8	(6,595,485)	(2,146,324)
Impairment of exploration assets	8	-	(1,089,440)
Depreciation	2	(117,747)	(26,172)
Share based payment expenses	17	(151,370)	(1,902,434)
Employee, director and consultant expenses		(363,043)	(139,174)
General and administration expenses	2	(265,377)	(299,143)
Foreign exchange gain		11,028	(25,584)
Loss before income tax expense		(7,011,738)	(5,415,586)
Income Tax Expense	3	-	-
Loss after income tax from continuing operations attributable to owners of Carbine Resources Limited		(7,011,738)	(5,415,586)
<b>Loss attributable to owners of Carbine Resources Limited</b>		(7,011,738)	(5,415,586)
<b>Other comprehensive income/(loss)</b>			
Exchange difference on translation of foreign operations		(30,678)	197,495
Total other comprehensive income/(loss)		(7,042,416)	(5,218,091)
<b>Total comprehensive loss attributable to owners of Carbine Resources Limited</b>		(7,042,416)	(5,218,091)
<b>Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company</b>		<b>Cents</b>	<b>Cents</b>
Basic loss per share	12	(5.88)	(6.75)
Diluted loss per share	12	N/A	N/A

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

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

	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	7,493,248	8,499,520
Trade and other receivables	5	118,067	132,179
Other current assets	6	38,223	20,211
<b>TOTAL CURRENT ASSETS</b>		<b>7,649,538</b>	<b>8,651,910</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	306,330	316,790
Exploration and evaluation expenditure	8	-	-
Financial assets	9	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>306,330</b>	<b>316,790</b>
<b>TOTAL ASSETS</b>		<b>7,955,868</b>	<b>8,968,700</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	1,064,925	376,577
Provisions		3,302	974
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,068,227</b>	<b>377,551</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,068,227</b>	<b>377,551</b>
<b>NET ASSETS</b>		<b>6,887,641</b>	<b>8,591,149</b>
<b>EQUITY</b>			
Issued Capital	11	22,636,442	17,448,904
Reserves	20	2,444,497	2,323,805
Accumulated losses		(18,193,298)	(11,181,560)
<b>TOTAL EQUITY</b>		<b>6,887,641</b>	<b>8,591,149</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

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

## CONSOLIDATED

	Contributed Equity	Accumu- lated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$		\$
<b>Balance at 1 January 2011</b>	<b>17,448,904</b>	<b>(11,181,560)</b>	<b>2,126,310</b>	<b>197,495</b>	<b>8,591,149</b>
Total comprehensive loss for the year	-	(7,011,738)	-	-	(7,011,738)
Exchange difference on translation of foreign operations	-	-	-	(30,678)	(30,678)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(7,011,738)</b>	<b>-</b>	<b>(30,678)</b>	<b>(7,042,416)</b>
Share based payments	-	-	151,370	-	151,370
<b>Transactions with owners in their capacity as owners:</b>					
Share buy-back	-	-	-	-	-
Issue of shares	5,426,159	-	-	-	5,426,159
Transaction costs on issue of fully paid ordinary shares and options (net of tax)	(238,621)	-	-	-	(238,621)
	5,187,538	-	-	-	5,187,538
<b>Balance at 31 December 2011</b>	<b>22,636,442</b>	<b>(18,193,298)</b>	<b>2,277,680</b>	<b>166,817</b>	<b>6,887,641</b>
<b>Balance at 1 January 2010</b>					
<b>Balance at 1 January 2010</b>	<b>7,425,683</b>	<b>(5,765,974)</b>	<b>223,876</b>	<b>-</b>	<b>1,883,585</b>
Total comprehensive loss for the year	-	(5,415,586)	-	-	(5,415,586)
Exchange difference on translation of foreign operations	-	-	-	197,495	197,495
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(5,415,586)</b>	<b>-</b>	<b>197,495</b>	<b>(5,218,091)</b>
Share based payments	-	-	1,902,434	-	1,902,434
<b>Transactions with owners in their capacity as owners:</b>					
Share buy-back	-	-	-	-	-
Issue of shares	10,650,854	-	-	-	10,650,854
Transaction costs on issue of fully paid ordinary shares and options (net of tax)	(627,633)	-	-	-	(627,633)
	10,023,221	-	-	-	10,023,221
<b>Balance at 31 December 2010</b>	<b>17,448,904</b>	<b>(11,181,560)</b>	<b>2,126,310</b>	<b>197,495</b>	<b>8,591,149</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2011

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

	Note	CONSOLIDATED	
		2011	2010
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(756,044)	(84,317)
Exploration expenditure, prospects, management fees		(5,800,934)	(2,273,823)
Interest received		470,256	132,886
Other revenue		-	1,334
<b>Net cash (outflow) from operating activities</b>	18	(6,086,182)	(2,223,920)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment		(107,287)	(340,433)
Proceeds from sale of investments		-	305,009
<b>Net cash (outflow) from investing activities</b>		(107,287)	(35,424)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of capital raising costs		5,187,538	10,023,221
<b>Net cash inflow from financing activities</b>		5,187,538	10,023,221
<b>Net (decrease)/increase in cash and cash equivalents held</b>		(1,005,931)	7,763,877
Cash and cash equivalents at the beginning of the period		8,499,520	564,217
Differences in foreign exchange		(341)	171,426
<b>Cash and cash equivalents at the end of the period</b>	4	7,493,248	8,499,520



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

## 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 statements, comprising the financial statements and notes thereto also comply with International Financial Reporting Standards 'IFRS'. The presentation currency of the Group is Australian Dollars. Functional Currency is determined and discussed in the following accounting policy.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period unless otherwise stated.

### 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.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

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 Group 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

The Group, when acquiring exploration and evaluation assets will carry those projects at acquisition value in the Statement of Financial Position, less any subsequent impairment.

All exploration and evaluation expenditure within an area of interest will be expensed until the Directors conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable, further expenditure is capitalised as part of property, plant and equipment.

No amortisation is charged during the exploration and evaluation phase. Amortisation is charged on commencement of commercial production. Exploration and evaluation assets are tested for impairment annually or when there is an indication of impairment, until commercially viable material resources are established. Upon establishment of commercially viable mineral resources exploration and evaluation assets are tested for impairment when there is an indicator of impairment. Subsequently the assets are stated at cost less impairment provision.

## (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 Group 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.

## Depreciation

The depreciation amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office Equipment	33%
Motor vehicle	33%
Plant and Equipment	20 - 33%

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

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 Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## **(f) Employee Benefits**

A provision is made for the Group'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 Group does not undertake any hedging or deal in derivative instruments.

## **Recognition**

The Group 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 Group 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

The Group 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 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.

## **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) Trade Receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest methods, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance amount (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

The amount of the impairment loss is recognized in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognized becomes uncollectible in a subsequent period, it is written off against the allowance amount. Subsequent recoveries of amounts previously written off are credited against other expenses in profit and loss.

## **(i) Revenue Recognition**

Revenue from the sale of goods and disposal of other assets is recognised when the Group has passed control of the goods or other assets to the buyer. Interest income is recognised using the effective interest rate method.

## **(j) Principles of Consolidation**

### ***Subsidiaries***

Subsidiaries are entities controlled by the Company. The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being Carbine Resources Limited ("Company" or "Parent Entity") and its subsidiary as defined in AASB 127: Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of the subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Acquisitions of entities are accounted for using the acquisition method of accounting.

In preparing the consolidated financial statements, all inter-Company balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions are eliminated in full.

Investments in subsidiaries are accounted for at cost in the financial report of Carbine Resources Limited.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Comprehensive Income and Statement of Financial Position respectively. Total comprehensive income is attributable to the owners of Carbine Resources Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

### ***Changes in ownership interest***

The Group treats transactions with non-controlling interests that does not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of Carbine Resources Limited.

## **(k) Foreign currency translation**

### ***Functional and presentation currency***

The financial statements are presented in Australian dollars, which is Carbine Resources Limited's functional and presentation currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

## ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

## ***Group companies***

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to Shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Statement of Comprehensive Income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

## **(l) 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 Group 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 than 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

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.

## **(m) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

## **(n) Share-Based Payment Transactions**

The Group 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 Black-Scholes 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 Group, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## **(o) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result 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.

## **(p) 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 Group.

## ***Share based payment***

The cost of share-based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

## **(q) 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 Group.

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.

## **(r) Other taxes**

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivable or payables in the Statement of Financial Position.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## (s) New accounting standards and interpretations

The AASB has issued new, revised and amended standards and interpretations that are not mandatory for 31 December 2011 reporting periods. The group has decided against early adoption of these standards. A discussion of these future requirements and their impact on the Group is set out below.

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets.	1 January 2013	The adoption is only mandatory for the 31 December 2013 year end and thus, the entity has not yet made an assessment of the impact of these amendments.
AASB 10	Consolidated Financial Statements	Replaces the existing definition of control in the existing standard AASB 127 Consolidated and Separate Financial Statements.	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made and assessment of the impact of these amendments.
AASB 11	Joint Arrangements	Sets out a new framework for the accounting for joint ventures, including removal of the option to use proportionate consolidation.	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made and assessment of the impact of these amendments.
AASB 12	Disclosure of Interests in Other Entities	Updates and combines the disclosure requirements for subsidiaries, joint arrangements, associates and other similar entities.	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made and assessment of the impact of these amendments.

## (t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Carbine Resources Limited.

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 2. REVENUE AND EXPENSES

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>(a) Revenue from continuing operations</b>		
Interest revenue	470,256	132,886
Other revenue	-	79,799
	470,256	212,685
<b>(b) Depreciation</b>		
Plant and equipment	(117,747)	(26,172)
<b>(c) General and administration expenses</b>		
Operating lease - rental	36,000	34,743
Superannuation expenses	23,197	2,117
Other expenses	206,180	262,283
Total general and administrative expenses	265,377	299,143

## 3. INCOME TAX EXPENSES

The components of income tax expense comprise:

	2011	2010
	\$	\$
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of Comprehensive Income	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

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% (2010: 30%)

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>Loss before income tax</b>	(7,132,988)	(5,415,586)
At the Group's statutory income tax rate of 30%	(2,139,896)	(1,624,676)
Timing differences	-	-
Unrecognised DTA losses	2,139,896	1,624,676
Utilisation of carried forward tax losses	-	-
Income tax attributable to entity	-	-
The applicable weighted average effective rate 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	5,461,825	3,321,929
<b>Deferred tax assets</b>		
- temporary differences	-	-
- tax losses (operating losses)	5,461,825	3,321,929
- tax losses (capital losses)	-	-
	5,461,825	3,321,929

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

	CONSOLIDATED	
	2011	2010
	\$	\$
Cash at bank	7,493,248	8,499,520

The effective interest rate on short term bank deposit was 5.91% (2010: 5.67%)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:

	CONSOLIDATED	
	2011	2010
	\$	\$
Cash at bank	7,493,248	8,499,520

The Group exposure to interest rate risk is discussed at Note 19. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and cash equivalent mentioned above.

## 5. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2011	2010
	\$	\$
Net GST refundable	16,129	44,692
Other receivable	101,938	87,487
	118,067	132,179

No receivables are past due nor impaired. Due to the short term nature of the receivable, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the total mentioned above. Further details on the Group's management policy can be found at note 19.

## 6. OTHER CURRENT ASSETS

	CONSOLIDATED	
	2011	2010
	\$	\$
Prepayments	30,362	13,831
Other current asset	7,861	6,380
	38,223	20,211

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 7. PLANT AND EQUIPMENT

	CONSOLIDATED				
	Furniture & Equipment	Establishment expenses & deferred charges	Patent, licensing, software	Motor Vehicle	Total
	\$	\$	\$	\$	\$
<b>Year ended 31 December 2010</b>	2,529	-	-	-	2,529
Opening net book value	99,230	295	6,389	234,519	340,433
Depreciation charge for the year	(7,254)	-	(177)	(18,741)	(26,172)
Closing net book value	94,505	295	6,212	215,778	316,790
<b>At 31 December 2010</b>					
Cost or fair value	111,115	295	6,389	234,519	352,318
Accumulated depreciation and impairment	(16,610)	-	(177)	(18,741)	(35,528)
Net book value	94,505	295	6,212	215,778	316,790
<b>Year ended 31 December 2011</b>					
Opening net book value	94,505	295	6,212	215,778	316,790
Additions	45,614	-	28,903	25,716	100,233
Foreign exchange	1,495	1	255	5,303	7,054
Depreciation charge for the year	(25,912)	(152)	(4,527)	(87,156)	(117,747)
Closing net book value	115,702	144	30,843	159,641	306,330
<b>At 31 December 2011</b>					
Cost or fair value	156,729	295	35,292	260,235	452,551
Accumulated depreciation and impairment	(41,027)	(151)	(4,449)	(100,594)	(146,221)
Net book value	115,702	144	30,843	159,641	306,330

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 8. EXPLORATION AND EVALUATION EXPENDITURE

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

	CONSOLIDATED	
	2011	2010
	\$	\$
Carrying amount at beginning of year	-	1,089,440
Impairment loss	-	(1,089,440)
Carrying amount at the end of year	-	-
Exploration and evaluation phases	6,595,485	2,146,324
Exploration costs expensed	(6,595,485)	(2,146,324)
	-	-

## 9. FINANCIAL ASSETS

	CONSOLIDATED	
	2011	2010
	\$	\$
Financial assets at fair value	-	226,545
Consideration received on sale of financial assets at fair value	-	(305,010)
Gain on sale of financial assets	-	78,465
Total financial assets at fair value	-	-

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

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

## 10. TRADE AND OTHER PAYABLE - CURRENT

	CONSOLIDATED	
	2011	2010
	\$	\$
Trade payables – unsecured	1,011,437	336,713
Other payables and accruals – unsecured	53,488	39,864
Total trade and other payables	1,064,925	376,577

Information about the Group exposure to foreign exchange risk is provided in Note 19.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 11. ISSUED CAPITAL

	CONSOLIDATED			
	2011		2010	
	No. of Shares	\$	No. of Shares	\$
<i>(a) Ordinary shares fully paid</i>				
Balance at beginning of period	103,842,436	17,448,904	47,511,596	7,425,683
Issue of shares to directors in lieu of directors fees	-	-	-	-
Issue of shares from exercise of option	17,265,783	2,589,782	56,330,840	10,650,854
Issue of shares from underwriting of option	18,909,175	2,836,376		
Costs of capital raising	-	(238,621)	-	(627,633)
Balance at end of period	140,017,394	22,636,442	103,842,436	17,448,904

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	CONSOLIDATED	
	No. of Options	Exercise Price
Issued options opening balance	44,474,958	Various
Options granted in the period	1,075,000	Various
Options exercised	(17,265,783)	\$0.15
Options underwritten	(18,909,175)	\$0.15
Balance at 31 December 2011	9,375,000	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

	CONSOLIDATED	
	2011	2010
	\$	\$
Basic loss per share (cents per share)	(5.98)	(6.75)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	119,347,776	80,205,182
Net loss used in the calculation of basic earnings per share	(7,132,988)	(5,415,586)

### (b) Diluted earnings per share

	CONSOLIDATED	
	2011	2010
	\$	\$
Diluted earnings/(loss) per share (cents per share)	N/A	N/A
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share	N/A	N/A
Net profit/(loss) used in the calculation of diluted earnings per share	N/A	N/A

Due to the Group being in loss position, it is considered counter dilutive and therefore earnings per share are not diluted.

## 13. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2011	2010
	\$	\$
Remuneration of Auditor of the Company:		
Auditing or reviewing the financial report BDO Audit (WA) Pty Ltd	41,650	17,170
Auditing or reviewing the financial report ACECA International SARL	2,057	-
	43,707	17,170



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 14. SEGMENT REPORTING

### (a) Description of Segments

The Board of Directors which is the chief operating decision maker has determined the operating segments based on geographical location. The Group has two reportable segments; namely, Western Australia and Burkina Faso (West Africa), which are the Group's strategic business units.

The Australian segment incorporates the Group's mining exploration and evaluation process.

### Other segment information

#### (i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the Statement of Comprehensive Income.

Segment revenue reconciles to total revenue from continuing operations as follows:

2011	Exploration operations		
	Australia	West Africa	Total
Total segment revenue	-	-	-
Inter-segment revenue	-	-	-
<b>External Revenues</b>	-	-	-
<b>Adjusted EBITDA</b>	(635,308)	(6,577,569)	(7,212,877)
Depreciation	(1,074)	(116,673)	(117,747)
Exploration and evaluation expenses	(10,627)	(6,584,858)	(6,595,485)
Impairment of exploration cost	-	-	-
<b>Total segment assets</b>	<b>12,504</b>	<b>4,542</b>	<b>17,046</b>
<b>Total segment liabilities</b>	<b>124,380</b>	<b>-</b>	<b>124,380</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

2010	Exploration operations		
	Australia	West Africa	Total
Total segment revenue	-	-	-
Inter-segment revenue	-	-	-
<b>External Revenues</b>	-	-	-
<b>Adjusted EBITDA</b>	(20,128)	(1,311,041)	(1,331,169)
Depreciation	(2,529)	(23,643)	(26,172)
Exploration and evaluation expenses	(8,683)	(2,137,641)	(2,146,324)
Impairment of exploration cost	(1,089,440)	-	(1,089,440)
<b>Total segment assets</b>	<b>46,216</b>	<b>13,368</b>	<b>59,584</b>
<b>Total segment liabilities</b>	<b>54,891</b>	<b>-</b>	<b>54,891</b>

## *(ii) Adjusted EBITDA*

The Board of Directors assess 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.

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

	Consolidated	
	2011	2010
	\$	\$
<b>Adjusted EBITDA</b>	(7,212,877)	(1,331,169)
Intersegment eliminations	(201,139)	-
Interest revenue	470,256	132,886
Depreciation	(117,747)	(26,172)
Share-based payments	(151,370)	(1,902,434)
Other	-	(2,288,697)
Loss from continuing operations before tax	(7,011,738)	(5,415,586)

## *(iii) Segment assets*

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2011	2010
	\$	\$
Segment assets	17,046	59,584
Intersegment eliminations	-	-
Unallocated:		
Cash and cash equivalents	7,493,248	8,499,520
Other assets	445,574	469,180
Total assets as per the Statement of Financial Position	7,955,868	8,968,700

## *(iv) Segment liabilities*

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2011	2010
	\$	\$
Segment liabilities	124,380	54,891
Intersegment eliminations	-	-
<b>Unallocated:</b>		
Other liabilities	943,847	322,660
Total liabilities as per the Statement of Financial Position	1,068,227	377,551

## 15. RELATED PARTY TRANSACTIONS

The Group has entered into a lease with respect to 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 Mr Evan Cranston, a Non-Executive Director of the Group. Rent and office services paid during the year-end period were \$36,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 16. KEY MANAGEMENT PERSONNEL DISCLOSURE

The following people have been designated as Key Management personnel for the year:

- Ms Aoife McGrath (Executive Director-Exploration)
- Mr Evan Cranston (Non-Executive Director)
- Dr Paul Kitto (Non-Executive Director)
- Mr Ronald George Sayers (Non-Executive Director) (Resigned 31 May 2011)

### Remuneration by Category

#### Key Management Personnel

	2011	2010
	\$	\$
Short-term	387,824	160,540
Post-employment	7,998	-
Share-based payment	-	1,377,222
	<b>395,823</b>	<b>1,537,762</b>

#### Option holdings of Key Management Personnel

2011 Key Management Personnel	Balance at 1-Jan-11	Granted as Remuneration	Options Exercised	Other Changes	Balance at 31-Dec-11	Total	
						Total Vested 31-Dec-11	Exercis- able 31-Dec-11
Ms Aoife McGrath	2,000,000	-	-	-	2,000,000	2,000,000	-
Mr Evan Cranston	2,000,000	-	-	-	2,000,000	2,000,000	-
Dr Paul Kitto	2,000,000	-	-	-	2,000,000	2,000,000	-
Mr Ron Sayers*	-	-	-	-	-	-	-
	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>-</b>

2011 Key Management Personnel	Balance at 1-Jan-11	Granted as Remuneration	Options Exercised	Other Changes	Balance at 31-Dec-11	Total	
						Total Vested 31-Dec-11	Exercis- able 31-Dec-11
Ms Aoife McGrath	-	2,000,000	-	-	2,000,000	2,000,000	-
Mr Evan Cranston	-	2,000,000	-	-	2,000,000	2,000,000	-
Dr Paul Kitto	-	2,000,000	-	-	2,000,000	2,000,000	-
Mr Ron Sayers	-	-	-	-	-	-	-
Mr Peter Torre**	-	-	-	-	-	-	-
Mr Greg Steemson**	-	-	-	-	-	-	-
	<b>-</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

## Shareholdings of Key Management Personnel

<b>2011</b>					
<b>Key Management Personnel</b>	<b>Balance at 1-Jan-11</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Net Changes (other)</b>	<b>Balance at 31-Dec-11</b>
Mr Ron Sayers*	3,000,000	-	-	(3,000,000)	-
Mr Aoife McGrath	1,500,000	-	-	-	1,500,000
Mr Evan Cranston	-	-	-	-	-
Dr Paul Kitto	2,200,000	-	1,000,000	-	3,200,000
	6,700,000	-	1,000,000	(3,000,000)	4,700,000

<b>2010</b>					
<b>Key Management Personnel</b>	<b>Balance at 1-Jan-10</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Net Changes (Other)</b>	<b>Balance at 31-Dec-10</b>
Mr Peter Torre**	2,250,000	-	-	(2,250,000)	-
Mr Greg Steemson**	1,500,000	-	-	(1,500,000)	-
Mr Ron Sayers	3,000,000	-	-	-	3,000,000
Mr Aoife McGrath	-	-	-	1,500,000	1,500,000
Mr Evan Cranston	-	-	-	-	-
Dr Paul Kitto	-	-	-	2,200,000	2,200,000
	6,750,000	-	-	(50,000)	6,700,000

\*Resigned 31 May 2011

\*\*Resigned 22 March 2010

## Loans to Key Management Personnel

There were no loans to Key Management Personnel during the period and no balance outstanding at year end.

Other transactions and balances with Key Management Personnel.

There were no transactions or balances with Key Management Personnel (other than those disclosed in Note 15).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 17. SHARED BASED PAYMENTS

### (a) Employee Option Plan

The Employee Share Option Plan is used to reward the Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. There are no performance requirements to be met before exercise can take place. The Plan is designed to provide long-term incentives to deliver long-term shareholder returns. Participation in the Plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted, provides incentive for management to improve the Company's performance.

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

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
25-Aug-10	Vesting on issue	24-Aug-13	\$0.30	0.236
25-Aug-10	Vesting on issue	24-Aug-13	\$0.40	0.222
28-Aug-10	Vesting on issue	27-Aug-13	\$0.30	0.237
28-Aug-10	Vesting on issue	27-Aug-13	\$0.40	0.223
3-Sep-10	Vesting on issue	2-Sep-13	\$0.30	0.237
14-Sep-10	Vesting on issue	13-Sep-13	\$0.40	0.224
7-Oct-10	Vesting 12 months and 24 months from issue	6-Oct-13	\$0.45	0.220
4-Apr-11	Vesting 12 months and 24 months from issue	1-Apr-11	\$0.38	0.242
4-Apr-11	Vesting on issue	1-Apr-11	\$0.38	0.242
24-Jun-11	Vesting 12 months and 24 months from issue	23-Jun-14	\$0.16	0.099

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Value at grant date	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			No.	No.	\$	No.	No.	No.	No.
Consolidated and parent entity 2011									
25-Aug-10	24-Aug-13	\$0.30	2,000,000	-	472,914	-	-	2,000,000	2,000,000
25-Aug-10	24-Aug-13	\$0.40	2,000,000	-	444,940	-	-	2,000,000	2,000,000
28-Aug-10	27-Aug-13	\$0.30	1,000,000	-	236,662	-	-	1,000,000	1,000,000
28-Aug-10	27-Aug-13	\$0.40	1,000,000	-	222,706	-	-	1,000,000	1,000,000
3-Sep-10	2-Sep-13	\$0.30	950,000	-	225,216	-	-	950,000	950,000
14-Sep-10	13-Sep-13	\$0.40	750,000	-	168,023	-	-	750,000	750,000
7-Oct-10	6-Oct-13	\$0.45	600,000	-	131,973	-	-	600,000	-
4-Apr-11	1-Apr-14	\$0.38	-	350,000	84,904	-	-	350,000	-
4-Apr-11	1-Apr-14	\$0.38	-	500,000	121,291	-	-	500,000	-
4-Apr-11	1-Apr-14	\$0.38	-	75,000	18,194	-	-	75,000	-
4-Apr-11	1-Apr-14	\$0.38	-	100,000	24,258	-	-	100,000	100,000
24-Jun-11	23-Jun-14	\$0.16	-	50,000	4,941	-	-	50,000	-
			8,300,000	1,075,000	2,156,022	-	-	9,375,000	7,800,000
Weighted average exercise price			-	0.37		-	-	0.36	-

No options expired during the periods covered by the above tables.

The weighted average remaining contractual life of share options outstanding at the end of the period was 3 years (2010: 3.67 years).

The assessed fair value at grant date of options granted on 4 April 2011 was 24.2 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model. This volatility rate was 95% and the risk free interest rate was 4.65%. The share price at grant date was 38.0 cents per share. The options had a total value of \$148,619.

The assessed fair value at grant date of options granted on 24 June 2011 was 9.9 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model. This volatility rate was 95% and the risk free interest rate was 4.65%. The share price at grant date was 16.0 cents per share. The options had a total value of \$2,751.

Total value of options granted during the year ended 31 December 2011 was \$151,370. This amount had been expensed in the Statement of Comprehensive Income during the year (2010: \$1,902,434).

## (b) Employee Shares Plan

There were no shares issued to the Directors during the 2011 financial year as part of an employee share scheme (2010: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

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

	CONSOLIDATED	
	2011	2010
	\$	\$
(Profit)/loss after income tax	7,011,738	5,415,586
Add:		
- Depreciation	(117,747)	(26,172)
- Impairment loss	-	(1,089,440)
- Share based payments	(151,370)	(1,902,434)
- Profits on sale of assets	-	78,465
Changes in assets and liabilities during the year:		
Increase/(decrease) in prepayments	18,012	15,462
Increase/(decrease) in receivables	(14,112)	127,012
(Increase)/decrease in payables and provisions	(690,676)	(368,975)
Foreign exchange differences	30,337	(25,584)
Net cash used in operations	6,086,182	2,223,920

## 19. FINANCIAL INSTRUMENTS

### Financial Risk Management

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

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks as summarised below.

### Financial Risk

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

	CONSOLIDATED	
	2011	2010
	\$	\$
Cash at bank	7,493,248	8,499,520



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## Financial Asset

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

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	7,493,248	8,499,520
<b>Financial Assets</b>		
Trade and other receivables	118,067	132,179
Financial assets at fair value	-	-
	<b>118,067</b>	<b>132,179</b>
<b>Financial Liabilities</b>		
Trade and other payables	1,064,925	376,577
	<b>1,064,925</b>	<b>376,577</b>

## Liquidity Risk and Liquidity Risk Management

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

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

The Group has access to bank overdraft facility totalling \$50,000. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

## Credit Risk

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group 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'.

The Group 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. The Group'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:

2011	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing in 1 Year or Less	Non-Interest Bearing	Total
	%	\$	\$	\$	\$
<b>Financial Asset</b>					
Cash and cash equivalents	5.91	7,493,248	-	-	7,493,248
Receivables	-	-	-	118,067	118,067
<b>Financial Liabilities</b>					
Payables	-	-	-	(1,064,925)	(1,064,925)
<b>Net Financial Assets</b>	<b>5.91</b>	<b>7,493,248</b>	<b>-</b>	<b>(946,858)</b>	<b>6,546,390</b>
<b>2010</b>					
2010	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing in 1 Year or Less	Non-Interest Bearing	Total
	%	\$	\$	\$	\$
<b>Financial Asset</b>					
Cash and cash equivalents	5.67	8,499,520	-	-	8,499,520
Receivables	-	-	-	132,179	132,179
<b>Financial Liabilities</b>					
Payables	-	-	-	(376,577)	(376,577)
<b>Net Financial Assets</b>	<b>5.67</b>	<b>8,499,520</b>	<b>-</b>	<b>(244,398)</b>	<b>8,255,122</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 *Continued*

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

2011	Carrying Amount	-1%		1%	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Cash and cash equivalents	7,493,248	(74,932)	(74,932)	74,932	74,932
Trade receivables	118,067	-	-	-	-
Trade payables	(1,064,925)	-	-	-	-
<b>Total increase/(decrease)</b>	<b>6,546,390</b>	<b>(74,932)</b>	<b>(74,932)</b>	<b>74,932</b>	<b>74,932</b>

2010	Carrying Amount	-1%		1%	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Cash and cash equivalents	8,499,520	(84,995)	(84,995)	84,995	84,995
Trade receivables	132,179	-	-	-	-
Trade payables	(376,577)	-	-	-	-
<b>Total increase/(decrease)</b>	<b>8,255,122</b>	<b>(84,995)</b>	<b>(84,995)</b>	<b>84,995</b>	<b>84,995</b>

## 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 Group for similar financial instruments.

## Unrecognised Financial Instruments

The Group does not have any unrecognized financial instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## Foreign exchange risk

Although the Group operates internationally all material financial assets are denominated in the respective entity's functional currency. Therefore its exposure to foreign exchange risk arising from currency exposures is limited to the transfer of funding from the Australian head office to some of its overseas operations and exposure to the currency fluctuations of funds held in a United States Dollar (USD) account and a West African CFA Franc (CFA) account.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian Dollar, was as follows:

	31 December 2011		31 December 2010	
	USD	CFA	USD	CFA
	\$	\$	\$	\$
Trade receivables	-	101,938	-	87,487
Trade payables	-	(887,057)	(42,505)	(281,822)
Total increase/(decrease)	-	(785,119)	(42,505)	(194,335)

Had the Australian dollar weakened/strengthened by 10% against the CFA with all other variables held constant, the Group's post-tax profit and equity would have been \$78,512 lower or higher.

## Capital Management Risk

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

In order to maintain or adjust the capital structure, the Group may issue new shares and sell its financial assets held at fair value.

## 20. RESERVES

### (a) Share-Based Payment Reserve

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

	CONSOLIDATED	
	2011	2010
	\$	\$
Movements		
Opening balance	2,126,310	223,876
Shares issued to Directors and Employees	151,370	1,902,434
Closing balance	2,277,680	2,126,310

### (b) Foreign Currency Translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income in note 1 and accumulated in a separate reserve within equity; the cumulative amount is reclassified to profit or loss when net investment is disposed of.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

	CONSOLIDATED	
	2011	2010
Movements	\$	\$
Opening balance	197,495	-
Foreign currency translation	(30,678)	197,495
Closing balance	166,817	197,495

## 21. COMMITMENTS AND CONTINGENCIES

### Operating Lease Commitments

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

	2011	2010
	\$	\$
<b>Operating Lease Commitments</b>		
Office premises due within 1 year	13,543	36,000
Office premises due greater than 1 year and less than 5	1,440	-
Total	14,983	36,000

The Group leases various offices under operating leases expiring within one or two years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

### Exploration Commitments

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

	2011	2010
	\$	\$
<b>Exploration Commitments</b>		
Due within 1 year	1,070,591	-
Due greater than 1 year and less than 5	4,750,000	4,750,000
Total	5,820,591	4,750,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 Continued

## 22. SUBSEQUENT EVENTS

There were no events subsequent to the end of the financial period ended 31 December 2011 that would have material effect on these financial statements.

## 23. PARENT ENTITY INFORMATION

The following detailed information is related to the parent entity, Carbine Resources Limited at 31 December 2011. The information presented here has been prepared using consistent accounting policies as discussed in Note 1.

	CONSOLIDATED	
	2011	2010
	\$	\$
Current assets	7,536,230	8,544,675
Non-current assets	11,981	2,217
<b>Total assets</b>	<b>7,548,211</b>	<b>8,546,892</b>
Current liabilities	181,170	95,729
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>181,170</b>	<b>95,729</b>
Contributed equity	22,636,442	17,448,904
Accumulated losses	(17,547,081)	(11,124,051)
Reserves	2,277,680	2,126,310
<b>Total equity</b>	<b>7,367,041</b>	<b>8,451,163</b>
Loss for the year	(6,423,030)	(5,358,077)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>(6,423,030)</b>	<b>(5,358,077)</b>

# DIRECTOR'S DECLARATION

## DIRECTOR'S DECLARATION

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 2011 and of the performance for the year ended on that date of the Group.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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:



**Mr Evan Cranston**

*Director*

Dated at Perth this 30th day of March, 2012

# AUDITOR'S INDEPENDENCE DECLARATION



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PO Box 700 West Perth WA 6872  
Australia

30 March 2012

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

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 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

A handwritten signature in black ink, appearing to read 'B McVeigh', is written over a light blue horizontal line.

**BRAD MCVEIGH**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

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# INDEPENDENT AUDITOR'S REPORT



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

### Report on the Financial Report

We have audited the accompanying financial report of Carbine Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### 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*, 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 report.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

# INDEPENDENT AUDITOR'S REPORT



## 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 consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) 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 9 to 12 of the directors' report for the year ended 31 December 2011. 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.

## Opinion

In our opinion, the Remuneration Report of Carbine Resources Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'BDO' above 'BMV' with a large flourish.

**Brad McVeigh**  
Director

Perth, Western Australia  
Dated this 30<sup>th</sup> day of March 2012

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Carbine Resources Limited (Carbine) is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Securities Exchange (ASX) Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement (Statement) must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period under review. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Group's corporate governance practices were in place throughout the year (unless otherwise stated) under review and are compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations.

A summary of the corporate governance policies and practices adopted by Carbine together with a Statement detailing departures from the Corporate Governance Council's Best Practice Recommendations is set out below.

## ROLE OF THE BOARD OF DIRECTORS

The Board of Carbine is responsible for setting the Group's strategic direction and providing effective governance over its affairs in conjunction with the overall supervision of the Group's business with the view of maximising shareholder value. The Board's role and the Group's Corporate Governance Practices are being continually reviewed and improved to reflect the Group's circumstances.

The Board's key responsibilities are to:

- chart the direction, strategies and financial objectives for Carbine and monitor the implementation of those policies, strategies and financial objectives;
- monitor compliance with regulatory requirements, ethical standards and external commitments;
- appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer if in place or similar person acting in the executive capacity;
- ensure that the Board continues to have the mix of skills and experience necessary to conduct Carbine's activities, and that appropriate Directors are selected and appointed as required, and
- Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration.

# CORPORATE GOVERNANCE STATEMENT

## BOARD STRUCTURE AND COMPOSITION

The Directors in office and the term of their appointment during the year under review to the date of this statement are set out below:

<b>Name</b>	<b>Position</b>	<b>Term in Office to the Date of this Statement</b>
<b>Mr Evan Cranston</b>	Non-Executive Director	Full Year
<b>Dr Paul Kitto</b>	Non-Executive Director	Full Year
<b>Mr Grant Mooney</b>	Non-Executive Director	Appointed 18 January 2012
<b>Mr Peter Sheehan</b>	Managing Director	Appointed 22 February 2012
<b>Ms Aoife McGrath</b>	Executive Director – Exploration	Resigned 18 January 2012
<b>Mr Ronald Sayers</b>	Non-Executive Director	Resigned 31 May 2011

The Company Secretary is Mr Grant Mooney, who was appointed on 14 September 2010.

The Board is currently comprised of four Directors, of which all non-executive directors are considered independent. Independence, in this context, is defined to mean a Non-Executive Director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Carbine. The definition of independence in ASX Recommendation 2.1 is taken into account for this purpose. None of the Company's Independent directors:

- are a member of management;
- are a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years have been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years have been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another group member other than as a director of the Company;
- has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;
- has any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The skills, experience and expertise relevant to the position of each Director for the year under review are included in the Directors' Report of this Annual Financial Report.

Details of Directors' shareholdings for the year under review are disclosed in the both the Directors' Report and the Financial Report. There are no retirement schemes other than the payment of statutory superannuation contributions.

Any equity-based compensation of Directors requires approval in advance by shareholders.

# CORPORATE GOVERNANCE STATEMENT

During the Financial year and until the appointment of Peter Sheehan, the Company had not appointed a Managing Director as it was considered that the Company was not yet of a size which would necessitate such appointment and that the Board could adequately oversee the functions of management.

Since the appointment of Peter Sheehan on 22 February 2012, the Managing Director is responsible for supervising the management of the Group's business.

The Company has not appointed a chairman as it is considered that either of the Non-Executive Directors can fulfil this function on a rotational basis until a suitably qualified candidate is identified.

The Board of Directors, together with the Managing Director, shall determine the strategic direction of the Company by regularly monitoring and evaluating the performance and status of each of the Company's projects and activities, with the objective of maximising and enhancing the reputation and performance of the Company to increase shareholder value. Advice on the performance of the Company's projects and investments is also provided by consultants and employees, where required.

Carbines' Non-Executive Directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re-election. Directors are elected or re-elected, as the case may be, by shareholders in a under meeting. Directors may offer themselves for re-election. A Director appointed by the Directors (e.g., to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of Carbine but is eligible for re-election at that meeting.

Under Carbines' Constitution, voting requires a simple majority of the Board. The elected Chairman of the meeting holds the casting vote.

The Company has procedures enabling any Director or committee of the Board to seek external professional advice as considered necessary at the Group's expense. A copy of any advice sought by a Director is made available to all other Directors.

## BOARD AND MANAGEMENT EFFECTIVENESS

Responsibility for the overall direction and management of Carbine, its corporate governance and the internal workings of Carbine rests with the Managing Director, in consultation with the Board of Directors notwithstanding the delegation of certain functions to management generally (such delegation effected at all times in accordance with Carbine' Constitution and its corporate governance policies).

The Company has adopted formal Performance Evaluation Procedures for the Board members, Executives, Board Committees and individual directors, providing a basis for independent assessment.

# CORPORATE GOVERNANCE STATEMENT

## FINANCIAL REPORTING

A Board member and the Chief Financial Officer or equivalent are required to state in writing that the Group's financial reports:

- present a true and fair view, in all material respects, of the Group's financial condition and operational results thereon,
- that these reports have been prepared in accordance with the relevant accounting standards and are founded on a system of risk management and internal compliance and control, and
- the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## RISK MANAGEMENT POLICY

Risk recognition and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value, and the successful execution of the Company's research and development.

The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions.

Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

Not all aspects of risk management can be formalised and the Company places considerable reliance on the skill, experience and judgement of its people to take risk managed decisions within the policy framework, and to communicate openly on all risk related matters.

There are a range of specific risks that have the potential to have an adverse impact on the Company's business. The Company has developed a framework for a risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Company's affairs.

Key elements of the framework for the management of risk by Carbine are:

- oversight of the Company's financial affairs and internal controls by the Audit Committee;
- the formulation of programmes for exploration and development;
- regular reporting against established targets;
- approval guidelines for exploration and capital expenditure;
- regulatory compliance programmes and reporting in key areas such as safety and environment;
- management of capital and financial risk;
- an annual insurance program;
- oversight of the conduct of contractors.

# CORPORATE GOVERNANCE STATEMENT

## RISK EVALUATION AND CONTROL

The operating team, under the leadership of the Managing Director (formerly the Exploration Director) and the Non-Executive Director-Corporate, draw together from within their ranks a group who periodically meet to identify and assess specific business risks specific to their operations. The group has experience in all of Carbine's activities and is broadly conversant with the Company's business plans, objectives and values.

Based on reviews of the Company's business, an overall profile of the risks is established and a process is established for dealing with such risks. Any identified risks are periodically brought to the attention of the Board or the Audit Committee, generally in the format of a Board meeting.

In assessing and managing identified risks:

- risks are assessed in terms of potential consequences and likelihood;
- risks are ranked in accordance with their likely impact;
- the acceptability of each identified risk is assessed;
- proposed actions to eliminate, reduce or manage each material risk are considered and agreed;
- responsibilities for the management of each risk are assigned.

Periodic review is made at least annually in respect of the effectiveness and suitability of the risk management plan. Such a review was undertaken by management during the year and reported to the Board.

The Board ultimately has responsibility for internal compliance and control. The Audit Committee has responsibility for ensuring that internal control systems are in place to monitor and manage risk.

The Company has a number of financial control processes to ensure that the information that is presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- annual audit and half year review by the external auditor;
- internal audit program to review the quality and effectiveness of internal processes, procedures and controls;
- management review of the balance sheet and internal control environment;
- monthly review of financial performance compared to budget and forecast; and
- analysis of financial performance and significant balance sheet items to comparative periods.

# CORPORATE GOVERNANCE STATEMENT

## COMMITTEES OF THE BOARD OF DIRECTORS

The Board has established committees, namely an Audit and Risk Committee and a Remuneration Committee. A Nomination Committee has not been established as both the Board and current scale of actives are not of a sufficient size to warrant it. The Board of Directors currently undertake the function of a nomination committee by assuming the following:

### Remuneration Committee

The Board has established a Remuneration Committee for the purposes of making recommendations to the Company's Board of Directors on remuneration packages and policies applicable to senior executives and the Directors themselves.

The functions of a Remuneration Committee would generally include review of;

- policies for salaried personnel and directors remuneration annually;
- the basis of the calculation for senior executives' and directors' remuneration annually to ensure that it appears reasonable;
- current industry practice and the professional executive recruitment organisations' publications;
- different methods for remunerating senior executives and directors;
- existing or proposed share option schemes;
- superannuation payments;
- retirement and termination payments;
- fringe benefits;
- professional indemnity and liability insurance policies;
- related party transaction disclosure in the financial statements;
- communication with major shareholders and institutional investors to gauge their views on remuneration packages; and
- annual leave policies (and long service leave).

The Remuneration Committee consists of two Non-Executive Directors. All members are considered independent. Access is also available to the Company's auditors and senior managers, and the ability to consult independent experts when necessary.

The Remuneration Committee reports a summary of the findings of each Committee Meeting to the Board of Directors. The Board receives a copy of the minutes of the Remuneration Committee meetings.

The Remuneration Committee was formed on 15 December 2010. One meeting was held during the Reporting Period.

The Committee comprises Paul Kitto (Non-Executive Director) and Evan Cranston (Non-Executive Director). Grant Mooney is Secretary to the committee. Evan Cranston is Chairman of the Remuneration Committee.

The Company has established policies for the remuneration of executive and non-executive directors as well as the process for evaluation of the Board and Senior Executives. In relation to non-executive directors, there are presently no schemes for retirement benefits, other than statutory superannuation.

The Executive Directors are remunerated based on the provision of services provided to the Company under employment contract for executive management and for their services as Directors. The Directors fees are determined by the Company in general meeting and other consulting services are remunerated at levels independently agreed by the Remuneration Committee.



# CORPORATE GOVERNANCE STATEMENT

Non-executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The sum each Non-Executive Director is paid is determined by the Remuneration Committee from time to time. Additional fees may be paid for participation on Board Committees, however, the total fees paid to Non-Executive Directors, including fees paid for participation on Board Committees, are kept within the total amount approved by shareholders.

## AUDIT AND AUDIT COMMITTEE

The Company has established an Audit Committee with an established Charter.

The Audit Committee comprises Evan Cranston (Non-Executive Director and Paul Kitto (Non-Executive Director). Grant Mooney is Secretary to the committee.

### *Role of Auditor*

The Group's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Non-Executive Directors have direct access to the auditors as required by them.

### Selection of External Auditor

Should there be a vacancy for the position of external auditor, Carbine, through the Audit Committee, conducts a formal tendering process, either a general or selective tender.

Tenders are evaluated in accordance with the criteria, as appropriate from time to time, provided to tenderers. Tenders are not assessed solely on the basis of price, but on a number of issues such as:

- skills and knowledge of the team proposed to do the work;
- quality of work;
- independence of the audit firm;
- lead signing partner and independent review partner rotation and succession planning;
- value for money;
- ethical behaviour and fair dealing; and
- independence from Carbine.

Through the tendering process, the Audit Committee identifies and recommends an appropriate external auditor for appointment by the Board in conjunction with senior management and/or Carbine in general meeting. The appointment is made in writing.

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to Carbine's accounts for a period of more than five consecutive years. Further, once rotated off Carbine's accounts no partner of the external auditor may assume any responsibility in relation to Carbine's accounts for a period of five consecutive years. This requires succession planning on the part of the external auditor, a process in which Carbine is involved.

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

# CORPORATE GOVERNANCE STATEMENT

The Company has appointed, with their consent, BDO Audit (WA) Pty Ltd as its auditors. The Audit Committee is satisfied that the external auditors were not engaged for non-audit services during the financial year ended 31 December 2011.

## TIMELY AND BALANCED DISCLOSURE

Carbine is committed to promoting investor confidence by ensuring both shareholders and the market have equal access to information by the provision of timely and balanced disclosure of all material matters concerning the Company.

The Group's shareholders are responsible for voting on the appointment of Directors. The Board informs shareholders of all major developments affecting the Company by:

- preparing half yearly and annual financial reports, which are made available to all shareholders.
- preparing quarterly activity and cash flow reports.
- advising the market of matters requiring disclosure under ASX Continuous Disclosure Rules.
- maintaining a record of significant ASX announcements on the Group's website.
- submitting proposed major changes in the Group's affairs to a vote of shareholders, as required by the Corporation Act.
- reporting to shareholders at annual general meetings on the Group's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company.

The Company has adopted a formal disclosure policy, ensuring that the Company recognises and acts accordingly in respect to the identification of material information and the disclosure of that information as required by the ASX Listing Rules.

## Matters for Approval by the Board of Directors

The Board has adopted a list of matters required to be brought before the Board of Directors for approval. This provides an important means of dividing responsibility between the Board and management, assisting those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and the Senior Executives.

## CODE OF CONDUCT

Carbine is committed to the highest standards of ethical business conduct. As part of that commitment, Carbine established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Carbine's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

- acting with honesty and integrity
- abiding by laws and regulations
- respecting confidentiality and handling information in a proper manner
- maintaining the highest standards of professional behaviour
- avoiding conflicts of interest
- striving to be a good corporate citizen and to achieve community respect.

# CORPORATE GOVERNANCE STATEMENT

Carbine also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Carbine, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

## SECURITIES TRADING POLICY

On 15 December 2010, the Board adopted a formal Securities Trading Policy. The policy provides specific guidelines for directors, officers, employees and consultant when dealing in the Group's securities.

The general scheme of this securities trading policy regarding allowable dealings by Key Management Personnel and other Employees in Securities is that those persons should:

1. never engage in short term trading of Securities;
2. not deal in Securities while in possession of price sensitive information;
3. notify the company secretary of any material intended transactions involving Securities; and
4. restrict their buying and selling of Securities within the "trading window".

A complete copy of the Group's Securities Trading Policy can be found on the Group's website.

Each Director is conscious of his obligations under the Corporations Act and ASX Listing Rules. All Directors are instructed of their responsibilities and advised of their obligations to and adhere to these rules at all times.

## DIVERSITY POLICY

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people. Our policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

The Company's strategies are to:

1. recruit and manage on the basis of an individual's competence, qualification and performance;
2. create a culture that embraces diversity and that rewards people to act in accordance with this policy;
3. appreciate and respect the unique aspects that individual brings to the workplace;
4. foster an inclusive and supportive culture to enable people to develop to their full potential;
5. identify factors to be taken into account in the employee selection process to ensure we have the right person for the right job;
6. take action to prevent and stop discrimination, bullying and harassment; and
7. recognise that employees at all levels of the Company may have domestic responsibilities.

# CORPORATE GOVERNANCE STATEMENT

The Board is accountable for ensuring this policy is effectively implemented. Each employee has a responsibility to ensure that these objectives are achieved.

## Explanation for Departure from Best Practice Recommendations

The Company has complied with each of the Eight Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council, other than in relation to the matters specified below.

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
1	Lay Solid Foundations for Management and Oversight	<p>The Company has complied with the recommendations as set out under this Principle.</p> <p>A performance evaluation for senior executives took place during the reporting period which was in accordance with the Board and Senior Executives Evaluation Policy.</p> <p>A policy on matters reserved for the Board is outlined in this Report and is available on the Group's website.</p>	Not applicable

# CORPORATE GOVERNANCE STATEMENT

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
2	Structure the Board to Add Value	<p>The Company complies with the following recommendations:</p> <ul style="list-style-type: none"> <li>A majority of the Board should be independent directors.</li> </ul> <p>The Company has three Non-Executive Directors and one Executive Director. Each Non-Executive Director is considered to be independent.</p> <ul style="list-style-type: none"> <li>The Board should establish a Nomination Committee.</li> </ul> <p>Given the Group's size, it is not considered necessary to have a separate Nomination Committee.</p> <p>However, the Company has established a Corporate Governance Policy specific to the Appointment of New Directors which provides guidelines for assessing the suitability of new directors.</p> <p>The skills, experience, expertise and period since appointment of each of the Group's directors are set out in the Group's Annual Report.</p> <p>If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then provided the director must first obtain approval for incurring such expense from the acting Chairman the Company will pay the reasonable expenses associated with obtaining such advice.</p> <p>During the Reporting Period, an evaluation of each of the Directors was undertaken, in accordance with the Group's Corporate Governance Policies relevant to the the evaluation of Executive and Non-Executive Directors.</p>	<p>Not applicable</p> <p>The Board, in consultation with external advisers and the Remuneration Committee undertakes this role.</p> <p>A separate policy for <i>Selection and Appointment of New Directors</i> has been adopted by the Board which provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Group's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.</p>

# CORPORATE GOVERNANCE STATEMENT

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
3.1	Promote Ethical and Responsible Decision Making	<p>The Company should adopt a code of Conduct.</p> <p>The Company complies with this Principle.</p>	A Code of Conduct for Directors and Key Executives and a Corporate Code of Conduct has been established and is disclosed on the Company's website.
3.2		<p>Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.</p>	<p>The Company complies with this recommendation. The Board has formally adopted a Diversity Policy which is disclosed on the Company's website.</p>
3.3		<p>Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.</p>	<p>The Company does not comply with this recommendation. The Company's policy on diversity is to employ the right person for the right job regardless of their gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. The Company currently employs (including on a consulting basis) 42 staff; 5 females and 37 males.</p>
3.4		<p>Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p>	<p>The Company complies with this recommendation. The Company has 4 directors, all of whom are male. The Company currently employs (including on a consulting basis) 42 people; 5 females and 37 males.</p>

# CORPORATE GOVERNANCE STATEMENT

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
4	Safeguard Integrity in Financial Reporting	The Company complies with this Principle. An Audit Committee has been established comprising two independent directors.	Not applicable.
5	Make Timely and Balanced Disclosure	The Company complies with this Principle.	Not applicable.
6	Respect the Rights of Shareholders	The Company complies with this Principle.	Not applicable.
7	Recognise and Manage Risk	<p>The Company complies with this Principle.</p> <p>The Board of Directors has received a report from Management in relation to the effectiveness of the Group's management of the Group's material business risks.</p> <p>The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer (or their equivalents) that the declaration in relation to section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>	Not Applicable
8	Remunerate Fairly and Responsibly	<p>The Company complies with this Principle.</p> <p>A Remuneration Committee has been established.</p> <p>The Committee has two members with both considered to be independent.</p> <p>There is presently no scheme for retirement benefits, other than superannuation for non-executive directors.</p>	<p>The Company has separate policies relating to the remuneration of non-executive directors as opposed to senior executives.</p> <p>These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.</p>

# ADDITIONAL INFORMATION

## SHAREHOLDER INFORMATION

The following information is based on share registry information processed up to 14 April 2012.

### (a) Distribution of Fully Paid Ordinary Shares

The number of holders, by size of holding, in each class of listed securities is:

Securities			Ordinary Fully Paid Shares		
Spread of Holders			Number of Holders	Number of Shares	% of Issued Shares
1	-	1,000	23	4,526	0.00
1,001	-	5,000	96	324,386	0.23
5,001	-	10,000	114	1,011,231	0.72
10,001	-	100,000	518	20,970,573	14.98
100,001		and over	166	117,706,678	84.07
<b>Total</b>			<b>917</b>	<b>140,017,394</b>	<b>100.00</b>
Number of shareholders holding less than a marketable parcel			94	203,912	0.15

### (b) Twenty largest holders

The names of the twenty largest holders of ordinary fully paid shares are:

	Shareholder	Number Held	% of Issued Shares
1	MERRILL LYNCH AUST NOM PL	16,156,359	11.54
2	KINGSLANE PTY LTD <CRANSTON SUPER FUND A/C>	11,228,749	8.02
3	HSBC CUSTODY NOM AUST LTD	9,388,830	6.71
4	JP MORGAN NOM AUST LTD <CASH INCOME A/C>	5,260,210	3.76
5	ABLETT PL <DAVID EDWARDS FAM>	4,250,000	3.04
6	NEFCO NOM PL	4,090,000	2.92
7	YULE KATHRYN	4,000,000	2.86
8	KIRKHAM PETER REGINALD <KIRKHAM FAM A/C>	3,250,000	2.32
9	PRECAMBRIAN PL <KITTO & SHEPHERD S>	3,200,000	2.29
10	PHIPPS DAVID OWEN & P M <HIPPS S/F A/C>	2,125,000	1.52
11	KINGARTH PL	1,950,000	1.39
12	MARFORD GRP P;	1,636,200	1.17
13	NATIONAL NOM LTD	1,624,562	1.16
14	EKCO INV PL	1,500,000	1.07
15	MUNYARD G J & M A & C H <RIVIERA S/F A/C>	1,440,836	1.03
16	CHEMCO S/F PL <CHEMCO S/F NO 2 A/C>	1,437,500	1.03
17	NEBRASKA PL <RG SAYERS FAM A/C>	1,350,000	0.96
18	NEBRASKA PL	1,150,000	0.82
19	PETSEL PL <PETSEL S/F A/S>	1,014,238	0.72
20	HEWETT GEOFFREY M <HEWETT FAM A/C>	1,000,000	0.71
	<b>Total</b>	<b>77,275,003</b>	<b>55.19</b>



# ADDITIONAL INFORMATION

## (c) Quoted Securities

There are 140,017,394 ordinary fully paid shares currently listed and trading on the Australian Securities Exchange. There are no securities issued by the Company that are subject to restriction provisions.

## (d) Substantial shareholders

Name of Shareholder	Number of fully paid Ordinary shares held	Percentage of capital
MERRILL LYNCH AUST NOM PL	16,156,359	11.54%
KINGSLANE PTY LTD <CRANSTON SUPER FUND A/C>	11,228,749	8.02%
HSBC CUSTODY NOM AUST LTD	9,388,830	6.71%

## (e) Voting Rights

### FULLY PAID ORDINARY SHARES

Every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each fully paid share.

## (f) Holders of Unquoted Securities

Holder	Exercise Price	Expiry Date	No. Options
PA Kitto & RE Shepherd <Kitto & Shepherd Super Fund>	30 cents	24 August 2013	1,000,000
PA Kitto & RE Shepherd <Kitto & Shepherd Super Fund>	40 cents	24 August 2013	1,000,000
Evan Cranston	30 cents	24 August 2013	1,000,000
Evan Cranston	40 cents	24 August 2013	1,000,000
Aoife McGrath	30 cents	27 August 2013	1,000,000
Aoife McGrath	40 cents	27 August 2013	1,000,000
Employee Options (subject to Employee Option Plan)	30 cents	2 September 2013	950,000
Employee Options (subject to Employee Option Plan)	40 cents	13 September 2013	750,000
Employee Options (subject to Employee Option Plan)	45 cents	6 October 2013	600,000
Employee Options (subject to Employee Option Plan)	38 cents	1 April 2014	1,025,000
Employee Options (subject to Employee Option Plan)	16 cents	23 June 2014	50,000
			9,375,000

## (g) Company Secretary

The name of the Company Secretary is Mr Grant Jonathan Mooney.

## (h) Registered Office

Suite 23, 513 Hay Street, Subiaco WA 6008  
Telephone: (08) 6142 0986  
Facsimile: (08) 9388 8824

# ADDITIONAL INFORMATION

## (i) Schedule of Mining Tenements

Project	Licence Number	Interest
<b>Burkina Faso</b>		
KANDY	10-100	Earning 80%
MADOUGOU	09-156	Earning 80%
LOSSA	09-030	Option to Acquire 100%
DERE	09-036	Option to Acquire 100%
DABYNYAN I	09-233	Option to Acquire 100%
SILIGA		Option to Acquire 100%
BAN	08-092	Option to Acquire 100%
MADOUGOU 2	07-094	Option to Acquire 100%
KOUMBRI	08-090	Option to Acquire 100%
<b>Western Australia</b>		
Red Dam	M16/344	100%



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